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The Inevitability of the Reintroduction of an Inheritance Tax in Australia

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Inheritance Tax in Australia: A Discussion Paper

Prepared for the [redacted]

This paper has been produced for the [redacted] to assist discussion on the potential reintroduction of a federal inheritance tax in Australia. It examines the historical context, the growing issue of generational inequality, and the fiscal challenges facing government revenue. Particular attention is given to how an inheritance tax, while potentially contributing to a more equitable and sustainable society, may also have unintended consequences—especially in relation to the willingness of individuals to make charitable bequests to churches and other not-for-profit organisations.

Abstract

Traditionally, many Australians have included significant bequests to religious organisations and charities in their wills, motivated by a desire to support causes they believe in and to leave a legacy of social good. However, if estates are subject to a substantial tax burden, individuals may be less inclined to make such gifts, fearing that doing so would further diminish the assets available to their families after tax obligations are met. In effect, the prospect of inheritance taxation may discourage charitable giving at the very moment when many churches and community organisations are most reliant on these contributions to sustain their outreach and welfare programs. This paper aims to provide a balanced overview to inform constructive dialogue.

Why fiscal reality and political demographics point to the return of inheritance taxes

Australia's structural deficit remains entrenched, and there is no realistic prospect of repaying the nation's debt without significant changes to how revenue is raised and distributed.

At the same time, the country is undergoing a profound generational shift—both economically and politically. The 'baby boomer' generation, which benefited from affordable property, generous tax concessions, and decades of capital appreciation, is now beginning to pass on its wealth. Meanwhile, younger generations—locked out of home ownership, burdened by student debt, and grappling with rising living costs—are increasingly demanding a fairer and more sustainable system. This sentiment is reflected in their growing support for progressive parties such as Labor and the Greens, which favour redistributive taxation and increased public spending.

Australia's unmanageable debt and the inevitable consequence of inflation

With gross government debt projected to exceed AUD1.2 trillion by 2026[1], Australia is saddled with a debt profile that is expanding faster than its revenue base. While printing money—"fiat money"[2]— might *appear* to offer an expedient solution, as successive governments have routinely resorted to, it ultimately undermines the value of the currency and risks triggering substantial inflation, as Australia is currently experiencing.

Fiat money derives its value solely from the confidence in the government and the broader economy; it is not backed by gold or any physical asset. Increasing the money supply without a corresponding rise in economic output inevitably leads to higher prices, currency devaluation, and a loss of trust from both the public and foreign investors[3]. Rather than resolving the debt problem, such measures often exacerbate it—particularly in a country like Australia, which is heavily dependent on imports and foreign capital.

Variable interest rates—essentially conjured up by the Reserve Bank of Australia, often under pressure from the government of the day—are an inevitable consequence of reckless money-printing. In the absence of any asset-backed currency hedge, such as gold, Australia must offer higher yields to entice international lenders and suppliers, many of whom will prefer to convert AUD into more practical global currencies like the USD or Euro. While quantitative easing has become a standard tool in modern economic policy, the extent to which it has been used in Australia—without structural reform or productivity growth—has become dangerously short-sighted. A crude but apt analogy: printing money is like setting your house on fire to stay warm—it works briefly, but the damage is profound and enduring [4].

Regretfully, Australia is not a manufacturing nation. Its economy remains relatively mono-focused, heavily dependent on revenue from the extraction and export of raw minerals—primarily coal and iron ore—as well as agricultural products such as wheat, barley, beef, seafood, and wine. The overwhelming share of national income, however, is derived from coal and iron ore, which have historically delivered windfall profits and underpinned much of the country's economic growth[5].

Yet this model is now under threat. Africa—particularly Guinea—possesses vast untapped reserves of similarly high-grade resources. With major Chinese investment and infrastructure development underway, these alternative supply sources are poised to come online, offering China—Australia's largest customer—greater leverage in setting commodity prices[6]. This poses an existential risk to Australian producers who, for over a century, have largely avoided international price competition due to their relative importance to global supply.

The full impact of this shift has so far been cushioned by elevated commodity prices, largely driven by geopolitical upheaval—most notably the Russia-Ukraine war. But this is a temporary reprieve. Once prices normalise and diversified supply chains mature, Australia may no longer be able to rely on its resource giants to generate the extraordinary profits needed to service its mounting debt. In short, the country's economic vulnerability is growing—and its primary revenue engine may not be able to keep up. Hence the pool of 'inheritance' wealth becoming increasingly attractive.

The illusion of growth through immigration and the 'churn economy'

Neither can Australia's future economic growth—as distinct from the notion of Gross Domestic Product[7] (GDP) expansion—be sustainably driven by large-scale immigration. While immigration theoretically increases the available workforce, in practice, many new arrivals end up providing services to those who migrated before them. This creates a closed-loop or 'churn economy'[8] that boosts consumption and lifts GST revenue, but does little, if anything, to generate genuine national income or export value.

Moreover, Australia's immigration mix is heavily skewed by family reunification programs, which frequently bring in non-working-age dependents[9]. These individuals consume goods and services without materially contributing to economic productivity, further reinforcing internal consumption without external value creation.

To illustrate this dynamic—churn economy—consider what I call the 'Bunnings Example'. At first glance, the opening of a new Bunnings store may seem like a sign of economic vitality. But Bunnings is not an exporter—it is an importer. The vast majority of its products are sourced from overseas, particularly from Asia and predominantly from China. Suppose a customer buys a hammer for $10. If Bunnings paid $5 to import that hammer, that $5 flows offshore. The remaining $5 is domestic profit—but it's not new money. It simply transfers from the customer to Bunnings, which then uses it to cover wages, rent, and operating costs. The money already circulating in the domestic economy is merely shuffled—not multiplied—while the government takes a small cut via GST on each transaction. Every purchase results in a non-reciprocal portion of Australian dollars exiting the country to fund further imports.

This is the churn economy in action: economic activity appears robust on paper, but in reality, it steadily drains national wealth without creating new income or productive export value. Thus, there is little hope that a larger, consumption-based domestic economy will generate the fresh income required to pay down—or even meaningfully reduce—Australia's national debt.

Accordingly, the income tax base—derived primarily from salary earners and small business owners operating within the churn economy—does not genuinely expand. Rather, it shifts across a greater number of workers, all recycling the same pool of 'fiat money'. This dynamic fuels inflation: instead of saving, people are forced to spend due to the rising cost of essentials. Governments then point to higher spending and inflated GDP figures as evidence of economic strength, creating the illusion of prosperity. But this is a misconception—or worse, a deliberate deception. The truth, reflected in persistent trade deficits and stagnant real wages, is that the economy is not truly growing in terms of national revenue generation.

So, what options does the government have? It cannot simply raise income tax rates—doing so would leave many Australians unable to meet basic living costs. Instead, it relies heavily on bracket creep, that most insidious of fiscal tools, which quietly extracts more tax as workers earn more, often just to keep pace with inflation, without any formal change in tax rates.

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What about closing loopholes and taxing multinational companies more?

There is a long-held view of many ordinary citizens—that multinationals ought to be taxed more, and that loopholes such as those exploited through transfer pricing should be closed, thus ensuring a greater share of their income earned in Australia is taxed here, and at a higher rate. Will this solve the problem? ... No—not on its own—but it may help address part of the problem.

Why: Firstly, multinationals are not the biggest source of tax slippage. According to former Australian Tax Commissioner Chris Jordan (2013–2024), the greatest tax slippage came from the cash economy—often referred to as the "black economy"—and he directed his strongest accusations at tradespeople during his first appearance at the National Press Club.[10]

Indeed, taxing the mining giants will become increasingly difficult if their revenue base shrinks dramatically, as predicted. And as for offshore tech giants like Google, Facebook, and Amazon, there is always the risk they will either deprive Australians of services altogether or further restructure their operations to minimise their local tax obligations. This situation is made worse if the average Australian consumer has less disposable income to spend, and if the Australian dollar continues to weaken—making imported goods and overseas services more expensive and reducing overall taxable economic activity. A perfect storm as it were.

What about taxing the super-profits of banks?

Recent statistics show that Australia’s four major banks are among the most profitable in the world[11]. However, taxing them more heavily—or imposing a higher rate on a portion of their profits deemed ‘super-profits’—would have significant unintended consequences. Chiefly, it would reduce the dividends payable to superannuation funds, which collectively hold the bulk of Australian's private wealth.

In effect, it would be robbing Peter to pay Paul: money intended for the retirement savings of Australian workers would instead be redirected to government coffers, largely to service growing debt and fund yet more short-term, often frivolous, programs—the very spending practices that contributed to the current economic predicament. Moreover, it would have an immediate negative impact on those who rely on their superannuation, dividends from bank shares, or annuity income streams managed by funds specialising in bank investments. This would, in turn, increase demand for social services, higher pensions, and additional tax concessions, thereby undermining any potential fiscal benefits that the new taxes were intended to achieve.

Successive governments mismanagement of the economy

All of these problems are the result of successive governments — together with their department heads and advisers — mismanaging the economy. In some cases, as recently exposed with PwC, these failures were compounded by active misconduct: PwC was found to have exploited confidential information obtained while working with the government to design tax minimisation schemes for large clients, undermining efforts to close loopholes and protect revenue[12].

Moreover, the business model of large consulting firms — often involving unscrupulous, barely legal, strategies to minimise client tax obligations — means there is little realistic prospect that large multinational corporations and major banks will contribute significantly more to government revenue in the foreseeable future. The politically palatable solution, then, may be to tax wealth at its final point of transfer—death.

A generational reckoning in the age of asset inequality

Australia abolished inheritance and estate duties at the federal level in 1979, following the lead of the states, which had phased out their own death duties by the end of the 1970s. At the time, the Liberal–National Coalition government, led by Prime Minister Malcolm Fraser, was in power[13]. Prior to their abolition, effective rates on larger estates could reach up to 15%, though rates varied depending on asset class and jurisdiction.

It is important to understand that inheritance tax (or estate duty, as it used to be called) usually applies to all assets of the estate, not just real property. Different exemptions and thresholds applied, but the whole estate was assessed in principle, and then a tax rate applied on the estate value above the threshold. Specifically:

- It includes real property (like houses, land).
- Personal property (like cars, boats, jewellery, art).
- Financial assets (bank accounts, shares, bonds, business interests).
- Superannuation balances, if paid to non-dependents (depending on the rules).
- Life insurance payouts (sometimes, depending how the policy is structured).

In other words, the whole estate was generally assessed, then taxed above a certain threshold.

As an expedient measure, it would likely be more politically palatable for increasingly socialist-leaning governments to target the 'rich'—meaning-perceptively—those who own property, and particularly those who own multiple properties. An inheritance tax doesn't burden day-to-day consumption, and it appeals to the growing demographic of younger voters who feel locked out of asset ownership altogether. Ultimately, this will become a battle between the haves and the *have-nots*—and demographic trends suggest the have-nots are quickly becoming the majority.

Indeed, generational inequality is becoming harder to ignore. Baby boomers—many of whom acquired property when it was far more affordable, also benefiting from capital gains tax concessions—are now passing on extraordinary wealth. The question is no longer *if* there will be a correction, but how and when. An inheritance tax is therefore likely to re-emerge—not as a matter of political preference, but as a fiscal necessity [14].

> Note: If a Labor-led government is elected at the next federal election, it is likely that the reintroduction of an inheritance tax will be formally floated, with a view to a tiered implementation during the parliamentary term. Conversely, should a Coalition government be elected, it is unlikely that such a tax would be introduced during the course of its term. Nevertheless, whatever party is elected, the reintroduction of an inheritance tax, in some form or another, is ultimately inevitable.

How an inheritance tax would likely work

A reintroduced inheritance tax would likely adopt a tiered structure, initially targeting only estates above a certain threshold—perhaps starting at $2 million or more—and applying rates between 10% and 20% depending on the estate's total value and the relationship between the deceased and the beneficiary(s). A likely structure could look something like this:

Estate Value (Net of Liabilities)	Tax Rate
<$2 million	0%
$2 million – $5 million	10%
$5 million – $10 million	15%
>$10 million	20%

Such a scheme might—initially — aim to exempt the average family home but would capture multi-property investors, high-net-worth estates, and intergenerational wealth transfers, particularly where assets are held in trusts or other tax-favourable vehicles. The proceeds might be politically framed as "restorative"—used to subsidise public housing, reduce debt, or fund younger generations' access to education and healthcare.

The political logic is that the deceased can't vote, and the recipients (typically already privileged) will struggle to garner public sympathy in an age of wage stagnation and housing unaffordability. The concept will likely be sold in the form of creating a more just society for the common good.

Based on the median price of houses in Australia's major capital cities[15], it is not unreasonable to suggest that many properties would be caught under such a regime. As the program develops—and if it is properly managed to deliver public and affordable housing—it is not beyond reasonable hypothesis that the family home, at a lower threshold, would also be captured, bringing many more properties into the tax net. The UK, having always maintained inheritance tax indicates the vast tax receipts that are also, potentially, recoverable in Australia[16].

Previous exemptions for charitable bequests

Under the now-abolished Commonwealth estate and gift duty regimes, charitable bequests were generally exempt from taxation, reflecting a policy position that gifts to religious, educational, and public benevolent institutions should be encouraged rather than penalised. This exemption was enshrined in legislation such as the *Estate Duty Assessment Act 1914 (Cth)* and later under the *Gift Duty Act 1941 (Cth)*. Section 8 of the 1914 Act, for instance, provided that estate duty was not payable on property passing by will or intestacy to public hospitals, religious institutions, or charitable organisations.

Similarly, charitable gifts made inter vivos (during one's lifetime) were also commonly exempt under the Gift Duty Act. These provisions recognised the unique societal role of churches and other faith-based institutions, particularly in service delivery and welfare, and ensured that testamentary generosity was not disincentivised through taxation.

However, in the current political and societal climate, where public policy increasingly reflects secular values and where organised religion—particularly the Christian Church—no longer commands the influence it once did, there is a growing risk that legislative exemptions for charitable bequests may not be renewed or prioritised in any future inheritance tax regime.

With declining church attendance and a more fragmented and disinterested faith-based community, policymakers may be less inclined to view religious institutions as essential partners in social cohesion and service delivery. Consequently, the moral and economic case for preserving exemptions on bequests to churches and affiliated charities will need to be proactively and persuasively made, lest such provisions be overlooked in the drafting of new legislation.

Conclusion: Points for Consideration

Australia's fiscal and social challenges are intensifying. The question is not just how to pay down growing foreign debt, but how to sustain essential public programs—Medicare, the NDIS, public housing, and an expanding welfare system—within a revenue base that is increasingly stretched.

Without major structural reform, the current tax system will not support the demands placed upon it. Consequently, inheritance tax, while presently controversial, is re-emerging as a likely—if not an inevitable—mechanism for raising future revenue. As political influence shifts toward younger Australians—many of whom may benefit rather than lose from such reforms—the reintroduction of inheritance tax is almost certainly to move from political taboo to political necessity.

Without specific exemptions for charitable bequests, a broad-based inheritance tax may dampen the willingness of individuals to make significant charitable bequests, particularly to churches and faith-based organisations. It could also contribute to an increase in contested wills and estate litigation, undermining family harmony and diverting resources into legal disputes.

In light of these concerns, time should not be wasted in developing a coordinated and sustained lobbying effort at the highest levels of government and the public service. The [redacted] and its member churches must act decisively to ensure that any future inheritance tax legislation gives due consideration to the unique role of faith-based organisations in Australian society. This includes advocating for exemptions or favourable treatment for charitable bequests made to churches, religious institutions, and related entities—so that the generosity of congregants is not discouraged, and the vital social and spiritual services provided by these organisations are not undermined.

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This paper is intended for discussion purposes only. The views expressed are general in nature and do not constitute financial, legal, or policy advice. While every effort has been made to ensure the accuracy of information presented, readers should undertake their own enquiries and consult with appropriate professionals before making decisions based on this material. The analysis reflects the author's interpretations and perspectives and is provided to encourage thoughtful debate on the issues discussed.

Footnotes:

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[1] According to the 2025–26 Federal Budget, Australia's gross government debt is forecast to peak at 37% of GDP, amounting to approximately $1.2 trillion AUD. This projection underscores the nation's significant fiscal challenges in the coming years.

[2] The term fiat money derives from the Latin word fiat, meaning "let it be done" or "by decree." It refers to currency that has no intrinsic value and is not backed by a physical commodity like gold or silver, but rather is established as legal tender by government decree. The modern concept gained traction in the 20th century, particularly after the United States abandoned the gold standard in 1971 under President Nixon, marking the global shift to fully fiat-based monetary systems. Australia officially severed its ties to gold in 1976.

[3] The Austrian School of Economics, notably through thinkers such as Ludwig von Mises and Friedrich Hayek, has long argued that fiat money—currency not backed by a physical commodity—derives its value solely from public confidence in the issuing government and broader economy. Mises, in The Theory of Money and Credit (1912), maintained that sound money must originate from a commodity with intrinsic value, such as gold, to preserve purchasing power and economic stability. Hayek, a Nobel Laureate and Mises' protégé, further critiqued fiat money in his influential work Denationalisation of Money (1976), contending that state control over currency leads to inflation and economic distortion. The Austrian School remains central to debates around monetary policy, advocating for a return to market-based currencies and cautioning against the long-term risks posed by unbacked fiat systems.

[4] The Australian dollar's perceived value relies entirely on confidence in the government's fiscal integrity and the broader economy—confidence which, in practice, is often sustained through optimistic projections, creative accounting, and forward estimates that would, in the corporate world, be viewed as misleading at best and fraudulent at worst. In the absence of intrinsic value, governments and central banks must engage in active and ongoing interventions to preserve monetary stability—hence the strategic importance of Australia maintaining its AAA+ credit rating, even if the basis for such a rating may no longer be entirely credible. One such tool is *quantitative easing* (QE), where the Reserve Bank of Australia increases the money supply by purchasing government securities—effectively injecting printed money into the economy. While this may appear stabilising in the short term, it distorts market pricing, suppresses interest rates artificially, and delays necessary fiscal reform. These interventions, along with prolonged low interest rate settings, are intended to stimulate economic activity but more often inflate asset prices and erode purchasing power. The Austrian School of Economics has long criticised this model as inherently unsustainable, arguing that fiat systems enable reckless fiscal behaviour and inevitably result in inflationary spirals, economic misallocation, and systemic instability. In this view, both fiat issuance and its subsequent monetary controls are not just imperfect—they are fundamentally flawed.

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[5] Despite decades of windfall profits from the mining sector—especially during the commodities boom of the early 2000s—Australia has consistently spent more than it earns. Structural deficits have persisted due to growing expenditure on welfare, health, public services, and infrastructure, often outpacing the revenue generated by resource exports. As a result, even during periods of strong economic growth, the national debt has continued to rise.

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[6] China has invested heavily in Guinea's Simandou mountain range, home to one of the world's largest untapped high-grade iron ore deposits. The project—jointly developed by Chinese state-owned enterprises and international mining firms—aims to establish a direct export corridor via rail and port infrastructure, allowing China to secure raw materials independently of traditional suppliers like Australia.

[7] The term 'Churn Economy' was first coined by Charles Pratten in 1996 to describe an economic cycle in which money circulates domestically without generating new national income, typically through high levels of internal consumption and low levels of export productivity. Since then, the concept has been referenced and adapted by various economists to describe similar patterns in different national and regional economies.

[8] Gross Domestic Product (GDP) is effectively, but not precisely, the measure of total monetary value of all goods and services produced and exchanged within a country's borders over a specific period, typically used as a broad indicator of economic health. However, GDP is increasingly recognised as an inaccurate measure of national production and exchange, as the Reserve Bank of Australia has manipulated the measurable indices to better fit its preferred narrative. This distorted data in turn leads to an inaccurate measure of inflation. In effect, what is not properly measured cannot be properly managed. Thus, it is not a stretch to conclude—as many economists do—that Australia's measure of GDP is wholly unreliable, resulting in uninformed decision-making at the highest levels of government.

[9] According to Australian Government data, a significant proportion of Australia's permanent migration intake is comprised of family stream migrants, including parents and dependents who are often past working age. In the 2022–23 permanent migration program, for example, around 24% of visas were granted under the family stream. While this promotes social cohesion, it also adds to the demand for public services without directly increasing workforce participation or national productivity. (Source: Australian Department of Home Affairs, 2023 Migration Program Report.)

[10] Mr. Jordan notably pointed to tradespeople ("tradies") as major contributors to unreported cash transactions. Jordan estimated the black economy could represent up to 1.5% of GDP, costing the government billions annually. National Press Club Address, July 23, 2014.

[11] McKinsey Global Banking Annual Review 2023: APRA "Insight" Report Series: Australian Financial Review, Big Four Banks Among Most Profitable in the World, 2023.

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[12] In 2023, PricewaterhouseCoopers (PwC) Australia became embroiled in a major scandal after it was revealed that senior partners had misused confidential government information obtained through advisory roles. The information was allegedly used to help multinational clients design strategies to avoid new Australian tax laws aimed at cracking down on profit shifting and tax avoidance. The scandal severely damaged PwC's reputation and prompted multiple inquiries into the relationship between government agencies and consulting firms. Source: Senate Inquiry into Consulting Services, Final Report, 2023.

[13] Inheritance taxes in Australia, commonly referred to as death duties, were abolished in stages. The turning point came in 1977 when Queensland Premier Joh Bjelke-Petersen eliminated state-based death duties, triggering a wave of interstate tax competition. By 1979, all Australian states had followed suit. In the same year, the federal Fraser Government abolished the Commonwealth estate and gift duties, effectively ending inheritance taxation nationwide. This policy shift was largely driven by political pressure and fears of capital flight rather than by long-term fiscal planning.

[14] See the Australian Parliamentary Library Research Paper No. 2 2000–01 titled "*Death Duties and Capital Gains Tax: The Australian Experience*" authored by Neil Warren. This paper provides an in-depth analysis of Australia's historical use of death duties (inheritance and estate taxes), their eventual abolition, and the subsequent reliance on capital gains tax as a fiscal tool: See also "*Surprise me when I'm dead: Revisiting The Case For Estate Duties*", Discussion paper authored by David Richardson, February 2016, for The Australian Institute: https://australiainstitute.org.au/wp-content/uploads/2020/12/Revisiting-the-Case-for-Estate-Duties.pdf

[15] According to CoreLogic's Home Value Index (March 2025), the median house price in Sydney exceeds $1.4 million, while Melbourne and Brisbane are approaching $950,000 and $850,000 respectively. Given these valuations, a significant proportion of properties would fall within any proposed inheritance tax thresholds unless carefully calibrated.

[16] In the 2023–24 tax year, the UK government collected a record £7.5 billion in inheritance tax (IHT) receipts, marking a £400 million increase from the previous year. This growth is largely attributed to the freeze on the IHT threshold at £325,000 since 2009, which has led to more estates becoming liable for tax as property values have risen. The standard tax-free allowance of £325,000 has remained unchanged since 2009, with an additional £175,000 residence allowance fixed since 2017. About 4% of UK deaths incur IHT, with property comprising 38% of the average taxed estate, stocks and shares 29%, and cash 18%. The Office for Budget Responsibility projects IHT receipts to reach £13.9 billion by 2030, driven by both the threshold freeze and forthcoming reforms. For the 2024–25 tax year, IHT receipts are projected to reach £8.2 billion, a 10.8% increase from the previous year. This continued rise is expected to contribute to the UK's fiscal revenue, with projections indicating that IHT receipts could approach £13.9 billion by 2030.

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