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Australian tax gaps – overview

The concept of tax gaps, why and how we measure them, links to our latest Australian taxpayer segments and taxes data.

Last updated 3 November 2025

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Overview of tax gaps

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Tax gap estimates

Tax gaps estimate the difference between what the ATO expects to collect and the amount that would have been collected if every taxpayer was fully compliant with relevant taxation law.

The tax gap estimates shown in the following tables and commentary are net gaps. They represent our estimate of what ultimately will be uncollected in each financial year after recognising the impact of ATO compliance and other activities. Our historical estimates are refreshed to account for more information, allowing for a more informed analysis of the trend in tax gap.

We group our tax gap estimates into 3 main categories:

- transaction-based taxes

- income-based taxes
- administrative programs – these do not form part of our headline tax gap estimate (see Table 3 and Table 4).

Recognising the public benefit of reliable and credible tax gap estimates, we continue to engage an external independent advisory group who provide advice on our estimation approaches.

As the nation's principal tax collector, the ATO uses tax gap estimates to inform strategies to reduce tax gaps over time. We engage with a range of stakeholders to understand risks and drivers, and how we can collaborate to maximise voluntary compliance.

2022–23 total net tax gap estimate

For 2022–23, we estimate the net tax gap for income, transactional and excise taxes to be $58.2 billion, or 9.1% of the total theoretical tax of $640.5 billion. This is an increase of $9.1 billion from 2021–22 and $17.7 billion in 2020–21.

2022–23 key findings

The 3 largest components of the net tax gap are the:

- small business income tax gap
- individuals income tax gap
- GST gap.

Together these account for more than 80% of the $58.2 billion.

The small business income tax gap is the largest component of the total tax gap (accounting for 47%). We estimate this tax gap has increased from 15% in 2020–21 to 17.4% in 2022–23. As this estimate represents almost half of the total tax gap, it is a significant driver of the overall tax gap estimate. We continue to focus on deliberate behaviours to avoid taxes or exploit the regulatory system, in particular through our shadow economy funded program.

The individuals net tax gap is the second largest component, at 21% of the overall gap. We estimate the tax gap for individuals is $12.5 billion in 2022–23, or 6.2% of the total theoretical tax, down from 6.7% in 2021–22. We continue to expand the use of third-party data to pre-fill

tax returns, and data and analytics to prevent the overclaiming of deductions.

The GST gap represents 14% of the total and has increased to $8.1 billion, or 9.1% in 2022–23, rising from 6.4% in 2021–22. We are committed to helping small businesses get it right to register for GST and report their GST transactions accurately. Additionally, recent legislative changes have allowed us more time to process refunds to detect and investigate potential fraud before a refund is issued.

We also estimate the net tax gap for pay as you go (PAYG) withholding and 4 administered programs (see Table 3). These additional estimates do not form an additional part of the overall tax gap estimate, as they are already implicitly included in other gap estimations.

This year we are no longer including the tobacco tax gap estimate as a part of the overall net tax gap. While we have published the stand-alone tobacco estimate this year, we have assessed the estimate as unreliable. We will undertake a review of the method. The recently-established office of the Illicit Tobacco and E-cigarette Commissioner (ITEC) will provide more comprehensive reporting on the size of both the illicit tobacco and e-cigarette markets. This will cover estimates of excise and excise-equivalent customs duty evaded on the total illicit tobacco market, as well as the size of the e-cigarette market, which is not subject to excise or custom duty. We will work with ITEC to include in future years, an estimate of the excise duty evaded on domestic production of tobacco.

Governance and assurance

We have a strong governance framework and assurance process over our estimation methods used in gap processes. This includes external review by an advisory panel of subject matter experts to ensure we have high confidence in our tax gap estimates, as well as in our other metrics that measure tax system performance which we report in our Commissioner of Taxation annual report.

Tax gap estimates are a lag indicator. They measure the performance of the tax system for previous years.

Tax gaps are about measuring what isn't directly observable – what people have **not** told us.

Taxpayers may not have reported their true tax position:

- due to a misunderstanding of their obligations
- by choice
- by taking a tax position that differs from our view of the law.

All tax gap estimates are subject to a degree of estimation error. Estimates can change from prior years due to the availability of data, improvements in the methods we use and revisions to previous years' data, for example audits completed and assessments raised after a review.

The trends of tax gap over time:

- provide useful insights into the longer-term operation of the tax and superannuation systems
- inform on the overall performance and integrity of the system, including levels of willing participation and significant shifts in compliance
- can guide us in determining priority risks and opportunities to better inform where we need to focus to
  - lock in improvements in compliance
  - prevent behaviours and activities that might increase the tax gap
  - reduce the overall tax gap over time.

Changes in the economy, society and technology mean the issues driving tax gaps continue to evolve. We also must be realistic and recognise that there are many factors that ultimately impact on the overall tax gap, and that some of these will be outside the control of the ATO. No tax system or administration can eliminate tax gaps, as the cost of doing so would be excessive.

Effective tax gap management requires engagement with a range of stakeholders. Our work goes beyond estimating the tax gap. We want to understand the risks and drivers, and how we can work together with the community to sustainably improve compliance.

In this overview of tax gaps in Australia, we explain why we measure tax gaps, our approach to ensure credibility and a summary of the latest available estimates.

You can find out more about our research methodology, data sources and analysis used for our tax gap estimates in **Principles and**

approaches to measuring gaps.

Tax gaps by category

Following are the different tax gaps we measure, which we group into 3 categories:

- transaction-based
- income-based
- other tax gaps.

Transaction-based tax gaps

- Alcohol tax gap
- Fuel excise tax gap
- Goods and services tax gap
- Luxury car tax
- Wine equalisation tax gap
- Tobacco tax gap*

*The tobacco tax gap estimate does not form part of the headline tax gap estimate.

Income-based tax gaps

- Fringe benefits tax gap
- High wealth income tax gap
- Individuals not in business income tax gap
- Large corporate groups income tax gap
- Large super funds income tax gap
- Medium business income tax gap
- Petroleum resource rent tax gap
- Small business income tax gap
- Small super funds income tax gap

Administered program and PAYG withholding gaps:

- Fuel tax credits gap
- PAYG withholding gap
- Product stewardship for oil gap
- Superannuation guarantee gap

For previously published tax gap figures, see Australian Tax Gaps - Data.gov.au

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Annual tax gap findings

Our latest gross and net gap estimates.

Last updated 3 November 2025

Tax gap perspectives

We update and refresh our tax gap estimates in the ATO annual report each year. This year we are publishing estimates for 18 different gaps.

The **tax gap** can be viewed from 2 perspectives:

- The **gross** tax gap, which is the difference between the estimate of the amount we expect to collect (which includes what is voluntarily reported and paid) to the estimate of the amount of tax we theoretically would collect. We do not publish the gross gap for petroleum resource rent tax (PRRT) and product stewardship for oil (PSO) due to the small number of participants.
- The **net** tax gap, which reduces the gross gap by the amount of amendments in that financial year, where amendments represent the outcomes from ATO compliance actions plus any amendments made by the taxpayer.

Transaction-based tax gap estimates

Table 1 shows our gross and net gap estimates for 2022–23 (both as a dollar value and percentage of theoretical tax) for the transaction-

based tax gaps. It also contains the current reliability assessment ratings for the estimation approaches for all estimates. While some gaps also have an estimate for 2023–24 (see Table 4 for more details), all gaps have estimates for 2022–23.

Table 1: Transaction-based taxes, 2022–23 tax gap estima

Tax gap estimate	Reliability assessment rating	Financial year	Gross gap ($m)	N gap($
Alcohol tax	Medium	2022–23	800	7
Fuel excise	Reliable	2022–23	812	8
Goods and services tax	Medium	2022–23	11,310	8,
Luxury car tax	Medium	2022–23	57	
Wine equalisation tax	High	2022–23	58	

Gross and net gap estimates

Table 2 shows our 2022–23 gross and net gap estimates (both as a dollar value and as a percentage) and their reliability assessment ratings for the income-based taxes.

Table 2: Income-based taxes, 2022–23 tax gap estimates

Tax gap estimate	Reliability assessment rating	Financial year	Gross gap ($m)	Net gap ($m)
Fringe benefits	Medium	2022–23	1,844	1,815

tax				
High wealth income tax	Medium	2022–23	1,440	1,205
Individuals not in business income tax	High	2022–23	14,125	12,515
Large corporate groups income tax	High	2022–23	5,987	3,720
Large super funds income tax	High	2022–23	287	174
Medium business income tax	Medium	2022–23	1,811	1,689
Petroleum resource rent tax	Reliable	2022–23	n/a	51
Small business income tax	Medium	2022–23	28,085	27,171
Small super	Medium	2022–23	92	79

funds income tax				

Other tax gaps estimates

In additional to transactional and income tax based gaps, we also estimate the gap for programs that are administered by us on behalf of the community as well as PAYG withholding (other tax gaps). Table 3 shows the gross and net gap (both as a dollar value and percentage of theoretical tax), as well as reliability assessment rating, for each of our gap estimates for selected administered programs for 2022–23 and PAYG withholding.

Table 3: Other tax gaps – administered programs and PAYG 23 tax gap estimates

Gap estimate	Reliability assessment rating	Financial year	Gross gap ($m)	N g ($
Fuel tax credits	Low	2022–23	321	2
PAYG withholding	Medium	2022–23	7,082	4,7
Product stewardship for oil	High	2022–23	n/a	
Superannuation guarantee	Medium	2022–23	7,620	6,2

GST and excise gaps

For GST and excise gaps, we have more contemporaneous data which allows us to estimate their tax gaps for 2023–24 as well – see Table 4.

Table 4: Transaction-based and administrative programs 2

Gap estimate	Gap program	Reliability assessment rating	Financial year
Alcohol tax	Transaction-based	Medium	2023–24
Fuel excise	Transaction-based	Reliable	2023–24
Fuel tax credits	Administered	Medium	2023–24
Goods and services tax	Transaction-based	Medium	2023–24
Product stewardship for oil	Administered	High	2023–24

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The performance of the tax system – 2022–23

Understanding the tax gap to understand the overall performance of the tax system.

Last updated 3 November 2025

Overall 2022–23 tax gap

Understanding the tax gap allows us to understand the overall performance of the tax system. Viewing the performance of the tax

system with the economic environment at the time means we can better understand all the factors that may have influenced tax performance in 2022–23.

Overall, we continue to see steady growth in tax paid, with an estimated $582.3 billion expected to be collected for the 2022–23 financial year, a 10% growth from prior year. We estimate a tax gap of $58.2 billion or 9.1%.

Tax gap highlights

On an accrual basis, company income tax reported and paid (including amendments) grew by around 9% in 2022–23 relative to 2021–22 to around $142 billion. The stronger growth rate was driven primarily by large corporates. Medium and small businesses had modest growth, while companies owned by high-wealth networks saw a decrease of around 11%.

Personal income tax reported and paid (including amendments) grew by 11% for 2022–23. This was primarily driven by individuals not in business who contributed around 75% of the growth. The remainder was largely driven by individuals with ownership of or connections to small businesses.

More broadly across the economy, 2021–22 saw total household spending starting to increase significantly on the back of the economy re-opening after COVID-19. 2022–23 was the first year that the economy was free of any COVID-19 restrictions. Strong domestic demand for residential construction and consumer goods, coupled with supply chain disruptions and global price shocks started putting pressure on inflation. At the start of the financial year, the annual inflation rate was 6.1% and by December 2022, it had reached 7.8%.

In May 2022, the Reserve Bank of Australia (RBA) commenced the first of 10 consecutive cash rate increases, lifting the cash rate from 0.10% in April 2022 to 3.60% by March 2023. By June 2023, the cash rate was increased a further 0.50% to 4.10% as the RBA pulled its monetary policy lever to slow inflation.

Cost of living pressures eventually saw consumer spending starting to moderate, but reduced demand, increased costs and residual supply chain issues resulted in a challenging environment for business. Corporate insolvencies also increased in 2022–23. ASIC reported 5,440 corporate insolvencies, up from 4,064 in the previous year.

Almost half of those corporate insolvencies were in the construction or accommodation and food services sectors.

Some of these economic challenges started to be seen across the ATO. Activity statement insolvency debt increased to $7.6 billion, up from $5.5 billion, driven predominately by small business. In 2022–23, we reported that 38% of disengaged taxpayers with a collectible debt were in the construction and accommodation and food services sectors. These taxpayers represented $5 billion of the $16 billion of collectible debt for all disengaged taxpayers.

This year's tax gap estimate is for the 2022–23 income year. The net gap is 9.1%, up from 8.5% in 2021–22 and up from 7.7% in 2020–21. The increase in the gap isn't uniform across all of the market segments. It is predominately driven by increases in the tax gap for small business, including individuals in business (sole traders) as well as for GST.

The small business income tax gap has increased to 17.4% in 2022–23, up from 15.9% in 2021–22 and 15.0% in 2020–21. The upward trend reflects both an increase in mistakes but also deliberate non-compliance by small business. More information about the drivers of this gap can be found at **Small business income tax gap**. It is important to note, the latest year estimate is a provisional estimate that will be refreshed with additional information from our random enquiry program.

The GST gap for 2022–23 is 9.1%, up from 6.4% and 4.5% in the previous 2 years. The GST gap has returned to levels similar to pre-COVID-19, and we have seen a decrease in the net GST gap due to changes in consumer spending habits and composition of spending. The trend in the GST gap shows how the tax gap can be influenced by economic factors. See more information about the **Goods and services tax gap**.

Tax performance

Figure 1: Tax performance for published tax gaps in 2022–23

 We expect to collect 90.9% of tax for 2022–23, leaving a gap of 9.1%.

We estimate that for 12 out of the 14 segments, we will receive more than 90% of the tax that is expected to be collected in 2022–23.

Our compliance action continues to be important in ensuring high levels of tax performance, even ignoring any deterrent effect of anticipated compliance actions. We can see this when we compare the gross tax gap outcomes (voluntary performance) to the net tax outcomes (after ATO compliance intervention). For example, looking at the large corporate groups tax gap, the performance in this market improves from 94.1% before our engagement to 96.3% afterward.

Tax performance ratios

Figures 2 and 3 show a breakdown of the tax performance ratios for the 14 tax gaps. It shows the tax performance before any ATO-initiated action (gross performance) and the result after ATO-initiated action (net performance). Figure 2 includes both indirect taxes and excises. Figure 3 includes all income-based taxes.

Figure 2: Tax performance for transaction-based tax gaps in 2022–23

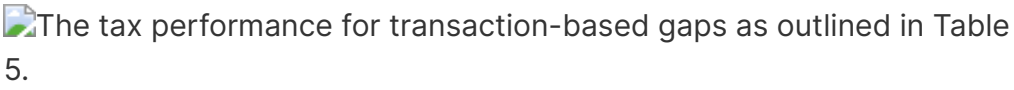
The tax performance for transaction-based gaps as outlined in Table 5.

Table 5: Tax performance ratios for transaction-based tax gaps in 2022–23

Taxes on goods and services	Gross performance	Net performance	Gross gap	
Alcohol	90.4%	90.4%	9.6%	9
Luxury car tax	95.1%	96.3%	4.9%	3
Wine equalisation tax	95.0%	95.7%	5.0%	4
Goods and services tax	87.3%	90.9%	12.7%	9

Fuel excise	96.1%	96.1%	3.9%	3

Figure 3: Tax performance for income-based tax gaps in 2022–23

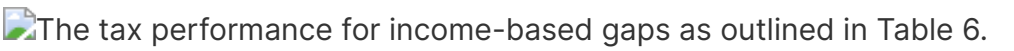
The tax performance for income-based gaps as outlined in Table 6.

Table 6: Tax performance ratios for income-based tax gap 2022–23

Tax on income	Gross performance	Net performance	Gross gap	
Fringe benefits tax	69.1%	69.6%	30.9%	30
Small business	82.0%	82.6%	18.0%	17
Medium business	91.0%	91.6%	9.0%	8
High wealth	91.4%	92.8%	8.6%	7
Individuals not in business	93.0%	93.8%	7.0%	6
Large corporate groups	94.1%	96.3%	5.9%	3
Small super funds	95.6%	96.2%	4.4%	3
Petroleum resource	NA	97.3%	NA	2

rent tax				
Large super funds	97.8%	98.6%	2.2%	1

Longer term trend

The longer term trend for tax gap highlights a decline during COVID-19 followed by an increase in the net gap post-COVID-19, reflecting a period of challenging economic conditions and one where the ATO saw large increases in the amount of tax debt. Both factors played out in particular in the small business sector. It is likely that these economic factors will continue to put upward pressure on the net tax gap for the 2023–24 income tax year.

The increase in the overall tax gap over the past 2 years is driven by increases in small business income tax and GST as discussed previously. Combined, these 2 tax gaps account for more than $35.3 billion of the $58.2 billion total. Accounting for more 60% of the total net tax gap in dollar terms, any movements in these gaps (up or down) will move the overall tax gap.

Despite this, the outcomes of the **Tax Avoidance Taskforce** continue to put strong downward pressure on the large corporate groups net tax gap. Over the last 6 years, the net tax gap for large corporate groups is $12 billion less than the gross (voluntary) tax gap. Put another way, the tax gap would be $2.0 billion higher every year if large corporate groups net gap equalled their gross tax gap, even disregarding the deterrent effect of the taskforce.

Figure 4: Tax gap estimates from 2017–18 to 2022–23


The tax gap trend as outlined in Table 7.

Table 7: Tax gap estimates from 2017–18 to 2022–23

Element	2017–18	2018–19	2019–20	2020–21	2
Net gap	8.1%	8.4%	8.0%	7.7%	

% (RHS)					
Gross gap % (RHS)	9.5%	10.2%	9.1%	9.0%	
Tax expected to be collected	412,650	423,332	436,602	484,013	5
Net gap	36,431	38,794	37,855	40,566	

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Why we measure the tax gap

Why we measure and how we address tax gaps.

Last updated 3 November 2025

The Australian tax system

The ATO has a vital role in collecting tax and ensuring that unpaid and under-reported tax is effectively and efficiently pursued so that government can deliver services for the Australian community. Addressing risks in the tax system maintains community confidence, which in turn supports voluntary participation and compliance. In delivering on our responsibilities, a core focus for the ATO is to collect the right amount of tax in the most efficient way for government and the taxpayer.

Our tax gap estimates program tells us how well the tax system is operating, the overall level of compliance across the tax system and what drives taxpayer behaviours. This allows us to tailor our

interactions with taxpayers to make it easier to comply, both now and into the future.

The insights gained from tax gap analysis guide us in determining or confirming priority risks and developing strategies (including administrative design, help and education, and audit), which aim to reduce the tax gap, improve voluntary compliance, and minimise deterioration in tax system performance. The tax gap program also influences areas for investment by government through specific new policy proposals.

Of course, more traditional metrics for revenue authorities, such as audit liabilities and yield, and total revenue effects, remain important. However, a focus solely on these measures can lead to a short term tactical focus. Supplementing these measures with tax gap estimates allows and encourages a longer term strategic approach.

Addressing the gap

As outlined in the ATO corporate plan 2025–26, we are committed to improving the overall performance of Australia's tax system. Our vision is an Australia where every taxpayer meets their obligations because complying is easy, help is tailored, and deliberate non-compliance has consequences.

We support taxpayers to get their affairs correct at lodgment through reminders, real-time prompts or nudges and improved guidance. We design the system around verifiable data, and leverage taxpayers' natural systems to save them time and minimise inadvertent errors. Importantly, this ensures maintainable voluntary compliance and will sustainably improve tax performance.

We continue to focus our compliance efforts on individuals and entities that present a risk by intentionally doing the wrong thing. While addressing non-compliance through audits and other correction activities will always be an important part of our compliance approach, our real success lies in ensuring taxpayers get things right from the start.

Where issues do arise, we know it's better (for taxpayers and for the ATO) to identify and resolve these early. We are also focused on increasing activities aimed at correcting issues as early as possible with minimal taxpayer impact.

We undertake a range of activities each year aimed at improving levels of correct assessment in the systems and programs we administer. Our compliance activities are funded through a combination of base funding and current or new policy programs, including the:

- Phoenix Taskforce and illegal phoenix program
- Serious Financial Crime Taskforce
- Shadow Economy Taskforce and program
- Tax Avoidance Taskforce
- Counter Fraud Program
- GST Compliance Program
- Personal Income Tax Compliance Program
- Tax Integrity Program

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Engagement, advice and assurance

How we ensure our tax gap estimates are reliable, credible and meaningful.

Last updated 30 September 2025

Tax gap advisory group

The tax gap program is supported by an independent, external advisory group.

The advisory group assists in the development of rigorous and robust methods for estimating tax gaps. Each tax gap is subject to continuous improvement based on feedback received by the advisory group, as well as global developments in tax gap methods and practices.

The tax gap advisory group was initially established with 3 members and has recently expanded to 5 members. Members of the advisory

group can be contacted through the **ATO's media unit**.

Tax advisory group members

Current members of the tax advisory group follow.

Emeritus Professor Neil Warren

Neil Warren is Emeritus Professor of Taxation at the UNSW Business School, University of New South Wales (UNSW) Sydney. Neil is a respected economist with a research focus on taxation issues. He is a leader in his field of expertise and has been the recipient of numerous grants, organized many conferences, and consulted widely to federal and state government agencies, political parties and welfare and industry groups, as well as providing expert opinion to government inquiries and parliamentary committees. He has been a member of the ATO Tax Gap Advisory Group since 2013 and has independently researched and published on the issue of tax gap for over 2 decades.

Dr Maria Yanotti

Dr Maria B. Yanotti is a Senior Lecturer in Economics at the Tasmanian School of Business and Economics (TSBE), University of Tasmania. She is an applied economist specializing in housing markets, household and housing finance and mortgage markets, with econometric and statistical analysis skills for large databases. Her interdisciplinary work supports sustainable development goals and informs national housing and economic policy with an emphasis on regional development and applied economics. She has published in leading domestic and international journals and has led and contributed to numerous AHURI-funded projects and consultancies. She also contributes to several applied economics research projects. Maria serves as the Tasmanian Chair of the Women in Economics Network (WEN) and is an active member of the Economic Society of Australia (ESA) Tasmanian Branch. She was an Academic Member for the External Reference Group of National Housing Finance and Investment (NHFIC) Corporation, Australia (now Housing Australia).

Richard Highfield

Richard Highfield is a consultant in tax system design and administration and holds a Bachelor of Commerce degree (Accounting major) from UNSW. His professional career includes 12 years (2003–2015) as Head of division and Senior Advisor with the Organisation for Economic Co-operation and Development (OECD) in Paris, 5 years

(1997–2003) as a Senior Advisor with the International Monetary Fund (IMF) in Washington DC USA and Moscow, Russia; and over 25 years with the Australian Taxation Office (ATO) where he was a Second Commissioner of Taxation from 1993–1997. Since 2016, Richard's work has included assignments with the World Bank, Asian Development Bank (ADB) and research projects with UNSW. His specific fields of expertise include comparative analysis of tax system design, administration, and performance; tax gap research methodologies; and compliance costs research. He has served as a member of the expert advisory panel guiding the ATO's tax gap research program since 2013.

Dr Brian Erard

Brian Erard operates an economics consulting practice – B. Erard & Associates, LLC – in the US, where he specializes in the areas of tax compliance, enforcement and administration. Dr Erard has published extensively in academic journals and scholarly conference proceedings. He has consulted widely on the development of tax gap estimates, including in Australia, Bulgaria, Canada, Poland, UK, and the US. In addition to his membership on the ATO Tax Gap Advisory Group, he serves as a member of the IRS Tax Gap Expert Panel in the US. Prior to becoming a full-time consultant, Dr Erard spent a decade in academia serving as Assistant Professor of Economics at the University of Toronto, Associate Professor and Director of the joint economics PhD program at Carleton University and the University of Ottawa, and Visiting Scholar at the University of Michigan Office of Tax Policy Research.

Dr James Brown

Dr James Brown is Professor of Official Statistics and the current Head of Discipline for Mathematical Sciences at the University of Technology Sydney (UTS). Since joining UTS in 2013, he has also served as Associate Head of School (Research) for Mathematical and Physical Sciences. James received his BSc in Mathematics with Actuarial Studies (1993) and completed his MSc in Social Statistics (1996), both from the University of Southampton. He completed his PhD (University of Southampton, 2001) on census coverage assessment and adjustment, work which started 15 years of close collaboration with the Office for National Statistics in the UK. Prior to joining UTS in September 2013, he held positions as Lecturer and Senior Lecturer at the University of Southampton in Social Statistics; Senior Lecturer at the Institute of Education (University of London) in Quantitative methods; and Reader at the University of Southampton.

He brings expertise in estimation and modelling to his work with the ATO.

International engagement

Australia is a member of the OECD Tax Gap Community of Interest and the Tax Gap Working Group. These groups allow OECD member countries to discuss and share their experiences in estimating tax gap and it allows jurisdictions to learn from the advancements of others.

The OECD published its Tax Administration 2024: *Comparative Information on OECD and other Advanced and Emerging Economies* report. Chapter 11 of that report is an international comparison of tax gap programs. The report lists countries that have a team dedicated to the estimation of tax gap as well as a list of the small number of countries that publish their estimates externally. The report provides technical details of the types of methods uses globally to estimate tax gap.

Holistic view of the tax gap program

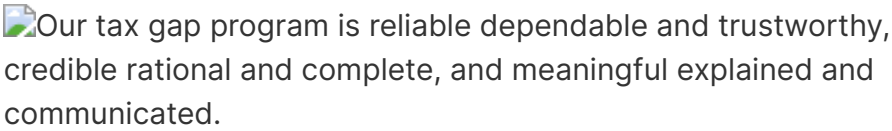
There are 3 main outcome principles to our tax gap program.

Our estimates need to be:

- reliable
- credible
- meaningful.

Each of these principles provides us with a framework (Figure 5) that is reflected through the whole program, including in the reliability assessments for each estimate.

Figure 5: Holistic view of the tax gap program



Reliable

For the 'reliable' principle, we assess ourselves against 2 outcomes – trustworthy and dependable.

For an outcome to be trustworthy, the outcome needs to be transparent, concise and open to evaluation. To achieve a dependable outcome, the estimate needs to use the best methods available given the data. The results from those methods need to be repeatable.

Credible

For the 'credible' principle, we assess ourselves against 2 outcomes – rational and complete.

For the credible principle, an outcome is believable when it explains why the gap is the size it is, and what the wider issues and impacts are. To be complete, the outcome needs to be as comprehensive as the data allows, including where applicable, estimating the impact of the shadow economy behaviours.

Meaningful

For the 'meaningful' principle, we assess ourselves against 2 outcomes – explained and communicated.

This principle ensures that outcomes obtained through our estimates are more than just numbers on a page. It means that business, government and the wider community can understand the analysis. This helps them to engage with us in an informed conversation about the tax and superannuation systems. An outcome is explained if it answers the 'why' questions. It identifies the contributing drivers of a gap. It also acknowledges the caveats and limitations of our estimate.

We engage our advisory group to achieve reliable and credible outcome principles of the tax gap program. The meaningful principle is assessed internally to ensure the reliable and credible outcomes are given appropriate context. This ensures the information is meaningful for the intended audience.

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Reliability assessment

The 10 reliability criteria and resultant ratings for out tax gap estimates.

Last updated 3 November 2025

How we assess tax gaps for reliability

All gap estimates are assessed for reliability against 10 criteria. The reliability rating provides a transparent assessment of our gap estimates, drawing on the International Monetary Fund (IMF) evaluation framework and our expertise. We summarise this in a rating assessment for each gap estimate.

Reliability criteria

The 10 reliability criteria are considered of equal importance.

We sort them into 3 groups by evaluation stage.

Stage 1 – Evaluation of the estimation framework

1. capture the appropriate tax base
2. cover all potential taxpayers
3. account for all potential forms of non-compliance
4. no overlap within or between any components of the framework.

Stage 2 – Evaluation of the methodology

5. evaluate the approach used against the assessment criteria for that methodology
6. ensure the most appropriate method is used and results are validated against supporting information
7. sensitivity to the underlying model, assumption and structure
8. assessment of assumptions, judgment or expertise.

Stage 3 – Evaluation of the internal process and delivery

9. evaluate the quality of the management process
10. the analysis provides insights into the drivers of a gap estimate.

Reliability ratings

For each estimate, each reliability criterion is scored from zero ('poor or missing') to 30 ('excellent'). The sum of these scores determines the reliability rating.

The aggregate reliability score across all 10 criteria ranges from zero to 30 and is placed into one of 5 categories.

- **Very low** is a score of zero to 10 – the results are preliminary or interim in nature, often being a pilot estimate in its first years of production. The estimate
  - may have several issues that compromise its reliability
  - may have a large or unknown margin of error
  - is not confirmed by other independent analysis
  - results provide very little information and could be misleading.
- **Low** is a score of 11 to 15 – many factors are not considered in the estimate. The estimate
  - has a material margin of error
  - may be partially confirmed by other analyses
  - should not be used to provide insight into population compliance
  - may provide direction for further research and analysis
  - improvements, when made, may significantly alter the gap estimate.
- **Medium** is a score of 16 to 20 – several factors are not considered which, if addressed, may change gap estimates by a limited or immaterial degree. The estimate
  - has an acceptable margin of error
  - is derived from an appropriate calculation methodology
  - is materially confirmed by other analyses, such as risk models and intelligence scans
  - with caution and contextualisation, can provide insight into population compliance.

- **High** is a score of 21 to 25 – a small number of factors are not considered which, if addressed, may change the gap estimate to a very limited or immaterial degree. The estimate
  - has a low margin of error
  - is derived from a highly appropriate calculation methodology
  - is materially confirmed by other analyses such as risk models and intelligence scans
  - with caution and contextualisation, can provide insight into population compliance.
- **Very high** is a score of 26 to 30 – all factors are considered. The estimate has a very low margin of error. The estimate
  - is derived from the most appropriate calculation methodology
  - is confirmed by other analyses, such as risk models and intelligence scans
  - can provide highly detailed insights into the levels of compliance across the population.

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Tax gap program summary findings

A summary of all tax gap estimates produced for the 2022–23 financial year.

Last updated 3 November 2025

2022–23 overall tax gap

Our estimate for the overall tax gap for 2022–23 is $58.2 billion against our estimate of the total theoretical amount of $640 billion. This represents an overall net tax gap estimate of 9.1%.

Figure 6 shows the overall tax gap. The largest contributors (in dollar value) to the overall tax gap remain the same as last year.

Figure 6: Estimated total tax gap for 2022–23

The overall gap of $58.2 billion (or 9.1%) includes:

- small business $27.2 billion
- individuals not in business $12.5 billion
- goods and services tax $8.1 billion
- large corporate groups $3.7 billion
- high wealth and medium business $2.9 billion
- excise $1.6 billion
- other administrative tax gaps $2.2 billion.

Market segments

Australia's tax gap program estimates component tax gaps for various market segments. This is done to provide greater insights into the overall tax performance of these market segments. However, internationally, it is common for tax gaps to be grouped into 4 main groups – personal income tax, corporate income tax, value added tax (GST) and excise taxes. The following section brings together the relevant gap components according to those 4 groups.

Personal income tax gap

The personal income tax gap consolidates all the income tax gaps relating to individual tax returns.

It includes the income tax gaps for:

- High wealth individuals
- Individuals not in business
- Individuals in small business
- Individuals in medium business.

Overall, we are now seeing an upward trend in the personal income tax gap since 2019–20. The sole contributor to this is individuals in small business (sole traders) who are a component of the small business income tax gap. Since 2019–20, the net tax gap for individuals associated with high wealth groups, medium businesses and individuals not in business have all declined. The net tax gap for individuals in small business has increased from 14.7% in 2019–20 to 17.1% in 2022–23.

Figure 7: Personal income tax gap 2017-18 to 2022-23

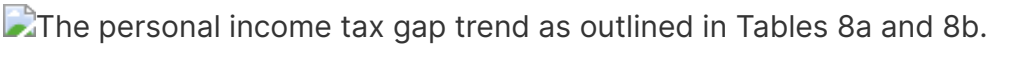
The personal income tax gap trend as outlined in Tables 8a and 8b.

Table 8: Personal income tax gap from 2017–18 to 2022–23

Element	2017–18	2018–19	2019–20	2020–21	2
Net gap % (RHS)	8.9%	9.7%	9.4%	9.7%	
Gross gap % (RHS)	9.6%	10.4%	9.9%	10.3%	
Tax expected to be collected ($ b)	219,981	226,821	236,893	248,855	27
Net gap ($ b)	21,365	24,338	24,552	26,740	3

Corporate income tax gap

The corporate income tax gap consolidates all the income tax gaps relating to corporate tax returns.

It includes the income tax gaps for:

- high wealth income tax gap

- large corporate groups income tax gap
- small business income tax gap
- medium business income tax gap.

The overall corporate income tax gap estimate increased from 2019–20 to2021–22 driven by increases in the small company tax gap. The other components of the corporate income tax gap have remained steady over the same period.

Figure 8: Corporate income tax gap 2017-18 to 2022-23


The corporate income tax gap trend as outlined in Tables 9a and 9b.

Table 9: Corporate income tax gap from 2017–18 to 2022–2

Element	2017–18	2018–19	2019–20	2020–21	202 2
Net gap % (RHS)	5.8%	5.5%	5.3%	6.1%	7.0
Gross gap % (RHS)	7.9%	8.8%	6.9%	7.8%	9.2
Tax expected to be collected ($ b)	84,339	90,123	90,335	109,061	130,27
Net gap ($ b)	5,219	5,218	5,014	7,145	9,79

Goods and services tax gap

The latest GST gap estimates indicate an increase in the estimated net tax gap to $8.7 billion in 2023–24, up from $8.1 billion in 2022–23. Measured relative to theoretical GST – which controls for growth in the GST system – the net gap is estimated to have increased from 9.1% in

2022–23 to 9.4% in 2023–24. The GST gap is returning to pre-COVID-19 levels after the reported declines in 2019–20 and also 2020–21.

Figure 9: Goods and services tax gap 2018-19 to 2023-24

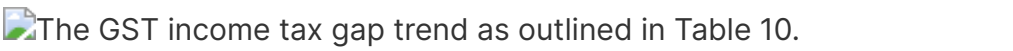

Table 10: GST gap from 2018–19 to 2023–24

Element	2018–19	2019–20	2020–21	2021–22	2022–23
Net gap % (RHS)	9.0%	7.3%	4.5%	6.4%	9.1%
Gross gap % (RHS)	12.7%	10.2%	8.4%	14.4%	12.7%
Tax expected to be collected ($ b)	64,849	64,503	69,132	74,928	81,031
Net gap ($ b)	6,421	5,046	3,271	5,086	8,113

Excise and other taxes gap

The remaining tax gap estimates include excise taxes and several smaller transactional and income-based taxes. Collectively they contribute $3.8 billion, or 6.5% of the total net tax gap for 2022–23. Fringe benefits tax (FBT), alcohol and fuel excise represent 90% of this total gap. Fuel excise is the most volatile estimate, where much of the variation in due to temperature sensitivity associated with measuring the volume of fuel, as opposed to actual changes in compliance.

Figure 10: Excise and other taxes gap 2017-18 to 2022-23

Table 11: Excise and other taxes gap from 2017–18 to 2022

Element	2017–18	2018–19	2019–20	2020–21	2021–22
Net gap % (RHS)	5.6%	6.3%	6.7%	5.6%	6.1%
Gross gap % (RHS)	6.4%	7.9%	7.5%	6.1%	6.4%
Tax expected to be collected ($ b)	44,720	41,539	44,870	56,965	48,222
Net gap ($ b)	2,674	2,816	3,243	3,409	3,145

Shadow economy findings

The shadow economy refers to legal and illegal economic activity that is not reported or taxed.

The shadow economy is behavioural driven and is a result of opportunistic or deliberate actions to evade tax or exploit the regulatory system. These activities are not victimless crimes, they put pressure on Australians who are doing the right thing and have harmful consequences such as:

- workers missing out on their entitlements (for example, proper wages, leave or employee protection)
- honest businesses being undercut when others don’t pay the tax or superannuation they're supposed to
- criminal or illegal activities that are funding organised crime.

The shadow economy is constantly changing and adapting. In particular, the shadow economy can be impacted by new and

emerging business models, changes in the way employees work, growth in the digital economy, technology advance, wider social changes and the broader economic environment. This can lead to new shadow economy activities emerging and some existing ones expanding in scale or scope.

If left unchecked, shadow economy participation can lead to a dangerous dynamic. It can foster a culture which legitimises and supports this participation, spurring its further growth. As tax revenues fall, those remaining in the formal economy may be faced with higher tax burdens, providing a greater incentive to move into the shadow economy. Most countries are grappling with shadow economy issues – Australia is not alone.

While the shadow economy is not limited to tax and superannuation, this is our focus in tax gap contexts. The tax effects of shadow economy activities are components of the tax gap which is measured against full compliance with relevant tax arrangements. For tax gap purposes, we focus only on the resultant tax effects – that is, the tax revenues lost due to shadow economy activities.

Most tax types will experience some behaviours that are indicative of shadow economy involvement. The taxes included in this summary are those where the tax effects of shadow economy behaviours are both material and estimable. It should not, therefore, be concluded that other tax types not included in this summary are free from shadow economy activities.

This year, we have excluded the tobacco tax gap from this analysis as the current methodology does not give a sufficiently robust estimate of the illicit tobacco market. To assist with comparability across time, estimates of shadow economy behaviours associated with tobacco have been excluded from all years in our analysis below.

Activities associated with the avoidance of fringe benefits tax (FBT) appear to have the characteristics of shadow economy behaviours. Our estimates of FBT foregone from these behaviours are now included in our estimates of overall tax foregone due to shadow economy behaviours. We have included an estimate in past years to better support the analysis of the trend.

See more information about the shadow economy and the actions we take to address it at **Shadow economy**.

The key findings from our tax gap analysis related to shadow economy activities are summarised below. The latest tax gap estimates relate to the 2022–23 financial year. The publication lag reflects the complexity of tax issues and the time to finalise relevant compliance activities.

System-wide aggregates

Our latest tax gap estimates indicate that around $25.0 billion of tax was foregone in 2022–23 due to shadow economy activities associated with transaction-based and income-based taxes. Shadow economy tax foregone grew faster than gross domestic product (GDP) in 2022–23 and is significantly higher than our updated estimate for 2021–22 of $21.4 billion. The estimated tax lost due to shadow economy activities in 2022–23 represented around 44.5% of the aggregate gross gap for these taxes, up from a revised estimate of 42.4% in 2021–22.

Representing tax foregone due to shadow economy behaviours as a share of theoretical tax, where all relevant taxpayers are fully compliant, controls for growth in the tax system. As a share of theoretical tax revenue for these taxes, shadow economy tax lost increased steadily from 3.9% in 2017–18 to 5.4% in 2022–23. See Table 12 below for more detail.

The share of shadow economy tax effects associated with income-based taxes has steadily increased from around 85% in 2017–18 to around 90% in 2022–23, despite reductions in relevant tax rates across that period. Conversely, the share associated with transaction-based taxes has fallen from around 15% in 2017–18 to around 10% in 2022–23.

Shadow economy effects associated with administered programs are not included in these system-wide aggregates.

Figure 11: Shadow economy tax effects and theoretical tax, $ billion and % of theoretical tax

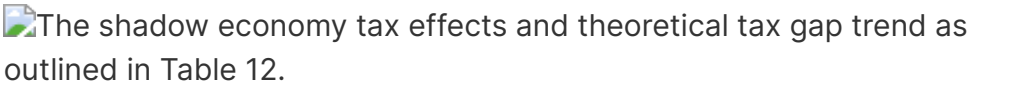
The shadow economy tax effects and theoretical tax gap trend as outlined in Table 12.

Table 12: Shadow economy tax effects of total program

Tax gap	2017–	2018–	2019–	2020–	

program	18	19	20	21
Transaction-based ($m)	1,869	1,947	1,918	2,049
Income-based ($m)	10,989	13,491	14,404	16,384
Total of transaction and income-based taxes ($m)	12,858	15,438	16,322	18,433
Total theoretical tax liabilities ($m)	332,918	343,111	351,490	371,753
Proportion of total theoretical tax liabilities (%)	3.9	4.5	4.6	5.0

The evolution of estimated tax effects of shadow economy activities for transaction and income-based taxes is shown in Figure 11.

Transaction-based taxes

Transaction-based taxes relate to taxes that are paid when you buy, sell, manufacture, produce, store or import certain goods or services.

Alcohol excise gap

All illicit activity is regarded as shadow economy behaviour and is the major contributor to the overall alcohol excise gap. This captures activity where the participants are deliberately not reporting solely to avoid their obligations to pay alcohol excise. The tax effects of shadow economy activities have increased from $660 million (88.4% of the gross gap for alcohol excise) in 2021–22 to around $709 million

(88.7%) in 2022–23, and further to $767 million (88.7%) in 2023–24. Small scale illicit activity declined in years impacted by COVID-19 as international passenger volumes declined, but has returned to its pre-COVID-19 trend in subsequent years. Large scale illicit activity continues to trend higher.

GST gap

Our estimate of shadow economy consumer spending blends information from the Australian Bureau of Statistics (ABS) and the Black Economy Taskforce to provide an indicative estimate of shadow economy spending. The purpose of this blended estimate is not to provide precise estimates of the shadow economy as it relates to the GST, but to move towards estimates that are likely to be more accurate. This re-alignment has added over $1 billion to the estimated GST foregone due to shadow economy activities in recent years.

Shadow economy spending by consumers is estimated to have resulted in foregone GST revenue of around $1.6 billion in 2021–22 (13.6% of the gross gap for GST) before rising to around $1.9 billion (16.4%) in 2022–23.

The shadow economy estimates relevant in this context relate to real economy activities (sales) that have been hidden and thus not captured in the ABS spending estimates used to estimate theoretical GST. As GST fraud relates to invalid claims for input credits, there are no real underlying activity (sales) that have been under-represented by those taxpayers. As a result, there is no adjustment required to augment the estimated GST base (GST relevant sales) for GST fraud and we have not included this as shadow economy activity in the GST gap.

Table 13: Shadow economy tax effects of transaction-base

Transaction-based program	Shadow economy estimation	2017–18	2018–19	2019–20	
Alcohol excise ($m)	Illicit channels only	420	448	490	
GST ($m)	Based on internal	1,448	1,499	1,427	

	estimates				
Total transaction-based tax effect ($m)	Based on varying internal estimates	1,869	1,947	1,918	
Proportion of theoretical tax liability of transaction taxes above (%)	n/a	2.4	2.5	2.5	

Income-based taxes

Income-based taxes relate to taxes based on income from various sources.

Small business gap

Shadow economy activities for small business mainly relate to under-reported business income, over-claimed business deductions, people deliberately remaining outside the taxation and regulatory systems and hidden wages for individuals associated with these small businesses. Overall, the tax effects due to shadow economy activities in the small business sector increased from around $14.2 billion (61.1% of the small business gross gap) in 2021–22 to around $17.1 billion (60.9%) in 2022–23.

The main driver of this increase related to undisclosed business income and over-claimed business deductions, the combined tax effects of which increased by around $2.4 billion in 2022–23. The small business gap remains the largest contributor to aggregate tax foregone due to shadow economy behaviours (around 61% in 2022–23).

Individuals not in business gap

Shadow economy activities relate to hidden wages and to people who intentionally stay outside the taxation and regulatory systems. The tax

effects of both these activities grew from around $3.5 billion in 2021–22 to around $3.8 billion in 2022–23, resulting in an increase in the shadow economy contribution to the Individuals gross gap from 26.5% in 2021–22 to 27.1% in 2022–23. The tax effects of hidden wages were the main driver, increasing by $363 million in 2022–23.

Fringe benefits tax (FBT)

Shadow economy behaviours relate to unreported FBT and an estimate of FBT that should be reported by employers who should but do not participate in the FBT system. The FBT tax effects (net of recognising that FBT paid is deductible for corporate income tax purposes) associated with these activities was estimated at $1.5 billion in 2022–23, around the same level as in 2021–22. As a share of the estimated gross gap for FBT, tax effects associated with shadow economy behaviours declined from 83.1% in 2021–22 to 81.8% in 2022–23.

Table 14: Shadow economy tax effects of income-based ta

Income-based program	Shadow economy estimation	2017–18	2018–19	2019–20	2
Small business ($m)	Estimated using sample	6,771	9,065	9,836	
Individuals not in business ($m)	Estimated using sample	2,926	3,120	3,197	
FBT ($m)	Based on non-reporting	1,293	1,306	1,371	
Total income-based tax effect ($m)	Based on non-reporting	10,989	13,491	14,404	1

Proportion of theoretical tax liability of income-based taxes above (%)	n/a	4.3	5.1	5.2	

Administered programs

The ATO administers a range of payments and transfers on behalf of the Australian Government, including incentives and rebates delivered through the tax and superannuation systems. Shadow economy effects associated with administered programs remain significant but are not included in the system-wide aggregates discussed above.

Superannuation guarantee gap

The sole shadow economy behaviour relates to various forms of hidden wages designed to reduce or evade the obligation by employers to deduct superannuation guarantee amounts from ordinary time wages (that is, excluding payments relating to overtime) paid to employees, and to forward those amounts to relevant super funds. The shadow economy estimate for superannuation guarantee is around $2.4 billion for 2022–23 (representing around 31.6% of the estimated gross gap for the superannuation guarantee) compared with around $2.2 billion (35.5%) in 2021–22. The increase generally reflected moderate employment and wages growth and the higher minimum contribution rate applicable in 2022–23 (10.5% in 2022–23). The continued increase in the minimum contribution rate in future gap years (beyond 2022–23) will tend to increase estimated shadow economy contribution effects in dollar terms (assuming an unchanged propensity to participate in the shadow economy).

Pay as you go (PAYG) withholding gap

Hidden wages are the only type of shadow economy activity included for this tax gap. As the PAYG withholding gap and income tax gaps are estimated separately, missing income tax that should have been withheld by employers is initially captured in both gap estimates. To avoid double counting, we capture the tax effect of shadow economy

only once across the PAYG withholding and income tax gaps. As a result, some of the tax impact of hidden wages estimated for the PAYG withholding gap is said to have been 'passed-through' to be reflected in income tax gaps. After accounting for this pass-through, the residual total shadow economy estimate for PAYG withholding is around $587 million for 2022–23 (representing around 8.3% of the estimated gross gap for PAYG withholding) down from around $659 million (10.2%) in 2021–22.

Fuel tax credit

Fuel tax credits were previously considered free of shadow economy activities. However, there was an increase in the number of relatively low value fraudulent claims in the fuel tax credits system through 2021–22 and subsequent years. We now consider these to be part of the shadow economy and estimate their tax effect was around $95 million (20.7% of the estimated gross gap) in 2021–22 before falling to $21 million (6.7%) in 2022–23, and further to $16 million (4.3%) in 2023–24.

Table 15: Shadow economy tax effects of administered pro

Administered program	Shadow economy estimation	2017–18	2018–19	2019–20
Superannuation guarantee ($m)	Hidden wages based on 2.3% uplift	1,796	1,891	1,964
PAYG withholding* ($m) (See Note)	Hidden wages based on 2.3% uplift	626	616	573
Fuel tax credits ($m)	Fraudulent claims	0	0	0
Total administered programs ($m)	Total of above	2,422	2,507	2,537

Proportion of theoretical liability (%)	n/a	0.9	0.9	0.9

* This is the estimated residual hidden wage withholding effect considered remaining in PAYG withholding context after the pass-through income tax effects have been captured in the Individuals and Small business tax gaps respectively.

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