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High wealth income tax gap

How we estimate and reduce the high wealth income gap for 2022–23.

Published 3 November 2025

Latest estimate and trends for wealth income gap

Compare the 2022–23 high wealth income tax gap to trends from previous years.

ATO action to reduce the high wealth income gap

How we support taxpayers to meet their high wealth income compliance obligations.

Methodology for estimating high wealth income gap

Learn the method we use to estimate the high wealth income gap.

Reliability of high wealth income gap estimate

How we make sure the high wealth income gap estimate is reliable.

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Overall estimates and trends

For 2022–23, we estimate a net income tax gap for high wealth groups of \$1,205 million or 7.2%. This means we expect to collect almost 93% of the total theoretical income tax.

High wealth groups population

High wealth individuals and their associated private groups are Australian resident individuals who, together with their associates, control wealth of more than \$50 million. To estimate the gap, we include:

- registered individuals linked to a high wealth private group
- companies where ownership by the head individual is 40% or more.

Companies with total business income greater than \$250 million annually are included in the **large corporate groups income tax gap**.

Where income earned from trusts and partnerships is distributed to companies or individuals in the high wealth private groups population, we recognise the tax effect here.

The high wealth income tax gap forms a part of our overall tax performance program. For more information see **tax gaps and the latest gaps available**.

Overview of the latest estimates

The net tax gap estimates have remained generally stable over time as shown in Table 1.


Table 1: Income tax gap – high wealth private groups 2017–18 to 2022–23

Element	2017–18	2018–19	2019–20	2020–21	2022–23
Population (individuals)	9,891	11,393	13,641	14,906	19,392
Population (companies)	19,392	21,385	23,461	26,963	32,461
Gross gap (\$m)	937	1,192	1,240	1,422	1,422
Amendments (\$m)	204	352	141	293	293
Net gap (\$m)	733	840	1,098	1,129	1,129
Expected collections (\$m)	10,565	10,626	11,359	14,479	19,392
Theoretical liability (\$m)	11,298	11,466	12,458	15,608	20,811
Gross gap (%)	8.3%	10.4%	10.0%	9.1%	5.4%
Net gap (%)	6.5%	7.3%	8.8%	7.2%	5.4%

Figure 1 shows the gross and net gap as a percentage over the same period. Given revisions to data, the high wealth income tax gap estimates can take some time to tend towards a central and stable estimate. Gap analysis is therefore more useful for identifying the trend over time – rather than focusing on the absolute gap value for each or any year. This is consistent with the positioning of tax gap estimates for other taxes and is the approach adopted in international tax gap reporting programs. Accordingly, care needs to be taken when looking at individual year tax gap estimates.

While the latest year shows an increase in the overall high wealth income tax gap, the estimates for the last 3 years remain below those for the 2019–20 year.

Figure 1: Gross and net tax gap (percentage) – high wealth private groups, 2017–18 to 2022–23

 The gross and net gap in percentage terms as outlined in Table 1.

What is driving the high wealth income tax gap

When business owners and wealthy individuals make mistakes, it is usually in how they interpret tax law or because they don't understand or are failing to comply with their tax obligations.


Broadly, risks and issues that we see driving the high wealth income tax gap specific to the tax system include:

- misreporting or omitting transactions and income
- capital versus revenue misclassification
- incorrectly recognising the tax consequences of transactions or structures when doing succession planning
- failing to meet Division 7A requirements and trust distribution requirements
- tax outcomes inconsistent with the intent of the tax law
- choosing not to comply, or regularly taking controversial interpretations of the tax law
- claiming tax deductions on related party transactions and private use of business funds or assets

- poor governance and risk-management systems
- not participating or selectively participating in the tax system
- inappropriately accessing concessions or refunds
- structuring to minimise or avoid tax
- using cross-border transactions or structures to minimise or avoid tax.

A small number of high wealth individuals seek to avoid paying the right amount of tax. They take advantage of closely held structures and use artificial and non-commercial arrangements intentionally designed to avoid and, in some circumstances, evade tax. Where we detect deliberate tax evasion, we apply correction strategies such as prosecution.

What attracts our attention includes further information on what we focus on more broadly.

For previously published tax gap figures, see [Australian Tax Gaps - Data.gov.au](#) 

QC 105740

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Our actions

We expect to collect more than 91% of income tax from high wealth groups voluntarily, without our intervention. Our engagement activities increase this to almost 93%.

The key to an effective tax system is a high-level participation. Taxpayers have more confidence in the tax system and participate if they:

- value the system
- feel the system is fair
- have trust and confidence in us as the administrator.

Our strategies to reduce the gap and encourage participation are based on these principles.

In addressing this gap, we seek to improve the overall health of the tax system. The best way to achieve a sustained reduction in the gap is to make it easier for high wealth private groups to get their tax right, and hard to get it wrong.

As part of our Tax Avoidance Taskforce activities, through the **Top 500 private groups tax performance program** and **Next 5,000 private groups tax performance program**, we monitor high wealth individuals and their associated groups and work with them to confirm that they pay the right amount of tax and are meeting their tax obligations.

We work with high wealth private groups to:

- give them certainty about how we view their tax affairs
- support them to correct mistakes
- mitigate against future tax issues.

We support people trying to do the right thing and if they make mistakes, but where we detect tax avoidance schemes or evasion, we take firm action such as penalties and prosecution when appropriate. This keeps the system fair for everyone.

Our findings from case work shows that many risks associated with entities failing to pay the right amount of tax, includes:

- arrangements that circumvent integrity provisions related to unpaid present entitlements and loans made to shareholders and their associates
- trust election and distribution issues, including family trusts
- calculation of capital gains, including cost base, concessions, rollovers and losses

- incorrect reporting of capital works and capital allowance deductions
- understated interest income from non-arm's length (related party) loans
- mismatches in reported income and expenses between related parties
- international tax matters including controlled foreign companies, transfer pricing, and intangibles migration
- deductibility matters, including related party service or management fee arrangements, and deductions claimed for private pursuits and activities.

We help taxpayers get their tax obligations right in real time with our early engagement and pre-lodgment activities, including our:

- **commercial deals program**; and
- **tailored technical assistance.**

Our analysis shows that between 2017–18 and 2022–23 high wealth groups made around 18% of amendments voluntarily.

We continue to improve our risk models and develop our data and analytical tools so we can proactively engage these groups and help them comply.

Tools and tips to help get it right

We offer a range of tools and services to help taxpayers understand the tax consequences of significant and complex transactions.

We encourage taxpayers to engage with us or their advisers when planning activity outside their normal business, including expanding activity offshore or transitioning to retirement.

To avoid mistakes, high wealth private groups should:

- have strong tax governance practices and system controls
- seek advice from tax professionals when considering making changes to their business or wealth management structures
- gain greater certainty about the tax consequences of significant transactions or changes in structure before they happen by **talking**

to us.

Find out about tax issues for trusts, including tips and traps for trustees and beneficiaries.

QC 105740

Methodology for estimating high wealth income gap

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Published 3 November 2025

Statistical methods

We use 2 bottom-up statistical methods to estimate the high wealth income tax gap – the 'extreme value theorem' regression model for individuals and the multi-stage 'logistic linear regressions' model for companies. We step through the following methods and results and combine them in Table 1.

Calculation – high wealth individuals

There are 4 steps in the extreme value theorem to estimate the high wealth individuals tax gap.

Step 1: Identify the extreme population

Amendments for high wealth individual taxpayers follow a power law distribution, with the majority of total tax amendments in value terms represented by a small number of amended income tax returns.

We rank the amendments in descending order and identify the point where the cumulative sum of positive amendments is equal to or less than the total negative amendments.

We remove all these small amendments, which have no impact on the net value of total amendments. The remaining amendments are

referred to as the 'extreme values'.

We calculate the number of extreme values as a ratio of all amendments to be used for extrapolation purposes in Step 2.

Step 2: Estimate the unreported tax amount

We transform the amendment data of the extreme population to estimate a linear relationship between the value and rank of the amendments using a regression approach.

To estimate the unreported tax amount, we then extrapolate the relationship to the number of taxpayers expected to contribute to the extreme values in the wider population.

Step 3: Apply a non-detection uplift factor

We need to account for imperfections in the process that could lead to the final gap estimate not reflecting the true tax gap. To account for non-detection, we apply an uplift factor to the unreported tax amount in Step 2.

Step 4: Consolidate the gap estimates

We calculate the gross gap by adding the:

- unreported amounts from Step 2
- non-detection uplift from Step 3
- non-pursuable debt.

We calculate the net gap by subtracting the total amendment amount from the gross gap. Then we add the net gap to the expected collections to estimate the total theoretical liability.

Summary of the estimation process – high wealth individuals

Table 2 shows the:

- individuals population count at Step 1
- dollar values at Steps 2 to 4.6
- percentage figure for the gross and net gaps at Steps 4.7 and 4.8.

Table 2: Summary of estimation process for high wealth in

Step	Description	2017–18	2018–19	2019–20*	2020–21*
1	Total population (count)	9,891	11,393	13,641	14,906
2	Total expected amendments (\$m)	214	379	380	380
3	Non-detection (\$m)	161	246	260	267
4.1	Non-pursuable debt (\$m)	0	0	0	0
4.2	Gross gap (\$m)	375	626	640	647
4.3	Amendments (\$m)	182	310	124	205
4.4	Net gap (\$m)	193	316	515	442
4.5	Expected collections (\$m)	5,391	5,498	6,142	7,762
4.6	Total theoretical liability (\$m)	5,584	5,814	6,658	8,204
4.7	Gross gap (%)	6.7%	10.8%	9.6%	7.9%
4.8	Net gap (%)	3.5%	5.4%	7.7%	5.4%

*Projected years in Table 2

Calculation – high wealth companies

The following 5-step bottom-up regression is applied to estimate the High Wealth-linked companies tax gap.

Step 1: Establish a logistic regression trend

We analyse the income tax return data of companies that have been subject to amendment activities and adjust the data to account for selection bias. We identify the relevant characteristics of companies in general that would contribute to the prediction of whether a company has a tax gap.

Based on these characteristics, we assign each company a unique probability of having a tax gap. We then model each company to be compliant or non-compliant through a Monte Carlo simulation.

Step 2: Establish a linear regression trend

We analyse tax return data of known non-compliant companies to identify characteristics of companies that would contribute to the prediction of the tax gap size. We also apply weights to account for selection bias. Then we apply linear regression to each company to estimate the potential size of the gap.

The key difference between Steps 1 and 2 is that Step 1 calculates the likelihood of a company having a tax gap while Step 2 calculates the size of each company's potential tax gap.

Step 3: Combine the results from the 2 regressions

We calculate the estimated unreported tax amount for each simulation by adding the Step 2 non-compliance amount to the predicted non-compliance companies in Step 1. We estimate total unreported tax (including amendments) by taking an average of the results from 20,000 simulations.

Step 4: Apply a non-detection uplift factor

We uplift the estimates preceding this step to account for non-compliance that isn't detected. This ensures that the final estimate is not understated.

Step 5: Consolidate the tax gap estimates

We calculate the gross gap by adding up the:

- unreported amounts from Step 3
- non-detection uplift from Step 4
- non-pursuable debt.

We calculate the net gap by subtracting the total amendment amount from the gross gap. We then add the net gap to the expected collections to estimate the total theoretical liability.

Summary of the estimation process – high wealth companies

Table 3 shows the:

- dollar values in millions at Steps 1 to 5.6
- company population count at Step 1
- percentage figures for the gross and net gaps at Step 5.7 and 5.8.

Table 3: Summary of estimation process for high wealth cc

Step	Description	2017–18	2018–19	2019–20*	2020–21*
1	Total population (count)	19,392	21,385	23,461	26,963
1–3	Unreported tax including amendments (\$m)	330	340	358	465
4	Non-detection (\$m)	214	221	237	305
5.1	Non-pursuable debt (\$m)	19	5	5	5
5.2	Gross gap (\$m)	563	566	600	775

5.3	Amendments (\$m)	23	42	17	88
5.4	Net gap (\$m)	540	524	583	687
5.5	Expected collections (\$m)	5,175	5,128	5,217	6,717
5.6	Total theoretical liability (\$m)	5,714	5,652	5,800	7,404
5.7	Gross gap (%)	9.8%	10.0%	10.3%	10.5%
5.8	Net gap (%)	9.4%	9.3%	10.1%	9.3%

*Projected years in Table 3

Find out more about our overall research methodology, data sources and analysis for creating our tax gap estimates.

Limitations

The following caveats and limitations apply when interpreting this tax gap estimate.

There is a considerable delay between an income year and the completion of our compliance activities for that year. This means gap estimates are subject to revisions for a considerable period.

Amendment results for companies and individuals are projected for 2020–21 to 2022–23 and are subject to revisions over coming years before eventually being replaced by actual amendments.

Provisions are made for non-pursuable debt.

There is no independent data source that can provide a credible or reliable macroeconomics-driven estimate (unlike indirect taxes).

The true extent of non-detection is unknown and extremely challenging to measure. There is no international proxy we can apply to the individuals or companies in this population.

Updates and revisions to previous estimates

Each year we refresh our estimates in line with the annual report. Changes from previously published estimates occur for a variety of reasons, including:

- improvements in methodology
- revisions to data
- additional information becoming available.

Figure 2: Current and previous net high wealth income tax gap estimates, 2013–14 to 2022–23

 Our previous and current net gap estimates as outlined in Table 2.

This data is presented in Table 4 as a percentage.

Table 4: Current and previous net high wealth income tax gap estimates, 2017–18 to 2022–23

Program year	2017–18	2018–19	2019–20	2020–21	2021–22
2025	6.5%	7.3%	8.8%	7.2%	6.5%
2024	7.5%	7.3%	7.7%	7.2%	6.1%
2023	7.0%	8.2%	7.5%	7.1%	n/a
2022	6.8%	7.0%	6.7%	n/a	n/a
2021	7.1%	6.9%	n/a	n/a	n/a
2020	7.4%	n/a	n/a	n/a	n/a

Reliability of high wealth income gap estimate

How we make sure the high wealth income gap estimate is reliable.


Published 3 November 2025

We seek feedback and advice about how we estimate the gap from our external and internal subject matter experts. Based on the advice, the reliability for this estimate is **medium** with a score of 20.

The methodological validity of the approach is also assessed as high. The level of data and information held on the high wealth population is extensive and the population coverage informing the estimates is also high.

The gap estimates remain sensitive to assumptions made, particularly relating to non-detection. In addition, this year's gap estimates maintain the current approach to debt, underestimating the final gap estimate. As a result, we have examined more closely the reliability rating to reflect this. For this gap we have downgraded the overall reliability rating to medium.

Figure 3: Reliability rating scale – high wealth income tax gap

 The reliability rating of medium for the current High Wealth income tax gap estimate. The rating scale includes very low (1-10), low (11-15), medium (16-20), high (21-25), very high (26-30). The latest GST estimate for High Wealth is 20 which is medium.

QC 105740

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