

# Taxing Wages 2026: Australia

# Taxing Wages - Australia

## Tax on labour income

The **tax wedge** is a measure of the tax on labour income, which includes the tax paid by both the employee and the employer.

### TAX WEDGE ON LABOUR INCOME

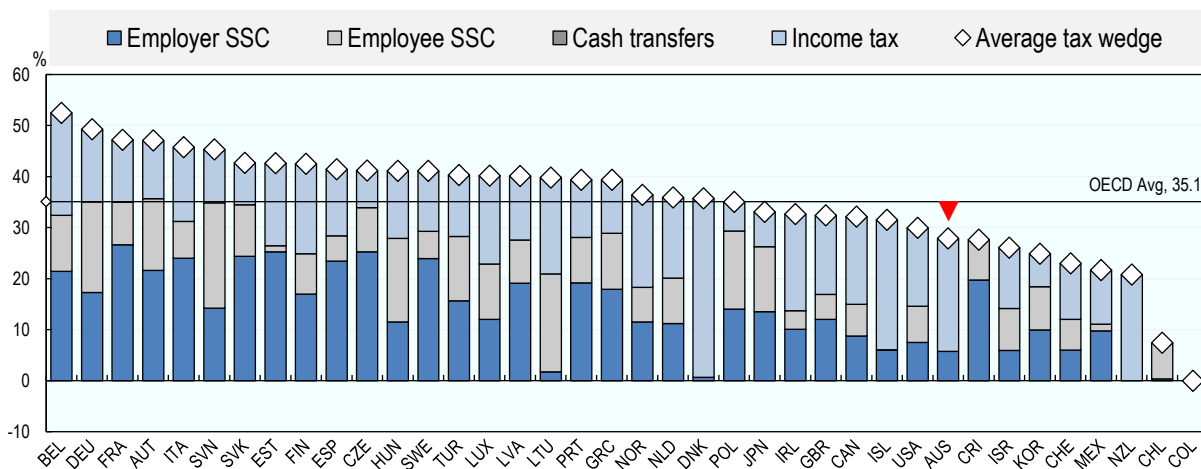
$$\frac{(\text{Personal income tax} + \text{employee and employer social security contributions (SSCs)}) - \text{Family Benefits}}{\text{Total labour costs (gross wages} + \text{employer SSCs)}}$$

### Single worker earning the average wage

The tax wedge\* for the average single worker in Australia decreased by 1.67 percentage points from 29.6% in 2024 to 27.9% in 2025. The OECD average tax wedge in 2025 was 35.1% (2024, 34.9%). In 2025, Australia had the 9th lowest tax wedge among the 38 OECD member countries, occupying the same position as 9th2024.

In Australia, income tax and employer payroll taxes (which are included as employer social security contributions) combine to account for the entire tax wedge, compared with 77% of the OECD average tax wedge. In Australia, employees are not required to pay social security contributions.

### Average tax wedge: average single worker, no children



Due to rounding, the sum of the change in the tax wedge between years may differ by one-hundredth of a percentage point.

Access the data on the OECD Data Explorer: <https://data-explorer.oecd.org/s/46i>

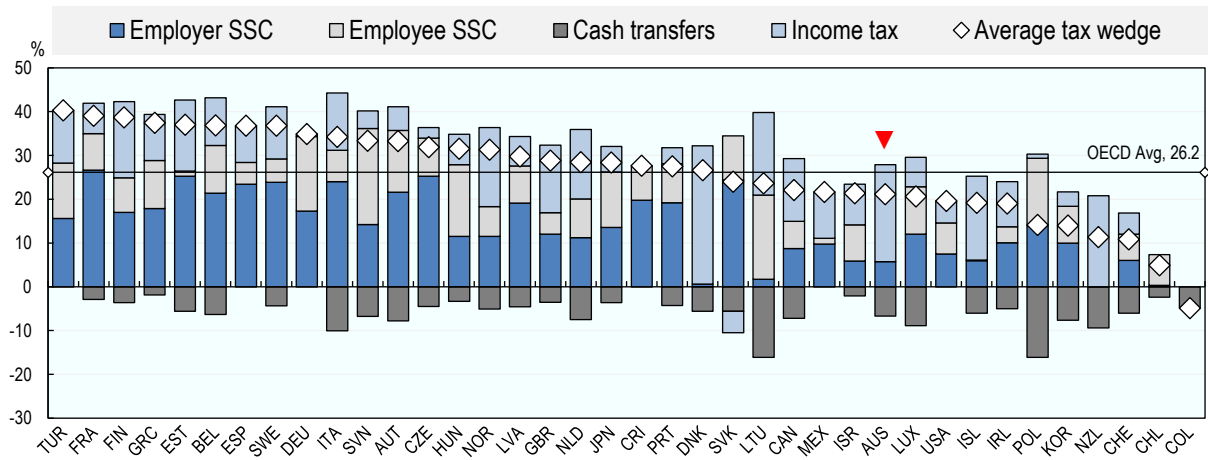
### One-earner married couple with two children

The tax wedge for a worker with children may be lower than for a worker on the same income without children, since most OECD countries provide benefits to families with children through cash transfers and preferential tax provisions.

Australia had the 11th lowest tax wedge in the OECD for an average married worker with two children at 21.2% in 2025, which compares with the OECD average of 26.2%. The country occupied the 15th lowest position in 2024.

Child related benefits and tax provisions tend to reduce the tax wedge for workers with children compared with the average single worker. In Australia in 2025, this reduction (6.7 percentage points) was less than the OECD average (8.9 percentage points).

### Average tax wedge: One-earner married couple at average earnings, 2 children



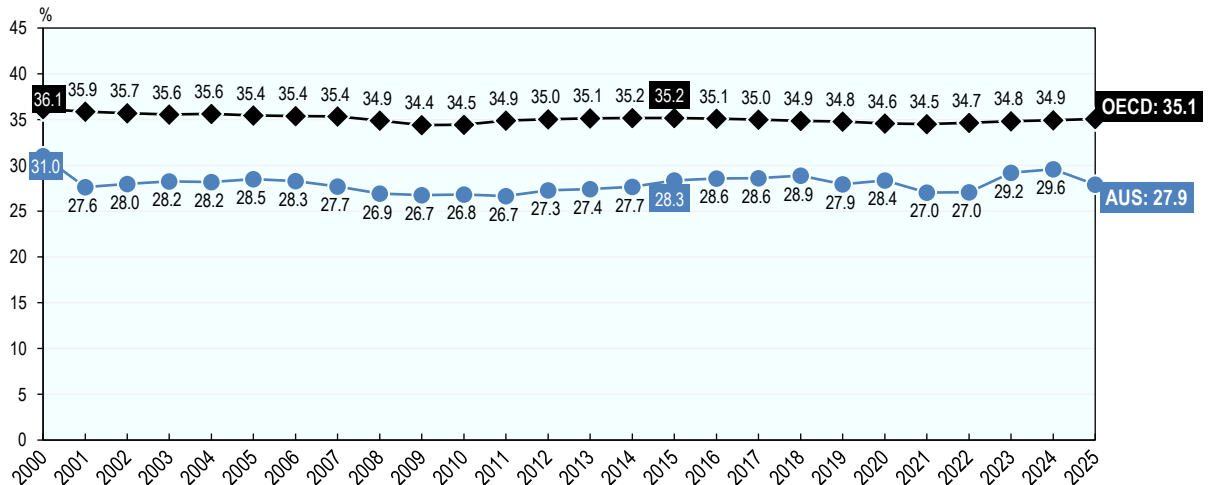
Access the data on the OECD Data Explorer: <https://data-explorer.oecd.org/s/46j>

### Tax wedge trends between 2000 and 2025

In Australia, the tax wedge for the average single worker decreased by 3.1 percentage points from 31.0% to 27.9% between 2000 and 2025. During the same period, the average tax wedge across the OECD decreased by 1 percentage point from 36.1% to 35.1%.

Between 2015 and 2025, the tax wedge for the average single worker in Australia decreased by 0.4 percentage points. During this same period, the tax wedge for the average single worker across the OECD decreased by 0.1 percentage points from 35.2% to 35.1%.

### Average tax wedge over time for a single worker earning the average wage



Access the data on the OECD Data Explorer: <https://data-explorer.oecd.org/s/46n>

## Employee tax on labour income

The employee net average tax rate is a measure of the net tax on labour income paid directly by the employee.

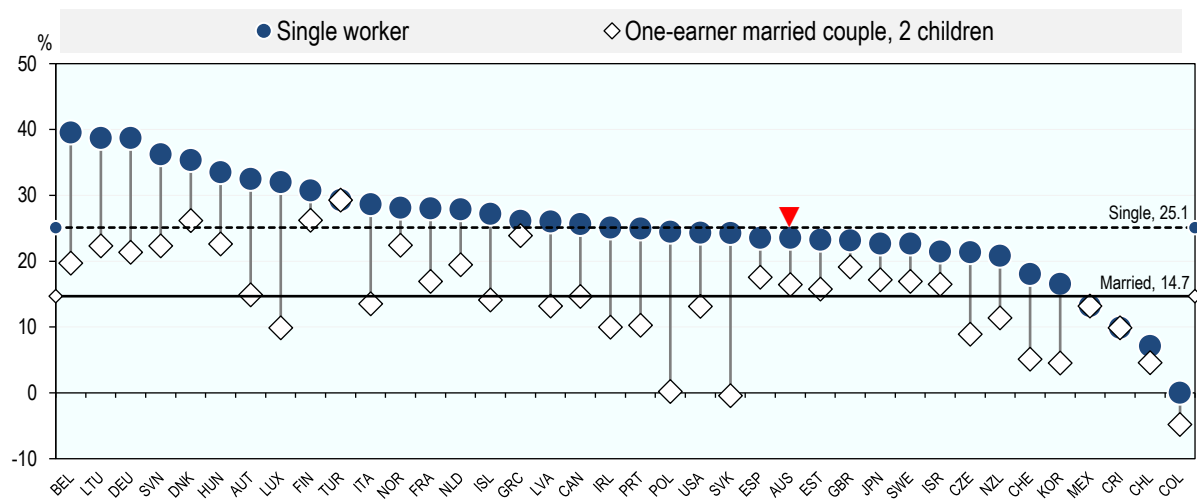
### EMPLOYEE NET AVERAGE TAX RATE

$$\frac{(\text{Employee personal income tax and employee social security contributions}) - \text{Family Benefits}}{\text{Gross wages}}$$

» In Australia, the average single worker faced a net average tax rate of 23.5% in 2025 (14th lowest among OECD countries), compared with the OECD average of 25.1%. In other words, in Australia the take-home pay of an average single worker, after tax and benefits, was 76.5% of their gross wage, compared with the OECD average of 74.9%.

» Taking into account child related benefits and tax provisions, the employee net average tax rate for an average married worker with two children in Australia was 16.4% in 2025, which is the 18th highest in the OECD, and compares with 14.7% for the OECD average. This means that an average married worker with two children in Australia had a take-home pay, after tax and family benefits, of 83.6% of their gross wage, compared to 85.3% for the OECD average.

### Employee net average tax rate



Access the data on the OECD Data Explorer: <https://data-explorer.oecd.org/s/460>

For further information: [Taxing Wages 2026](#)

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The full book is available in English: OECD (2026), Taxing Wages 2026: The Progressivity of Labour Taxation in OECD Countries, OECD Publishing, Paris, <https://doi.org/10.1787/3a5169ef-en>

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