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BY WEALTH ADVISER

### Introduction: A New Era for Everyday Australian Giving

Philanthropy in Australia is changing. It's no longer just for the wealthy or for big corporations—everyday Australians are discovering how giving can be both deeply rewarding and financially smart. With new government incentives and easier ways to donate, more people are finding that supporting their favourite causes can also help them manage their finances and build a lasting legacy for their families.

Whether you're passionate about helping your local community, supporting medical research, or backing environmental projects, there are now more ways than ever to make your giving go further. This guide explains how you, as a retail client, can use tax-smart philanthropy to make a difference—while also looking after your own financial well-being.

#### BEFORE YOU GET STARTED

This Wealth Adviser publication is published by Wealth Today Pty Ltd (AFSL 340289), Sentry Advice Pty Ltd (AFSL 227748), Synchron Advice Pty Ltd (AFSL 243313) and Millennium3 Financial Services Pty Ltd (AFSL 244252) and contains general and factual information only.

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Information in this document is no substitute for professional financial advice.

We encourage you to seek professional financial advice before making any investment or financial decisions.

In any circumstance, before investing in any financial product you should obtain and read a Product Disclosure Statement and consider whether it is appropriate for your objectives, situation and needs.

## Why Structured Giving is Gaining Popularity

### Moving Beyond One-Off Donations

Many Australians are used to giving a few dollars here and there—at the checkout, during a charity drive, or online. While every bit helps, there's a growing trend towards “structured giving.” This means planning your donations in a way that's more strategic, so you can:

- Support your chosen causes over the long term
- Maximise the impact of your gifts
- Take advantage of tax benefits
- Involve your family and pass on your values

### National Push to Double Giving

The federal government wants to double philanthropic giving by 2030. To help achieve this, they've introduced reforms to make giving easier and more attractive for everyday people—not just high-net-worth individuals.

## Understanding Your Options: How Can You Give?

There are several ways you can structure your giving in Australia. Here are the most popular options for retail clients:

### 1. Public Ancillary Funds (PuAFs)

#### What are they?

PuAFs are managed funds that pool donations from many people. You can contribute any amount, and the fund's managers handle all the paperwork, investments, and compliance.

#### Why consider a PuAF?

- No minimum donation—start with what you can afford
- Donations are tax-deductible if the fund is a Deductible Gift Recipient (DGR)
- You can set up a “sub-fund” in your name or your family's name for a personal touch
- The fund distributes at least 4% of its assets each year to eligible charities

#### Who is it for?

Anyone who wants a simple, flexible, and professionally managed way to give.

### 2. Endowment Funds (Sub-Funds)

#### What are they?

Often set up as part of a PuAF, endowment funds let you make an initial donation (sometimes as low as \$10,000) and then recommend which charities receive grants from your fund's income each year.

#### Why consider an endowment fund?

- Create a named legacy for your family or a cause

- Your donation is invested, and only the earnings are distributed each year—so your impact continues over time
- Tax-deductible donations, with the option to spread deductions over several years if you make a large gift

#### Who is it for?

People who want to support their favourite causes for years to come, with minimal administration.

### 3. Private Ancillary Funds (PAFs)

#### What are they?

PAFs are private charitable trusts, usually set up by families or individuals who want to give large amounts (typically \$500,000 or more). You control the investments and decide which charities receive grants, but you're also responsible for compliance and reporting.

#### Why consider a PAF?

- Maximum control over how your money is invested and given
- Involve your family in decision-making and create a tradition of giving
- Tax-deductible donations and tax-free investment earnings

#### Who is it for?

Those with significant resources who want to create a family foundation and manage their own giving.

## Making Your Giving Work for You: Tax Benefits and Compliance

### How Tax-Deductible Giving Works

When you donate to a charity or fund with DGR status, you can claim a tax deduction for your gift. This means you pay less tax, while your chosen charity receives more support. For larger gifts, you can spread your deduction over up to five years—helpful if you want to manage your taxable income.

#### Checklist for Tax-Deductible Giving:

- Make sure the charity or fund has DGR status (check the ATO website)
- Keep your receipts and records
- Consider timing your donation for maximum tax benefit (e.g., in a high-income year)
- For gifts over \$5,000, talk to your accountant about spreading deductions

### New Reforms to Make Giving Easier

Recent government changes are making it simpler for all Australians to give:

- **No more \$2 minimum:** Soon, all donations—no matter how small—will be eligible for a tax deduction



- **Simpler DGR processes:** More charities can now receive tax-deductible gifts, especially community and grass-roots groups
- **Easier reporting:** Funds and charities face less red tape, so your donation goes further

## Practical Strategies for Everyday Givers

### 1. Start Small, Grow Over Time

You don't need to be wealthy to make a difference. Many Australians start with small, regular donations—either directly to charities or through a PuAF or endowment fund. Over time, these gifts add up and can have a big impact.

### 2. Involve Your Family

Giving can be a powerful way to teach children about values and community. Consider involving your family in choosing causes, setting up a sub-fund, or volunteering together.

### 3. Review Your Giving Regularly

As your circumstances change, so can your giving. Review your donations each year to make sure they still align with your values and financial goals.

### 4. Use Workplace Giving and Matching

Some employers offer workplace giving programs or match employee donations. This can double the impact of your gift with no extra cost to you.

### 5. Seek Professional Guidance for Larger Gifts

If you're considering a significant donation or setting up a fund, speak with a financial adviser or accountant. They can help you structure your giving for maximum impact and tax effectiveness.

## Building a Legacy: The Deeper Value of Giving

Philanthropy isn't just about money—it's about building a legacy and strengthening your connection to the community. Many Australians find that structured giving brings:

- A sense of purpose and fulfilment
- Opportunities to involve family and pass on values
- Stronger ties to community groups and causes
- The satisfaction of seeing real, long-term impact

Research shows that people who give regularly often report higher life satisfaction and financial well-being.



## Frequently Asked Questions

### What is a Deductible Gift Recipient (DGR)?

A DGR is a charity or fund approved by the government to receive tax-deductible donations. Always check a charity's DGR status before donating if you want to claim a deduction.

### Can I choose which charities my fund supports?

Yes. With PuAFs and endowment funds, you can recommend grants to your favourite charities. With a PAF, you have full control over grant-making (within legal guidelines).

### Are there limits on how much I can claim as a tax deduction?

There's no upper limit, but deductions can't create a tax loss. Any unused deductions can be carried forward for up to five years.

### What records do I need to keep?

Keep receipts for all donations and any correspondence with charities or funds. This will make tax time easier and ensure you can claim your deductions.

## Comparing Your Giving Options

Feature	Public Ancillary Fund (PuAF)	Endowment Fund (Sub-Fund)	Private Ancillary Fund (PAF)
Minimum Donation	None	~\$10,000+	~\$500,000+
Donor Control	Moderate	Moderate	High
Professional Management	Yes	Yes	Optional (self-managed)
Tax Deductibility	Yes	Yes	Yes
Family Involvement	Yes	Yes	Yes
Administration	Low	Low	High
Ideal For	Anyone	Those wanting a legacy	High-net-worth families

## Conclusion: Giving That Makes Sense for You

Tax-smart philanthropy is not just for the wealthy or financial experts. With new reforms and more flexible options, every Australian can support the causes they care about—while also enjoying real financial benefits. Whether you choose to give directly, set up a sub-fund, or even create a family foundation, structured giving can help you make a bigger difference, build a legacy, and achieve your own financial goals.

If you're ready to take the next step, start by exploring PuAFs or endowment funds, talk to your favourite charities about DGR status, or seek advice for larger gifts. The most important thing is to begin—your giving can change lives, including your own.

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# BUILDING WEALTH AND RESILIENCE

## PRACTICAL STRATEGIES FOR AUSTRALIAN INVESTORS



Image by Nattanan Kanchanaprat from Pixabay

BY WEALTH ADVISER

### Introduction: Why Proven Strategies Matter for Australians

In today's rapidly changing economic environment, Australians are searching for ways to secure their financial future with confidence. While the investment landscape may seem overwhelming, success is rarely about chasing the latest trends or picking individual stocks. Instead, it's about adopting structured, proven strategies that offer both accessibility and resilience. As highlighted in Firstlinks, "There is no one-size-fits-all approach to investing, but proven strategies can guide Australians to better outcomes". This article explores nine time-tested investment strategies, with a strong emphasis on diversified, accessible approaches—especially through ETFs and managed funds—tailored to help Australians build lasting wealth.

### The Nine Winning Investment Strategies: A Diversified Approach

#### Broad Stock Market ETFs: The Foundation of Wealth

One of the simplest and most effective ways to start investing is through broad stock market Exchange Traded Funds (ETFs). These funds track major indices and provide exposure to hundreds of companies in a single, low-cost investment. By purchasing ETFs such as the Vanguard Australian Shares ETF (ASX: VAS), Betashares Australia 200 ETF (ASX: A200), or iShares Core S&P/ASX 200 ETF (ASX: IOZ), investors gain instant diversification, reducing company-specific risk and smoothing out the impact of market volatility. As Firstlinks explains, "Investing in broad market ETFs gives exposure to large segments of the stock market, capturing profits and dividends from top companies". Canstar further reinforces that "diversification is one of the most effective ways to reduce risk in your investment portfolio".

**Many active ETFs and diversified managed funds in Australia are designed with these principles in mind, allowing investors to benefit from professional research and disciplined portfolio construction without the need to pick individual companies themselves.**

#### **Growth at a Reasonable Price (GARP): Accessible Growth for Everyday Investors**

Growth at a Reasonable Price (GARP) investing blends the best elements of growth and value strategies. Rather than hunting for the next big stock, Australians can access GARP through managed funds and ETFs that target quality companies with solid earnings growth, but at reasonable valuations. Many active ETFs and diversified managed funds in Australia are designed with these principles in mind, allowing investors to benefit from professional research and disciplined portfolio construction without the need to pick individual companies themselves. As Firstlinks notes, “GARP focuses on buying blue-chip companies with growing earnings and dividends at reasonable prices”.

#### **Value Investing: Harnessing Professional Expertise**

Value investing is about seeking out undervalued companies, but for most Australians, this doesn't mean trawling through balance sheets. Instead, value-focused ETFs and managed funds—such as the VanEck MSCI International Value ETF (ASX: VLUE)—offer a simple, diversified way to tap into this approach. By pooling resources and expertise, these funds help investors avoid concentration risk and benefit from opportunities that may be overlooked by the broader market.

#### **Dividend Investing: Reliable Income Through Funds**

For those seeking steady income, dividend investing remains a cornerstone of Australian wealth-building. Rather than assembling a portfolio of individual dividend stocks, investors can access a basket of income-generating companies through dividend-focused ETFs like the Vanguard Australian Shares High Yield ETF (ASX: VHY) or managed funds. These vehicles not only provide regular income but also allow for reinvestment, compounding returns over time. As Firstlinks states, “Dividends provide a steady income stream and can be reinvested to compound returns”.

#### **Property Investment: Diversification Beyond Bricks and Mortar**

Property is a popular investment for Australians, but direct ownership is not the only option. Listed property trusts (REITs) and property ETFs, such as the Vanguard Australian Property Securities Index ETF (ASX: VAP), offer exposure to a broad portfolio of commercial and residential properties.

This approach provides diversification, liquidity, and the ability to invest in property with smaller amounts of capital, without the headaches of direct management.

#### **Active Stock Selection: Professional Management Over DIY**

While some investors enjoy the challenge of picking individual shares, most Australians are better served by professional management. Active ETFs and managed funds employ research teams to select stocks, aiming for outperformance while managing risk. Blending active and passive approaches can offer balance, allowing investors to benefit from professional insights without relying solely on their own research.

#### **Thematic and Sector Investing: Targeting Trends Efficiently**

Thematic and sector investing focuses on long-term trends such as technology, healthcare, or sustainability. Thematic ETFs (for example, BetaShares Global Sustainability Leaders ETF, ASX: ETHI) and sector ETFs provide targeted exposure to these growth areas. By using these funds, investors can participate in emerging opportunities without taking on the risk of single-stock bets.

#### **Defensive Assets: Stability and Liquidity Through Funds**

Defensive assets—such as bonds, cash, and gold—play a crucial role in reducing portfolio volatility. Bond ETFs (like iShares Core Composite Bond ETF, ASX: IAF), cash management trusts, and gold ETFs offer easy access to these assets, providing stability and liquidity during market downturns. As Firstlinks highlights, “Defensive assets such as bonds, cash, and gold help protect portfolios during market downturns”.

#### **Capital Preservation: Protecting Your Wealth**

As investors approach major financial milestones or retirement, protecting capital becomes paramount. Conservative multi-asset funds and capital-protected ETFs are designed to reduce risk and volatility. Gradually increasing allocation to these products can help ensure that hard-earned wealth is preserved, even as market conditions change.

#### **Diversification and Asset Allocation: The Backbone of Resilient Wealth**

The true strength of these strategies lies in how they work together. Diversification across ETFs, managed funds,

REITs, and defensive assets is the backbone of resilient wealth. By spreading investments across different asset classes and strategies, Australians can reduce the impact of any single market downturn and position themselves for more consistent long-term returns. Regular reviews and rebalancing ensure that portfolios remain aligned with personal goals, risk tolerance, and changing circumstances.

### Navigating Market Cycles: Staying on Track

Market ups and downs are a fact of life, but investors can stay the course by relying on structured processes rather than emotion. Automatic rebalancing, dollar-cost averaging, and periodic portfolio reviews are practical tools that help maintain discipline. Many platforms offer features to automate these processes, making it easier to stick to a plan and avoid costly mistakes.

### Taking Action: Steps for Australian Investors

Building wealth and resilience doesn't require complex strategies or constant monitoring. Start by clarifying your goals and risk tolerance, then build a core portfolio with broad-market ETFs. Layer in sector, thematic, and defensive funds as needed, and automate regular investments to benefit from compounding and market smoothing. Schedule periodic reviews to adjust your allocation as your life and goals evolve. For those seeking extra confidence, consulting

a licensed adviser can provide tailored guidance and peace of mind.

### Conclusion: Structure, Simplicity, and Long-Term Success

Australian investors can achieve lasting financial well-being by focusing on diversified, accessible strategies—especially through ETFs and managed funds—rather than relying on direct stock picking. By blending these approaches with disciplined processes and regular review, you can build wealth and resilience for the future, regardless of what the markets bring.

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# **FACING A POSSIBLE GST INCREASE INEVITABLE, ILL-TIMED, AND COSTLY FOR AUSTRALIANS**

**BY WEALTH ADVISER**

## **Introduction: The GST Debate Returns**

Tax reform is once again dominating headlines in Australia, with the prospect of raising the Goods and Services Tax (GST) from 10% to 15% now a topic of serious political discussion. For many, this is hardly surprising. The seeds for such a move were sown years ago, as governments grappled with an ageing population, mounting budget deficits, and the need for a more sustainable revenue base.

As *Firstlinks* observes, “Tax reform is once again a central topic in Australia, with proposals to raise the Goods and Services Tax (GST) from its current 10% to 15% gaining renewed attention.” This renewed focus is not occurring in a vacuum: Australia’s economic landscape is shifting, shaped by demographic trends, persistent budget pressures, and the need for a more productive, fairer tax system. As the Treasurer and policymakers debate the future of GST, Australian households are left to wonder: what would a higher GST mean for their day-to-day lives, and why is this debate returning now?

The GST, introduced in 2000 as a broad-based consumption tax, was always intended to be a stable source of revenue for governments. Over time, however, its relative contribution to the overall tax mix has shrunk, while spending pressures—particularly in health, aged care, and social security—have grown. The result is a widening gap between what governments collect and what they must spend to maintain services and support an ageing population.

This article explores why a GST increase now seems inevitable, why its timing could not be worse for ordinary Australians, and what the consequences might be for the broader economy. In doing so, it draws on recent commentary and analysis from leading Australian financial, academic, and policy sources.

## **Why a GST Hike Now? Political and Economic Drivers**

The push to raise the GST is not occurring in a vacuum. Australia’s fiscal landscape has become increasingly strained, with rising health and social security costs driven by demographic change. As *The Conversation* notes, “GST



**Australia's population is ageing rapidly, with the proportion of Australians over 65 projected to rise significantly over the coming decades. This demographic shift puts enormous pressure on government budgets, as older Australians typically require more health and social services, while contributing less in income tax.**

reform is back on the agenda, but achieving consensus among states and the federal government remains a significant challenge.” Yet, the pressure is mounting: the current tax system is heavily reliant on income taxes, which are vulnerable to bracket creep and can discourage productivity.

### **Budget Pressures and Demographic Change**

Australia's population is ageing rapidly, with the proportion of Australians over 65 projected to rise significantly over the coming decades. This demographic shift puts enormous pressure on government budgets, as older Australians typically require more health and social services, while contributing less in income tax. According to the *Grattan Institute*, “A higher GST, paired with welfare adjustments, can improve fairness and fiscal health.” In other words, as the tax base narrows and expenditure rises, governments are forced to look for new, more stable sources of revenue.

The Henry Tax Review, more than a decade ago, foreshadowed the need for a broader and more sustainable tax base. However, political sensitivities and reluctance to touch the GST have delayed the conversation. Now, with fiscal pressures intensifying, the debate has returned with a sense of urgency.

### **The Shrinking Role of GST**

When the GST was introduced in 2000, it was expected to provide a robust and growing stream of revenue. However, over the past two decades, its share of total tax revenue has stagnated. This is partly because of the exemptions built into the system (such as fresh food, health, and education), and partly because of shifts in consumer spending patterns towards untaxed or lower-taxed goods and services.

As *Firstlinks* puts it, “the current tax structure penalises additional effort, with high marginal tax rates kicking in at relatively modest income levels. This discourages productivity and incentivises tax minimisation strategies.” The GST, by contrast, is broad-based and relatively hard to avoid, making it an attractive option for governments seeking to shore up their finances.

### **Political Inevitability**

Politicians' renewed interest in the GST is, in many ways, inevitable. As the *Grattan Institute* points out, “A higher GST,

paired with welfare adjustments, can improve fairness and fiscal health.” The reality is that governments are running out of easy options for raising revenue, and the GST—broad-based and relatively efficient—is an obvious target.

Across the political spectrum, there is a growing recognition that Australia's tax system needs reform. While there is little enthusiasm for higher income taxes, and corporate tax reform is fraught with international complications, the GST stands out as a lever that can be pulled domestically. The debate has returned not because politicians want to raise taxes, but because the alternatives are even less palatable.

### **State and Federal Dynamics**

It's important to note that the GST is collected by the federal government but distributed to the states, making any change a matter of complex negotiation. As *The Conversation* points out, “achieving consensus among states and the federal government remains a significant challenge.” States have a vested interest in seeing GST revenue grow, but are often wary of the political fallout from supporting an increase.

### **The Timing Problem: Adding to the Cost-of-Living Crisis**

While the rationale for a GST increase may be clear from a budgetary perspective, the timing could hardly be worse for Australian households. The country is already in the grip of a cost-of-living crisis, with inflation pushing up prices for essentials and wages struggling to keep pace.

### **Inflation and Household Budgets**

Australia's inflation rate has surged in recent years, driven by a combination of global supply shocks, strong demand, and rising costs for housing, energy, and food. For many households, real wages have stagnated or even declined, making it harder to keep up with everyday expenses.

As *ABC News* reports, “Practical examples of how a GST hike would impact different income groups, with commentary from economists and social policy experts,” make it clear that any increase in consumption tax will flow directly through to household budgets. Unlike income tax, which can be adjusted for progressivity, the GST is paid at the checkout—there is no escaping its reach.

A GST increase would directly raise the price of most goods and services, from clothing and appliances to dining out and entertainment. Even with exemptions for fresh food, health, and education, the vast majority of household spending would be affected. For a typical Australian family, this could mean hundreds or even thousands of dollars in additional costs each year.

### No Real Escape for Households

*Morningstar Australia* highlights that “Australians should view tax changes as part of a broader wealth management strategy,” but in the case of a GST hike, there is little that most households can do. The increase is a blunt instrument, affecting nearly all goods and services. For those already feeling the pinch, this would simply mean higher prices and less room in the weekly budget.

Unlike targeted taxes or means-tested levies, the GST applies to almost everyone, regardless of income or circumstances. While governments may promise compensation for low-income earners, the reality is that many Australians will see their purchasing power eroded.

### Impact on Vulnerable Groups

The regressive nature of the GST means that lower-income households, who spend a larger proportion of their income on consumption, are hit hardest. As *The Conversation* notes, “GST increases tend to hit lower-income groups hardest, making targeted compensation essential.” However, experience from previous reforms suggests that compensation is often imperfect, and may not fully offset the increased cost of living.

Pensioners, single parents, and those on fixed incomes are particularly vulnerable. For these groups, even a modest increase in the GST can mean difficult choices between essentials like food, utilities, and healthcare.

### Timing and Economic Confidence

The timing of a GST increase is critical. Introducing a higher consumption tax during a period of weak wage growth and high inflation risks undermining consumer confidence and slowing the recovery. As *Australian Financial Review* notes, “Financial resilience is essential in the face of policy shifts and economic shocks,” but resilience has its limits when policy changes are both broad and inescapable.

In summary, while a GST increase may make sense on

paper, its timing could hardly be worse for Australian households already struggling with rising costs.

### Economic Impact: What a GST Increase Means for Australia

The consequences of a GST increase would ripple far beyond individual households. Consumer spending, which drives much of Australia’s economic activity, would almost certainly take a hit as families cut back on discretionary purchases.

### Impact on Consumer Spending

The GST is a tax on consumption, and higher prices inevitably mean less spending power for households. As the *Grattan Institute* warns, while a higher GST can improve fiscal health, it also risks dampening economic growth if introduced at the wrong time. Businesses, particularly in retail and hospitality, could see reduced demand as higher prices bite.

Australia’s economy is heavily reliant on consumer spending, which accounts for around 60% of GDP. When households are forced to tighten their belts, the effects are felt across the economy—from small businesses and local shops to large retailers and service providers.

### Sectoral Impacts

Some sectors would be hit harder than others. Retailers, cafes, restaurants, and tourism operators are especially vulnerable to changes in consumer sentiment. If a GST increase coincides with other economic headwinds, such as rising interest rates or global uncertainty, the risk of a broader slowdown grows.

*ABC News* highlights that “Practical examples of how a GST hike would impact different income groups, with commentary from economists and social policy experts,” point to the likelihood of reduced discretionary spending. This, in turn, could lead to job losses or reduced hours in affected industries.

### Business Confidence and Investment

Higher consumption taxes can also affect business confidence and investment. If businesses anticipate weaker demand, they may delay hiring or investment decisions. This can create a negative feedback loop, with lower spending leading to slower growth and fewer job opportunities.

As *Firstlinks* notes, “the current tax structure penalises additional effort, with high marginal tax rates kicking in at

**The regressive nature of the GST means that lower-income households, who spend a larger proportion of their income on consumption, are hit hardest. As *The Conversation* notes, “GST increases tend to hit lower-income groups hardest, making targeted compensation essential.”**

relatively modest income levels. This discourages productivity and incentivises tax minimisation strategies.” While a higher GST could, in theory, allow for lower income taxes and greater efficiency, the transition period could be challenging.

### **Distributional Effects and Compensation**

One of the main arguments against a GST increase is its regressive impact. As discussed earlier, lower-income households bear a disproportionate burden, as they spend a larger share of their income on goods and services subject to GST.

Governments often promise compensation packages to offset these effects, such as increased welfare payments or tax credits. However, as *The Conversation* and *Grattan Institute* both point out, the effectiveness of these measures is mixed. Some households may fall through the cracks, while others may receive less compensation than the actual increase in their cost of living.

### **Long-Term Economic Effects**

In the long run, a higher GST could help stabilise government finances and reduce reliance on more distortionary taxes. This, in turn, could support investment and productivity growth. However, the short- to medium-term effects are likely to include slower consumer spending, increased inequality, and potential social unrest.

The *Australian Financial Review* notes, “Financial resilience is essential in the face of policy shifts and economic shocks,” but for many Australians, resilience is already being tested by rising costs and stagnant wages.

### **International Comparisons**

It is worth noting that Australia’s GST rate is relatively low by international standards. Many OECD countries have VAT or GST rates of 15% or higher. However, these systems often have broader bases and more generous compensation mechanisms. Simply raising the rate without addressing exemptions and support measures may not deliver the intended benefits.

## **The Political Reality: Why We Shouldn’t Be Surprised**

Given all these factors, it is perhaps unsurprising that politicians are once again considering a GST increase. The warning signs have been there for years: an ageing population, rising health and social security costs, and a shrinking tax base.

### **Political Calculations**

For governments, the GST offers a relatively efficient and hard-to-avoid source of revenue. While raising income or company taxes is politically fraught, and often seen as a disincentive to work or invest, the GST is less visible and more broadly spread across the population.

As *Firstlinks* observes, “Tax reform is once again a central topic in Australia, with proposals to raise the Goods and Services Tax (GST) from its current 10% to 15% gaining renewed attention.” The inevitability of this debate reflects deeper structural challenges in the Australian economy.

### **The Role of States and the Federation**

The GST is unique in that it is collected by the federal government but distributed to the states. This creates a complex web of negotiations and incentives. States are often keen to see GST revenue grow, as it funds essential services

like health, education, and infrastructure. However, they are also wary of the political backlash that can accompany tax increases.

As *The Conversation* notes, “achieving consensus among states and the federal government remains a significant challenge.” Past attempts at GST reform have faltered on this very point, with states reluctant to shoulder the blame for higher taxes.

### **Public Perception and Trust**

One of the biggest challenges for any government considering a GST increase is managing public perception and maintaining trust. Australians are understandably wary of tax increases, especially at a time when many are

struggling to make ends meet.

*ABC News* emphasises “the importance of clear government communication to maintain public trust.” Without transparency about the reasons for reform, the intended use of additional revenue, and the measures in place to protect vulnerable Australians, any proposal is likely to face significant opposition.

### **The Inevitable Return of the Debate**

Ultimately, the debate over the GST is not going away. As fiscal pressures mount and other options become less viable, the GST will continue to be a focus for policymakers. The challenge is to ensure that any changes are implemented in a way that is fair, transparent, and mindful of the broader economic context.

**In the long run, a higher GST could help stabilise government finances and reduce reliance on more distortionary taxes. This, in turn, could support investment and productivity growth.**



## Conclusion: An Unavoidable Debate with Real Consequences

The debate over raising the GST has returned because, in many respects, it was always inevitable. Australia's fiscal challenges demand new solutions, and the GST remains one of the few levers left to pull.

Yet, the timing of this renewed push could not be worse for households already struggling with rising costs. The impact will be felt across the economy, with consumer spending likely to slow and inequality risks increasing.

Australians should not be surprised that politicians are considering a GST hike. The warning signs have been there for years. What matters now is that the debate remains open, transparent, and focused on the real-world consequences for ordinary people. As this issue moves forward, public scrutiny and informed discussion will be more important than ever.

The prospect of a GST increase is a reminder that Australia's tax system—and the broader economic environment—is constantly evolving. While the consequences of such a change would be significant, especially for

lower-income households, it is crucial that the debate focuses on timing, fairness, and the broader economic context.

If a GST increase is indeed inevitable, it is vital that governments communicate clearly, design effective compensation measures, and remain responsive to the needs of all Australians. Only then can the country navigate this challenging transition with resilience and fairness.

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# Q&A: Ask a Question

## Question 1:

**My friend warned me about gifting too much to my family and how it could affect my pension. How do Centrelink's gifting rules work?**

Centrelink allows you to gift money or assets, but there are limits on how much you can give before it impacts your Age Pension entitlements. You can gift up to \$10,000 in a financial year with a maximum of \$30,000 over five rolling years. Anything above this is considered a "deprived asset" and is still counted under the assets and income tests for five years from the date of the gift. This could reduce your Centrelink payments or disqualify you temporarily.

It's especially important to plan if you're considering helping children with house deposits, paying school fees or transferring ownership of property. Gifting wisely can still be part of a solid estate or financial plan, but understanding the rules ensures you don't unintentionally reduce your entitlements. Your financial adviser can help you assess the implications and structure support for your family without compromising your own financial security.

## Question 2:

**I read an article about new tariffs being placed on Australian exports, in particular pharmaceuticals. How could this affect the stock market and my investments?**

Trade tariffs, particularly when imposed on major Australian exports like wine, beef or minerals, can impact the earnings and share prices of companies in those industries. If key export markets become more expensive or less accessible, affected companies may experience lower profits which can then weigh on their stock valuations. This may

also have flow-on effects to broader sectors such as agriculture, mining and manufacturing and could reduce dividends or future growth. However, markets respond to more than just headlines.

They also consider how diversified a company is, the broader economic outlook and whether the impact is expected to be short or long term. The effects may also differ depending on whether you're invested in large, diversified firms or smaller companies with more specific exposure. A well-diversified portfolio can help protect against these risks. Your financial adviser can help assess whether your investments remain appropriate in light of global developments.

## Question 3:

**I've inherited a property from my uncle. Are there any strategies I should consider before deciding whether to sell it?**

Inheriting a property can open up different financial pathways depending on your broader goals. Before making any decisions about selling, it's important to consider how the property fits into your overall financial strategy. The property may qualify for a capital gains tax (CGT) exemption if it was your family member's principal residence at the time of death and sold within two years.

However, if you plan to hold onto it, it could provide rental income, contribute to wealth building or even be used to fund retirement through downsizing or borrowing strategies. The property may also impact your Centrelink entitlements, estate planning or superannuation contributions. A financial adviser can help you weigh up the financial implications of each option with your personal circumstances and long-term plans, and can coordinate with your accountant to ensure any tax considerations are appropriately managed.