

Thursday, 29 October 2026

Workers shouldn't pay higher tax rates than the wealthiest

Australian Unions will urge the Senate to pass the Federal Government's 30 per cent minimum tax on discretionary trusts, arguing that wage earners should not pay higher tax rates than the country's wealthiest households.

Unions used a submission today to the Senate inquiry to highlight that a nurse on an average full-time salary of \$90,000 could pay up to \$10,000 more in tax than a household receiving the same income through a discretionary trust.

The current tax system allows wealthy households to use discretionary trusts to minimise their tax burden by income splitting among family members on lower tax brackets.

New ACTU analysis shows that the estimated compliance costs of the Federal Government's proposed changes are just 0.1% of the annual income paid out of discretionary trusts.

The number of discretionary trusts has doubled since 2001. 90 per cent of all trust assets are owned by the wealthiest 10 per cent of households, those with a net worth above \$2.3 million.

Australia has twenty times more discretionary trusts per person than the UK, because the UK stopped allowing them to be used as tax loopholes.

Treasury analysis shows that in 2022-23, the average tax rate of households with a discretionary trust was around 4 per cent lower than that of a family with a similar income without a trust.

Despite employer group concerns about the impact of the tax changes on small businesses, 90 per cent of small businesses will be unaffected by the reforms.

The draft laws exclude charitable trusts, special disability trusts, and deceased estate trusts. More than 95 per cent of individual tax filers do not receive trust income.

Public submissions on the draft laws close today. The Senate committee report is due on 13 November. The reforms are set to take effect from July 2028.

Quotes attributable to ACTU Secretary, Melissa Donnelly:

"Australian workers are paying higher tax rates than some of the wealthiest families in the country because of discretionary trusts. These legal structures allow income splitting, so the wealthiest minimise their tax contribution to the public services we all rely on.

"A nurse on an average full-time salary of \$90,000 could pay up to \$10,000 more in tax than a household receiving the same income through a discretionary trust. We can't continue to let a dollar from work be taxed more than a dollar from a discretionary trust.

"Australian Unions urge all Senators to do the right thing for workers and close this unfair tax loophole. The wealthiest 10 per cent, those with a net worth above \$2.3 million, own 90 per cent of discretionary trust assets in Australia. The vote on these laws will be a clear test for politicians on whose side they're on: Australian workers, or the wealthiest and most powerful.

"A 30 per cent minimum tax on discretionary trust earnings will fix this economic distortion that is deepening inequality. Unions want our tax system to reward hard work, not the ability to pay a lawyer for a discretionary trust.

“Despite employer groups scaremongering, 90 per cent of small businesses will not be affected by the changes and 95 per cent of individual taxpayers don’t receive a single cent of trust income.

“Unions welcome the Albanese Government pursuing tax reform that puts the hard work of wage earners at the centre.”

ENDS

Media Contact: Cameron Warasta (0447) 159 467