

HIGH-TAXING AUSTRALIA

How we measure up

Robert Carling





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Analysis Paper 105

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Introduction

Is Australia a “low tax country” as is often claimed? The statements only recently made along these lines include these:

Australia is one of the lowest-taxing countries in the developed world. Australia raises very little tax revenue compared to similar countries. (The Australia Institute)¹

If you can't admit Australia is a low-taxing nation, then you should not get entry into any roundtable discussion on the topic. (The Guardian)²

Overall, Australia is a low-tax country relative to its peers, well below the OECD average. (The Grattan Institute)³

Despite the to-ing and fro-ing of trying to compare tax systems, it is still fair to say that we are not highly taxed overall. But it is undeniable that we feel highly taxed. (David Montani, Tax Wars)⁴

The low-tax claim has been challenged by CIS and others, and this report is another exposition of the counter view.⁵ In fact, on the most meaningful measures, Australian taxation is above international averages. But it is fair to say that the low-tax depiction of Australia has gained more traction at least in the mainstream media and government circles.

There is a lot riding on the veracity of these claims and counter-claims. The level of taxation is not merely a debating point or intellectual curiosity. Although taxation is essential, its level – as well as its composition – is a public policy choice linked to the desired size of government and is an important aspect of the economic impact of government intervention.

The usual subtext of statements that we are a low tax country is not that this is something to be celebrated but that it means there is unused taxable capacity that should be exploited to finance higher government spending. The more the ‘low tax’ label seeps into the public consciousness the more pliable public opinion becomes for politicians eager to increase taxes or resistant to cutting them. It often appears that some opinion leaders and some in government are pursuing an

agenda to increase taxation and that the ‘low tax’ assertion aims to soften up the debate to accept higher taxes to pay for higher spending.

The aim of this report is to explore the veracity of the ‘low tax’ label by examining both absolute measures of the tax burden and relative measures based on international comparisons. It is shown that total taxation in Australia exceeds 34% of relevant measures of the total tax base, which does not gel with the ‘low tax’ depiction. That is the case regardless of what tax levels might be in other countries; but international comparisons, properly interpreted, also fail to support the ‘low tax’ claim.

Moreover, the tax burden will increase further unless personal income tax bracket creep is neutralized or offset. One official projection shows that unattenuated bracket creep will lift Commonwealth tax revenue as a percentage of GDP by 1.7 percentage points from 2024/25 to 2035/36.⁶ This or alternative tax hikes are inevitable unless government spending – having now ratcheted up to a new historic high outside the pandemic – is reined in.

While in kitchen table talk ‘tax’ often means PAYE income tax, the focus of this report is on all taxation at all levels of government – federal, state and local. At the level of the individual all taxes come out of the same income, whether they go to Canberra, a state government or a local council. Many of those people at the kitchen table would be surprised at just how many taxes they pay either directly or indirectly and what they all add up to.

The first section aims to shed light on that issue. That is followed by the conventional top-down view of taxation relative to GDP. We then turn to the international comparisons behind the claims that Australia is a low tax country and discuss the flaws in these comparisons. Finally, there is a review of international comparisons of the composition of tax systems and of key tax rates.

Absolute measures of the tax burden

Various measures of the tax burden suggest that it is in the range 34 to 36% of meaningful measures of the economy's total taxable capacity.

This is not a marginal rate – which would be even higher – but an average rate of tax across all income in the economy.

(a) Bottom-up view

The bottom-up approach is to build up the taxes paid by a representative taxpayer and express the total as a percentage of gross income. The results depend on assumptions about the income and expenditure patterns of taxpayers, but such an exercise at least provides a reality check on the more traditional top-down view.

Average gross household income in 2019/20 (latest available from the Australian Bureau of Statistics) was \$121,000 and median gross income \$93,000.⁷ By 2024/25 these might have increased to at least \$140,000 and \$108,000 respectively. Individual average weekly earnings for full-time adult workers are a bit over \$100,000 a year. For illustrative purposes we take the case of a single person household on a taxable income of \$100,000 plus compulsory employer superannuation contributions of \$11,500 in 2024/25. We assume this household owns its house and that its tax affairs are simple, with no voluntary superannuation contributions, investment properties, capital gains or franking credits.

A count of all taxes in 2010 found 125 and there is no reason to think the number would be much different now.⁸ This is a mix of taxes that bear directly on households and others paid by businesses which may or may not be passed on to households.

Our single-person household is assumed to pay the following taxes:

- Personal income tax (for simplicity the only deduction assumed is \$1,000 in work-related expenses by the full-time worker)
- Contributions tax on the Superannuation Guarantee Charge and earnings tax on the

superannuation fund of which this wage earner is a member

- Goods and Services Tax on some of the household's expenditure
- Customs and excise duties on fuel, beer, spirits, tobacco and some other imported goods.
- Wine equalization tax
- State stamp duty on changing houses periodically
- State stamp duty on buying a new car periodically
- State gambling taxes
- Annual mandatory state charges for renewing motor vehicle registration
- State stamp duties on vehicle, home and travel insurance
- State emergency services levies (in NSW, this is a levy on insurance premiums)
- Local government rates

The other taxes this household could be directly exposed to, but is assumed not to be, are:

- Luxury car tax
- Fringe benefits tax
- Medicare levy surcharge
- Land tax on land owned by households
- Private health insurance and parking space levies that apply in some states

Then there are the taxes that households are not directly exposed to but pay in part or whole as they are passed on by businesses. The main ones are:

- Company income tax
- Petroleum resource rent tax
- Major bank levy

- State payroll tax
- All other taxes on business inputs such as land tax on land owned by businesses, stamp duty on transactions by businesses, and customs and excise duty on business inputs.

The taxes in the first list above come to about 32% of gross income (which includes the employer superannuation contributions).⁹ The taxes on the second list, if they applied, could increase this slightly. The third list is more problematic, because it totals more than \$200 billion a year and it is not clear how much of this is passed on to households, but it is likely that the pass-on is substantial.

If we assume conservatively 50%, then the impact would be like the GST and would add about 3 percentage points of gross income to our illustrative household's tax burden. It is not difficult, then, to see this household's total tax burden reaching 35% or more.

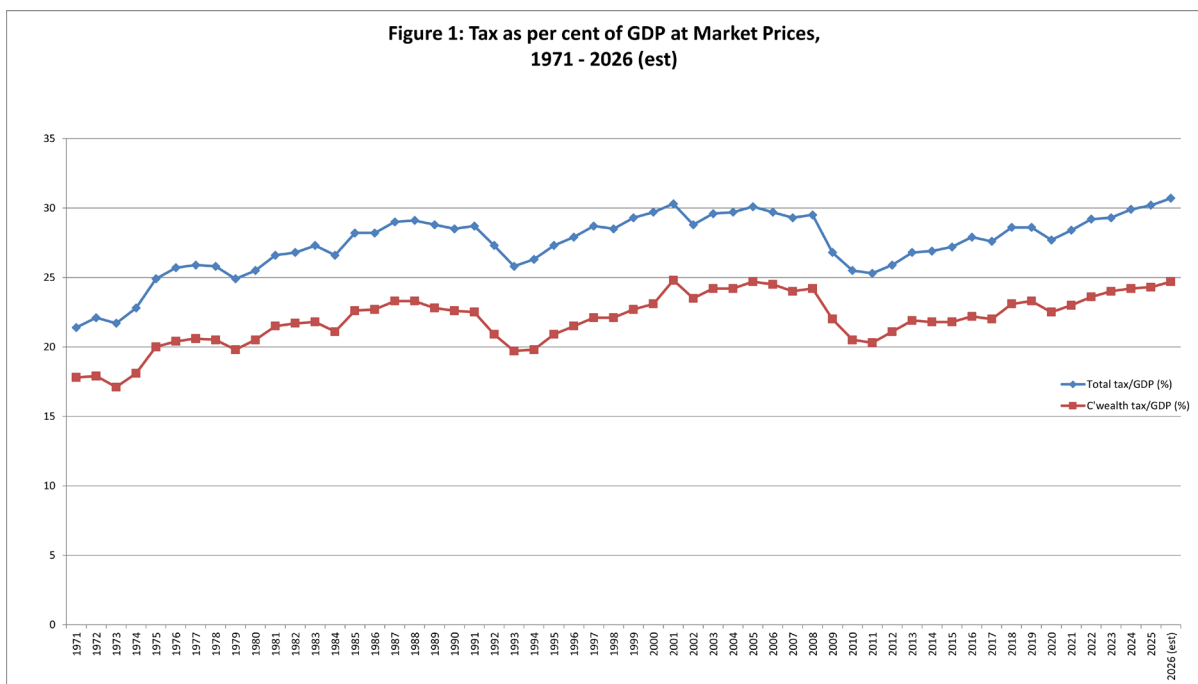
This is only one example, and the results vary widely across households of different composition, income and expenditure patterns.

(b) Top-down view

By far the most used measure of the tax burden is the top-down view of total tax revenue as a percentage of GDP. Common usage doesn't make it the best measure but an analytical starting point. It is more useful as an indicator of how the tax burden has changed over time than its current level or how it compares with other countries.

Figure 1 shows the history of the total tax and Commonwealth tax to GDP ratios back to 1971. Some of the outstanding features are the trend increase in the 30 years to the turn of the century, the cyclical declines coincident with the early 1990s recession and the more recent global financial crisis, and the recovery since the GFC to 30.2% in 2024/25 and a new record level of 30.7% in 2025/26 if recent estimates are confirmed.¹⁰

While the tax revenue/GDP ratio might give a reasonably accurate picture of how the tax burden has evolved over time, the problem with it as an absolute measure is that GDP is not the tax base. GDP includes all domestic income generated by economic activity and in that sense is a measure of capacity to pay, but it also includes



Sources: ABS: Taxation revenue, Australia, 2024-25. Australian National Accounts, Dec 2025. Commonwealth and State Mid-Year Budget Reviews, Dec 2025 and later.

elements of government income that do not represent capacity to pay because government cannot tax itself.

GDP is measured “at market prices”, which means it is inflated by indirect taxes such as the GST and reduced by subsidies that lower prices. The net of these – indirect taxes less subsidies – is always positive but does not add to taxable capacity. Including in the denominator of the tax/GDP ratio some of the same taxes as are in the numerator leads to an understatement of the tax burden.

Excluding indirect taxes and subsidies from GDP results in a measure known as GDP “at factor cost”, which is a better measure of aggregate domestic income of the factors of production including labour and entrepreneurship. On this basis the tax/GDP ratio in 2024/25 was 33.5%.

In addition, GDP at factor cost includes government gross operating surplus, which is not part of the economy’s taxable capacity. Excluding this from GDP further increases the tax ratio to 34.6% in 2024/25.

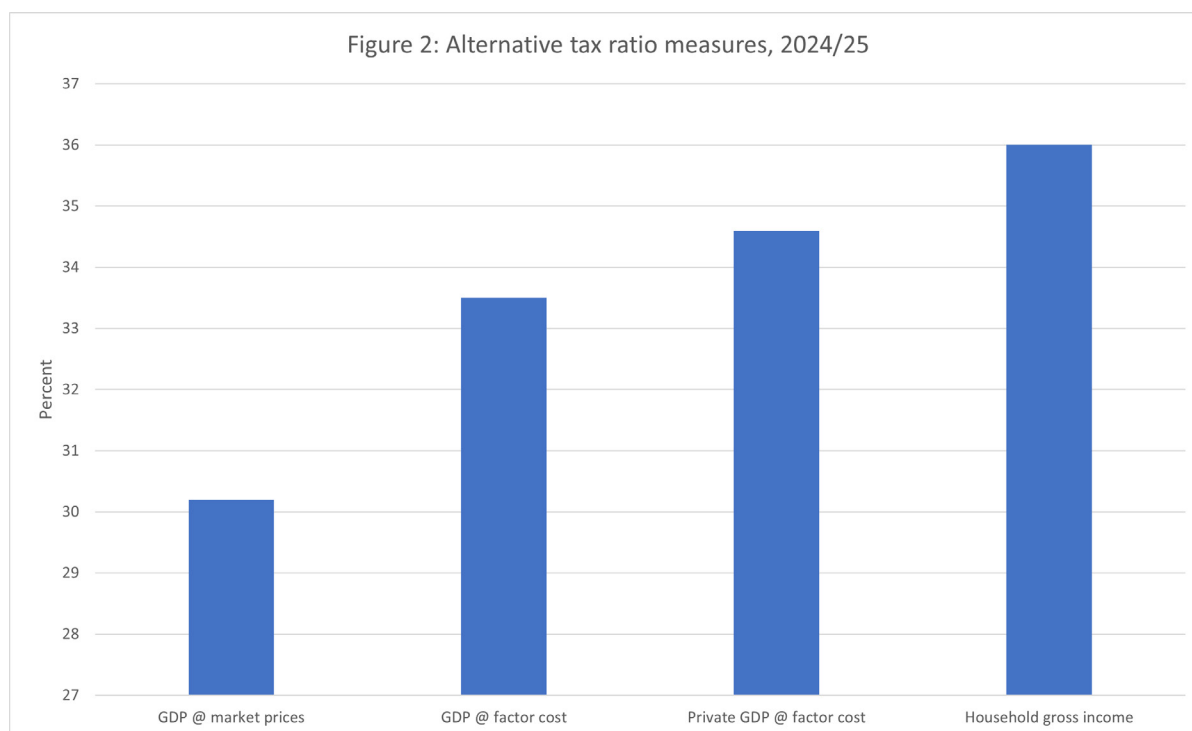
While this can be considered an average tax rate across all income-earning entities

in the private sector, it does not mean that all sectors pay the same average rate. If the burden of all taxation fell on the household sector and none on the business sector, for example, the tax rate for the household sector would be 36% of factor income accruing to households and transfers from other sectors such as interest, dividends and social benefits such as pensions.

This is an extreme assumption that would not be born out in practice, but it is closer to the truth than appears at first sight. While the legal incidence of many taxes does not fall on households, the economic incidence does because the taxes are effectively passed on to households through higher prices and lower wages and investment returns. For this reason, the average tax rate across all of Australia’s 11 million households is likely to be a little below or above 35% of gross income with the exact figure depending on how much of business taxes are passed on.

These alternative ways of quantifying the tax burden are shown in Figure 2.

These absolute measures do not support the notion of Australia as a “low tax”



Sources: ABS; Australian National Accounts, Dec 2025.

country when taxes are leaving only 65 cents in the dollar of gross income in the hands of households.

It is also to be emphasized that the economic burden of tax is not limited to the dollars of revenue raised. This is because

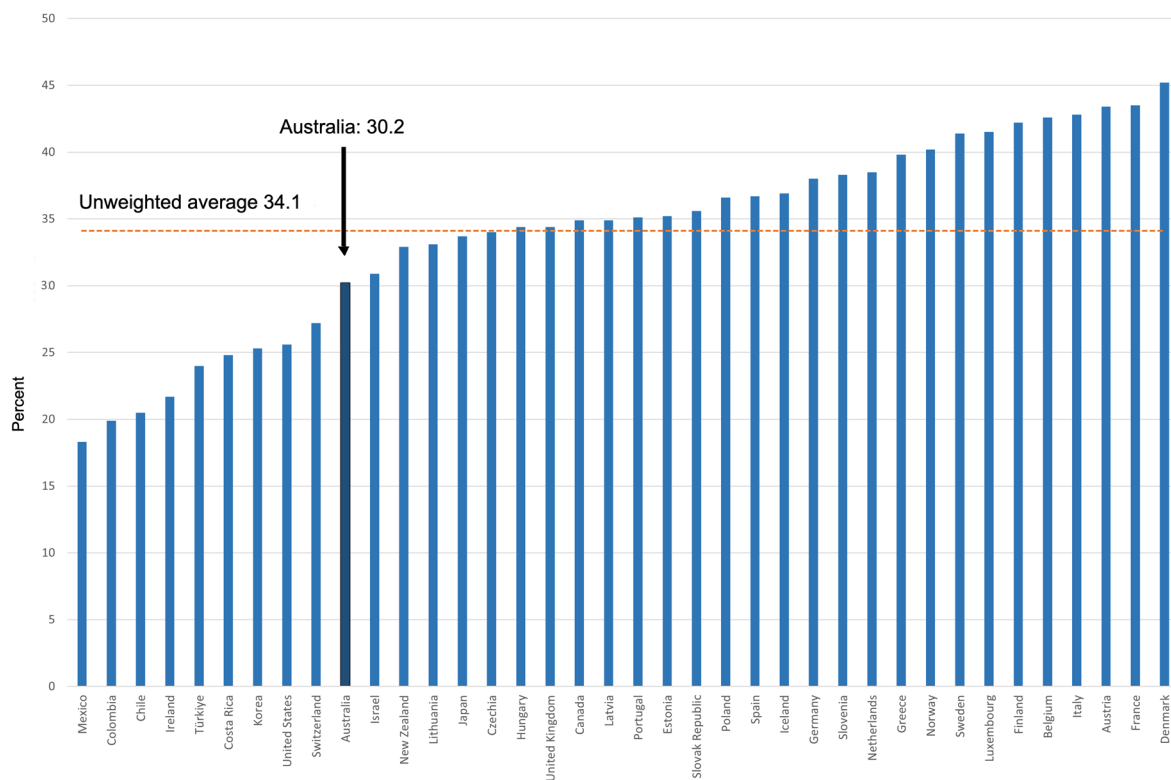
there is an 'excess' burden resulting from behavioural responses by economic agents introducing frictions that reduce overall economic well-being. Nor does this measure include the cost of government regulation falling directly or indirectly on households as the cost to business is passed on.

Relative measures of the tax burden – international comparisons

The characterisation of Australia as a low-tax country is invariably based on international comparisons of tax revenue as a percentage of GDP – the first top-down measure presented in the preceding section

of this report. The typical comparison is with the other 37 OECD member countries both individually and on average. Figure 3 displays such data for the latest year available, 2024.

Figure 3: Tax to GDP ratio in OECD countries, 2024



Source: OECD Revenue Statistics, 2025

Tax as a percentage of GDP at market prices is open to criticism as discussed above, but as these criticisms apply to all countries, they are less damaging to international comparisons as such. As the focus is on the differences among countries rather than the absolute levels, Figure 3 therefore adheres to the standard practice of using tax revenue as a percentage of GDP at market prices.

Clearly, on this view, Australia is among the lower taxing countries and is significantly below the OECD-wide average. Advocates of the low-tax view typically take this as proof of their claim and as a green light to higher taxes for Australia.

However, there are problems with Figure 3 as an accurate depiction of Australia's relative position.

First, it includes several countries at a lower level of development than the others – notably Mexico, Colombia and Costa Rica.

Second, it is very Eurocentric, with 26 of the 38 countries being European. As such, it gives a heavy weight to the high tax/high spending tendencies that have contributed to the low growth and high indebtedness of many European countries. Their average tax to GDP ratio is 37.4% compared with 26.7% for the other 12 OECD member countries. All but one of the OECD countries with tax ratios above the average are in Europe. European style fiscal policies are not ones that Australia should take as a model.

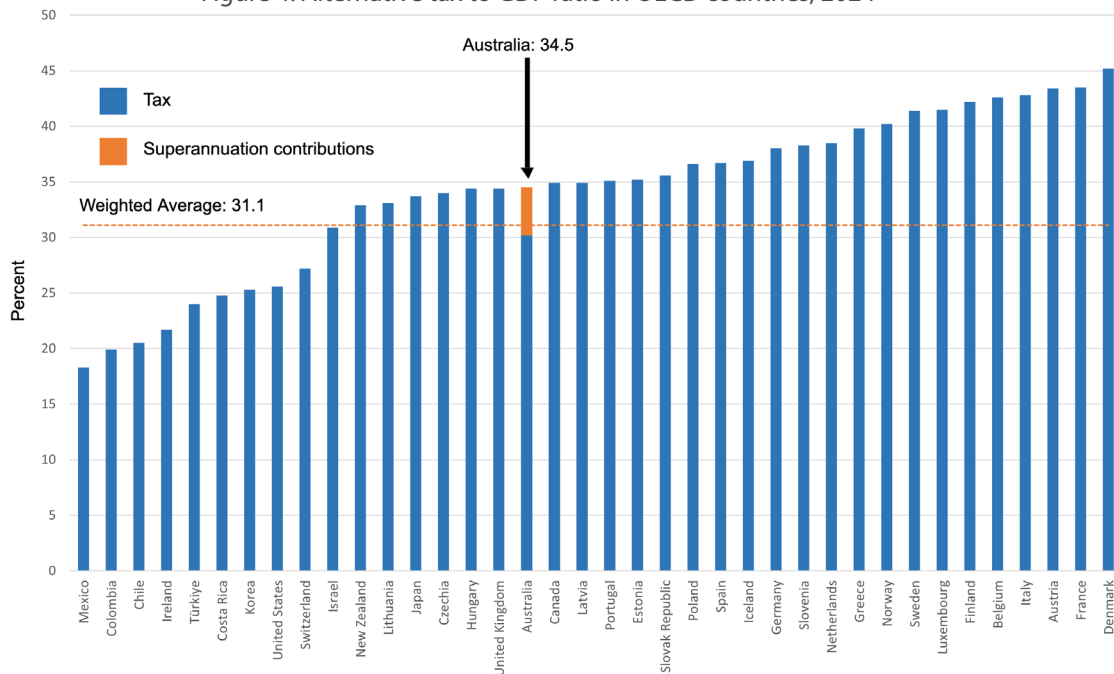
Third, the average is unweighted with respect to economic size, thus giving Europe a weight of three times its economic size and several very small countries such as Iceland, Luxembourg and Costa Rica the same weight as economic giants such as the United States, Japan and Germany. A weighted average is more meaningful.

Fourth, most of the 38 have social insurance contributions as earmarked taxes

to finance related social benefits such as pensions, but Australia does not, having opted for general tax funding of such benefits. Moreover, other countries' social insurance schemes are often universal, whereas the equivalent benefits in Australia are more tightly targeted. However, Australia does have mandatory private superannuation, which is not a tax but in some other respects is like universal social insurance contributions. Contributions under Australia's Superannuation Guarantee Charge are now running at about 5% of GDP.¹¹ Arguably the net portion of this (that is, net of the 15% contributions tax which is already counted in taxation) should be added to Australia's tax/GDP ratio for comparison with other countries.

If we rework Figure 3 this way and use a weighted average, the result is Figure 4. On this view, Australia's tax ratio of 34.5% is in the middle of the range and well above the weighted average, which is about 3 percentage points below the unweighted average of Figure 3.

Figure 4: Alternative tax to GDP ratio in OECD countries, 2024



Sources: OECD Revenue Statistics, 2025. OECD Purchasing Power Parity estimates of nominal GDP

However, while there are more and less sensible ways of looking at international comparisons, no OECD average represents a gold standard tax policy or a lodestar

to guide Australia. International averages include a multitude of tax policy sins that we should not aspire to.

Composition of taxation

It is not only the overall level of taxation we should be comparing but also its structure.

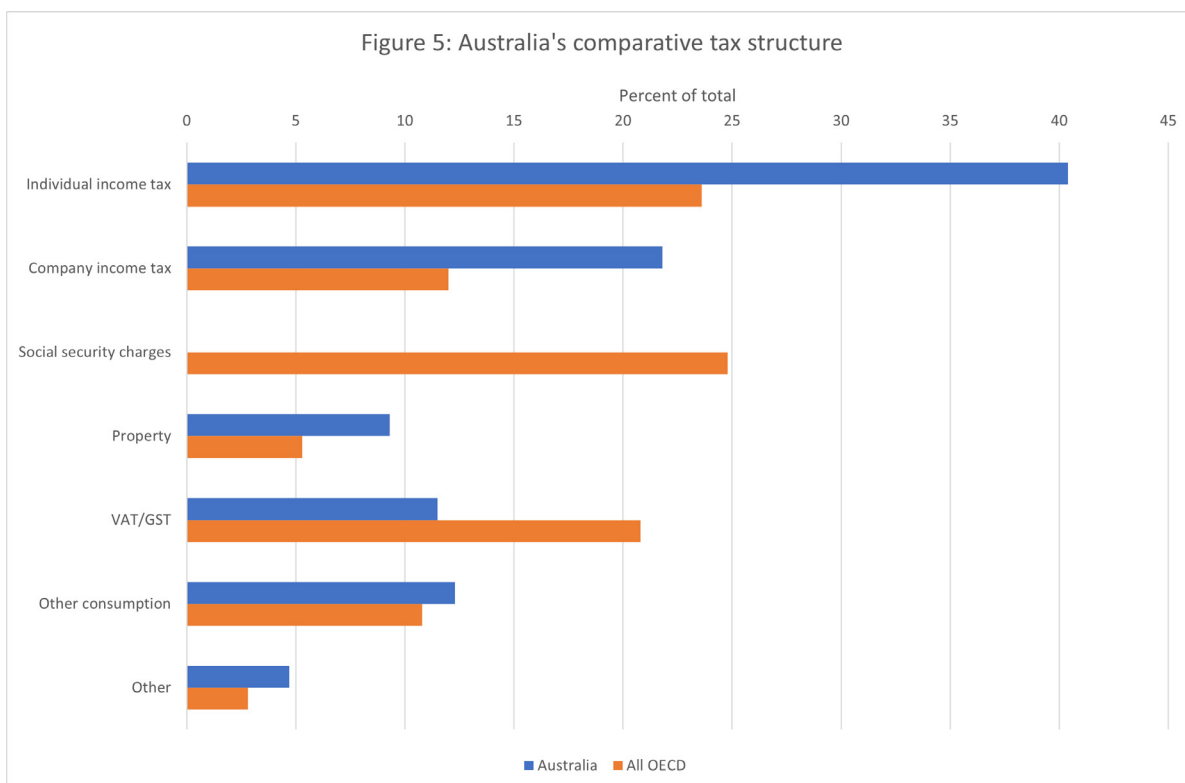
As illustrated in Figure 5, the composition of Australian taxation is markedly atypical within the OECD. The shares of personal and company income taxes are well above average, social insurance contributions are non-existent, value-added tax (GST) is well below average, and other indirect taxes and property taxes are above average.

Abstracting from the level of total taxation, the question is whether the atypical structure of Australian taxation is a strength or a weakness. On the face of it, Australia's structure arguably results in a higher economic burden per dollar raised than would the more typical OECD structure, and this is sometimes the thinking behind calls for an increase in GST offset by reductions in income tax and payroll tax.

However, the 25% of tax revenue in the OECD average represented by mandatory social security contributions is the elephant in the room, bearing in mind that Australia

has no such taxes although it does have the smaller superannuation guarantee charge for a narrower purpose. Assessing the social benefits and funding mechanisms of other OECD countries is beyond the scope of this paper, but it is relevant to note here that in some respects the social contributions are like an income tax. If they are considered as such, then the weight of income tax in Australian taxation does not appear relatively high. However, this point refers to comparative levels and is not a defence of the absolute levels of Australia's personal and company income taxes.

The final point to make is that structure and overall size are not independent. For example, countries that have high VATs (or GSTs) also tend to have high overall tax burdens. This suggests that as VAT rates have been ratcheted up the revenue has been used to finance spending rather than to lower other taxes. This is a cautionary note for Australians who might be attracted to a GST increase/income tax cut trade-off – they may end up with the higher GST but the same income tax burden, if not immediately then over time as bracket creep takes its toll.



Source: OECD Revenue Statistics, 2025.

TABLE 1: KEY TAX RATES, INTERNATIONAL COMPARISONS

| COUNTRY | TOP PERSONAL RATE (a) | COMPANY RATE | VAT/GST STANDARD RATE (b) |
|----------------|-----------------------|--------------|---------------------------|
| Australia | 45 | 30 | 10 |
| Canada | 33+ | 26.5 | 5+ |
| Chile | 40 | 27 | 19 |
| China | 45 | 25 | 13 |
| France | 45 | 25 | 20 |
| Germany | 45 | 30 | 19 |
| Hong Kong | 15 | 16.5 | 0 |
| India | 39 | 22 | 18 |
| Ireland | 40 | 12.5 | 23 |
| Israel | 50 | 23 | 18 |
| Italy | 43+ | 27.9 | 22 |
| Japan | 45+ | 29.7 | 10 |
| Malaysia | 30 | 24 | 10 |
| Netherlands | 49.5 | 25 | 21 |
| New Zealand | 39 | 28 | 15 |
| Poland | 45 | 19 | 23 |
| Singapore | 22 | 17 | 9 |
| South Korea | 42 | 24 | 10 |
| Spain | 47+ | 25 | 21 |
| Sweden | 48+ | 20.6 | 25 |
| Switzerland | 11.5+ | 17.9 | 8.1 |
| Taiwan | 40 | 20 | 5 |
| Thailand | 35 | 20 | 7 |
| United Kingdom | 45 | 25 | 20 |
| United States | 37+ | 21 | 0+ |

Source: Wikipedia; List of countries by Tax Rates ([wikipedia.org/list-of-countries-by-tax-rates](https://en.wikipedia.org/wiki/List_of_countries_by_tax_rates))

- (a) Central government only. + indicates presence of additional income taxes at different rates (which may be zero) at other levels of government. Excludes social contribution rates, which in some countries are very high.
- (b) Central government only. + indicates presence of additional VAT/GST or like taxes at variable rates at other levels of government. Standard rates are usually the maximum and rates on other goods and services are usually lower than the standard rate or zero.

Tax rates

Both the absolute and relative views of Australia's taxation boil down to statutory tax rates and bases. However, any attempt at a simple exposition soon confronts the complexity of the tax system – multiplied in the international comparative dimension by the equal or even greater complexity of comparator countries' tax systems. Even something as seemingly simple as the top marginal rate of personal income tax is complicated by such questions as the income level at which it applies, what is included in the tax base, what levies might be added to it, and whether other levels of government add to it (particularly in federal systems).

Nevertheless, Table 1 takes a step towards international comparisons of countries' top marginal rates, company tax rates, and value added tax (or GST) rates. This snapshot does not adhere slavishly to the OECD membership but uses a selection of countries based on size, level of economic development, and economic relevance to Australia. It is a less Eurocentric list than the OECD membership.

Leaving aside all the unanswered questions about tax thresholds and bases, additional levies and similar taxes at sub-national levels of government, Table 1 points to

Australia's top marginal personal income tax rate being in the upper half of the range. Not shown is the relatively low threshold for the top rate, which is now less than twice average weekly earnings.

Table 1 also shows that Australia's company tax rate is unquestionably high, although it should be added that the dividend imputation system returns some of that tax to individuals as franking credits on dividends.

According to the comparisons in Table 1, Australia's 10% GST is a relatively low rate. Also, the base has numerous large exemptions such as for food, though Australia is by no means a stand-out in that respect with many other countries having exemptions or lower rates than the standard ones shown in the table. Australia complements its relatively modest GST effort with an above-average share of other consumption-like taxes in its mix.

The spread of VAT/GST rates is notable, but also the concentration of high rates in Europe. In fact, all European countries except Switzerland have rates of 19–27%, and there are only six non-European OECD countries with rates above Australia's 10%.

Conclusion

Whether Australia is a 'low tax' country, as is often asserted, is of more than academic importance at a time of pressure to increase taxes further. The more the low-tax perception spreads through the community and among policy makers, the more politicians will believe they have a green light to increase taxes to finance higher government spending.

The low-tax assertion does not withstand scrutiny. It has recently been reported by the Australian Bureau of Statistics that total taxation at all levels of government reached 30.2% of GDP in 2024-25, which was close to the previous record. If estimates for 2025-26 are confirmed, the tax load will increase slightly further and set a new record. And estimates out to 2035/36 suggest it will increase much further with income tax bracket creep.

Moreover, for various technical reasons this measure is an understatement of the weight of total taxation on the private sector, which is more likely around 35%

of income. Such a level of government intervention is a heavy load on the private sector and does not warrant the description of being 'low' in any absolute sense.

International comparisons are also often cited as evidence of Australia's 'low tax' status, but these comparisons are flawed. It is true that many other OECD countries – mainly in Europe – have higher tax/GDP ratios, but this reflects their heavy use of taxes linked to social security benefits. Australia has no such taxes but does have the Superannuation Guarantee Charge which, although not a tax, should be taken into account in the international comparisons. Once this is done, Australia is in line with the OECD unweighted average and above the more meaningful weighted average.

Any OECD averages, however, are a poor guide to tax policy. They are averages resulting from good, bad and ugly tax policies. Australia should be aiming for the best policies, not mediocrity.

Endnotes

- 1 Factsheet, December 2024 (australiainstitute.org.au).
- 2 Greg Jericho, 24 July 2025 (theguardian.com/au).
- 3 Statement to Economic Reform Roundtable, 21 August 2025 (grattan.edu.au).
- 4 David Montani, *Tax Wars*, p 37 (The Tax institute, Sydney, 2025).
- 5 See for example Michael Potter, *The Case Against Tax Increases in Australia*, CIS Research Report 15, pp 16-20 (Centre for Independent Studies, Sydney, 2016).
- 6 Parliamentary Budget Office, *2025-26 Medium-term Budget Outlook: Beyond the Budget*, 18 September 2025 (pbo.gov.au).
- 7 ABS, Household Income and Wealth, Australia, 2019-20 and Average Weekly Earnings, Australia, November 2025.
- 8 Australia's Future Tax System review, 2010.
- 9 As well as applying standard income tax rates and superannuation taxes, this estimate assumes annual expenditure of \$33,000 subject to GST, \$1,500 in customs and excise duties, \$4,500 in state stamp duty on property being one-tenth of an average purchase every tenth year, \$400 in state stamp duty on buying an average price new car every fifth year, \$300 in state stamp duty on insurances, \$500 in mandatory annual vehicle registration and related charges, \$200 in state gambling taxes, and \$1,500 in annual local government rates.
- 10 Commonwealth and state mid-year budget reviews, December 2025 and later.
- 11 APRA Quarterly Superannuation Statistics (apra.gov.au/quarterly-superannuation-statistics)

This paper challenges the common claim that Australia is a 'low-tax' country, arguing that such a characterisation is misleading and based on flawed comparisons. While Australia appears below the OECD average when tax is measured as a share of GDP, this metric understates the true burden of taxation.

Using more comprehensive measures, the paper finds that total taxation in Australia amounts to around 34-36% of the economy's effective tax base. This suggests households retain only about 65 cents of each dollar of gross income after accounting for both direct and indirect taxes. The analysis also highlights that many taxes levied on businesses are ultimately borne by households through higher prices, lower wages, or reduced investment returns. As a result, the effective tax burden on households is likely close to 35%.

The paper identifies key flaws in international comparisons, noting that OECD averages are heavily influenced by European countries with higher taxes and different fiscal structures. When these differences are accounted for — including Australia's lack of social insurance taxes — Australia's tax burden is closer to, or above, the OECD average. Overall, the report concludes that Australia's tax system imposes a substantial economic burden and does not warrant the label of a low-tax country.

About the Author



Robert Carling is a Senior Fellow at the Centre for Independent Studies. As an economist, he undertakes research into a wide range of public finance issues and regularly comments in the media on taxation and other budget issues. Before joining the CIS, he was a senior official with the New South Wales Treasury and before that, with the Commonwealth Treasury, the World Bank and the International Monetary Fund.

Related Works

Robert Carling. *Why We Should Not Increase Capital Gains Tax*. CIS Policy Paper 64, March 2026.

Sinclair Davidson. *The Unworkable Solution: An Economic Assessment of a Cashflow Tax for Australia*. CIS Analysis Paper 93. November 2025.



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