Large corporate groups income tax gap

How we estimate and reduce the large corporate groups income gap for 2022–23.

Published 3 November 2025

How we make sure the large corporate groups income gap estimate is reliable.

QC 105752

Latest estimate and trends for large corporate groups income gap

Compare the 2022–23 large corporate groups income tax gap to trends from previous years.

Published 3 November 2025

Large corporates to voluntarily pay

For 2022–23, we expect large corporates to voluntarily pay more than 94% of what they should. We estimate this to rise to over 96% after our engagement.

Large corporate groups population

A large corporate group has a gross income of over $250 million in a financial year. In 2022–23, large corporate groups:

- reported $2.86 trillion in gross income
- generated $376 billion in taxable income
- returned around $98 billion in expected income tax.

This gap forms a part of our overall tax performance program. Find out about the **concept of tax gaps and the latest gaps available**.

Overview of the latest estimate

The ATO estimates that the economic activities undertaken by large corporate groups should have generated over $101 billion in income tax for 2022–23. We know that $95 billion was voluntarily reported.

This leaves a gap of $6 billion, or 5.9%, and we call this the large corporate groups gross tax gap.

After ATO engagement and compliance action, the gap was reduced to $3.7 billion, or 3.7%, and we call this the large corporate groups net tax gap.

Over the past decade, we've seen steady improvements in voluntary compliance, or gross gap, and large corporate groups are now among the most compliant segments. This has largely been due to the increased focus of the Tax Avoidance Taskforce

The tax gap can be viewed in net and gross terms to show the impact of amendments. Table 1 shows the expected income tax collections, amendments, and net and gross income estimates for the period 2017–18 to 2022–23.

The large corporate group transactions are often complex, taking time to review and resolve. Historically, this has resulted in downward revisions to our current year estimate, and we expect a similar revision down to our 2022–23 tax gap estimate, shown in Table 2.

Table 1: Income tax gap – large corporate groups, 2017–18

Element	2017–18	2018–19	2019–20	2020–21	20
Population (entities)	7,420	7,977	8,067	8,278	8
Gross gap ($m)	3,497	5,165	3,073	3,891	6
Amendments ($m)	1,445	2,749	1,270	1,532	2
Net gap ($m)	2,053	2,416	1,803	2,359	3
Expected collections ($m)	52,593	59,135	58,399	69,804	86

Theoretical liability ($m)	54,646	61,550	60,202	72,163	9
Gross gap (%)	6.4	8.4	5.1	5.4	
Net gap (%)	3.8	3.9	3.0	3.3	

Table 2: Income tax gap – large corporate groups, current published results

Element	Published year	2017–18	2018–19	2019–20	202 2
Net tax gap	**Current year**	3.8%	3.9%	3.0%	3.3
Net tax gap	**Last year**	3.7%	4.0%	3.3%	3.7
Gross tax gap	**Current year**	6.4%	8.4%	5.1%	5.4
Gross tax gap	**Last year**	7.0%	8.9%	6.2%	6.1

Figure 1 displays the trend in the gross and net income tax gap over the same period.

Figure 1: Gross and net income tax gap (percentage) – large corporate groups, 2017–18 to 2022–23

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

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

QC 105752

ATO action to reduce the gap

How we support our clients to meet their large corporate groups income compliance obligations.

Published 3 November 2025

We understand the tax compliance of large corporate groups influences the confidence other taxpayers have in the **fairness and integrity of the tax system**.

Addressing the large corporate groups income tax gap also improves willing participation by other taxpayers. We seek to reduce the tax gap by managing the key compliance risks that drive it. We know the best way to achieve this is to focus on active prevention by supporting high levels of voluntary compliance. This underpins all our strategies and our **key initiatives to sustainably reduce the tax gap**.

We discuss the most significant compliance risks and how we treat them in **Tax and Corporate Australia**. One of our key strategies is to provide public advice and guidance to ensure large corporate groups understand our view and areas of concern. This allows them to make more informed compliance choices and improves community confidence by letting the public know we are identifying and addressing matters of concern.

Ongoing investment in the **Tax Avoidance Taskforce** maintains our capacity and capability to ensure large corporates are paying the right amount of tax in Australia. In the most recent budget, the Government extended the funding for the Taskforce to 30 June 2029. The funding in the Taskforce allows us to:

- provide assurance over a significant portion of the tax to be collected through our justified trust programs
- have greater insight and coverage of compliance risks in the population.

We advise the government, via the Department of the Treasury, about opportunities for statutory law reform to improve the tax system and compliance of large business.

QC 105752

Methodology for estimating large corporate groups income gap

Learn the method we use to estimate the large corporate groups income gap.

Published 3 November 2025

Bottom-up methodology

We use a 5-step model-based bottom-up methodology to estimate the large corporate groups income tax gap.

Step 1: Calculate amendments

We use the results of amendments, initiated by us and clients, to estimate the tax gap for the entire population. We use:

- the actual result of compliance activities, including the amendments from completed audits and reviews
- taxpayer voluntary disclosures
- expected future compliance outcomes for material amounts in dispute
- projected future amendments.

We project future amendments to account for the time delay between a tax return being lodged, and any final amendments that will be made. As complex tax cases may take years to resolve, the amendments may not be received until several years after the tax return was lodged.

To account for these future amendments, we use data on the value and timing of past amendments to project amendments we are likely to receive in the future. As we revise the gap in future years, we will use refreshed information to update our results and improve projections.

We then aggregate the amendments, including projected amendments, for the population to determine the total result.

Step 2: Integrate coverage data

We use our tax assured data in our estimation, coupled with data collected through our traditional compliance activities, such as audits and reviews. This allows us to calculate unreported tax and derive a figure for non-detection more accurately.

For large corporate groups we assure tax by collecting evidence directly from taxpayers.

See more information about our approach in **Tax assured: gaining confidence the right amount of tax is reported**.

Step 3: Calculate unreported tax

Unreported tax is the additional tax we estimate may be raised if we were to undertake compliance activities on the entire population.

To estimate unreported tax, we calculate adjustment factors based on actual and projected future amendments.

Then we discount these factors to account for selection bias. This reflects that our compliance activities are biased towards areas of higher risk than the level in the general population. We also discount these factors for the latest estimate year to account for expected assurance results completed after publication which have historically resulted in downward estimate revisions.

We then apply these factors to each entity in the population to estimate the total amount of unreported tax. The factors may be discounted where the expected collections have been assured, reflecting our higher confidence in those amounts.

Step 4: Estimate non-detection

We uplift the estimates from the earlier steps to account for non-compliance not detected through our compliance activities. We do this by applying uplift factors to the tax amounts based on the level of tax assurance.

Given the confidence we have in tax amounts assured through our justified trust program, we apply a lower non-detection factor to those amounts.

Find out more about ensuring complete estimates.

Step 5: Estimate theoretical liability – gross gap and net gap

We add total amendments (Step 1c), unreported tax (Step 3) and non-detection (Step 4) to determine the gross gap.

To calculate the theoretical liability, we then add the amount of tax voluntarily reported. Then we subtract total amendments from the gross gap to determine the net gap.

Estimate summary

Table 3 provides a summary of each step of the estimate for each year. It shows the calculation for each of the steps described from 2017–18 to 2022–23. Steps 1 through to Step 5d are in dollar values, and Steps 5e and 5f are in percentage values.

Table 3: Summary of large corporate groups income tax ga

Step	Description	2017–18	2018–19	2019–20	202
1a	**Amendments ($m)**	1,352	2,443	644	4
1b	**Projected amendments ($m)**	92	307	626	1
1c	**Total amendments ($m)**	1,445	2,749	1,270	1,5
2	**Tax assured**	36,284	40,511	39,898	43,9

	($m)				
3	**Unreported tax ($m)**	1,021	1,252	694	9
4	**Non-detection ($m)**	1,032	1,164	1,110	1,3
5a	**Gross tax gap ($m)**	3,497	5,165	3,073	3,8
5b	**Tax voluntarily reported ($m)**	51,148	56,385	57,129	68,2
5c	**Theoretical liability ($m)**	54,646	61,550	60,202	72,1
5d	**Net tax gap ($m)**	2,053	2,416	1,803	2,3
5e	**Gross gap (%)**	6.4%	8.4%	5.1%	5.
5f	**Net gap (%)**	3.8%	3.9%	3.0%	3.

Note: Tax assured amounts are not used directly in the calculation, but feed into our calculations of unreported tax (Step 3) and non-detection (Step 4).

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

Limitations

Estimating the tax gap for large corporate groups is difficult and involves inherent uncertainty. Tax issues and tax laws are complex and contestable.

The estimates don't account for differences where there are alternative views on the appropriate interpretation of the tax law. Differences can exist between reasonably arguable positions presented by us and taxpayers.

Non-detection is also challenging to estimate. We use tax assured data to improve estimates where possible.

The current methodology only provides an aggregated estimate of the large corporate groups tax gap. While this may allow generalised comparisons with other taxes, it doesn't measure relative risk between corporate groups or issues within this market.

The gap estimate is a lag measure because compliance results take several years to flow through. This is due to the complexity of the tax issues in this population and how much time it takes to finalise our compliance activities.

Assumptions

Assumptions we use to construct this estimate are informed by actual data and expert opinion. The key assumptions are:

- For those large corporate groups that we **don't** audit or review, we assume
  - a certain degree of non-compliance with tax law occurs
  - the degree of non-compliance in these groups is less than those we do audit or review due to our risk detection approaches.
- For those large corporate groups that we **do** audit or review, we assume
  - adjustments to their tax liabilities are representative of the value of non-compliance with tax law
  - we don't detect all instances of non-compliance
  - adjustments to their tax liabilities from completed audits and reviews are correct with the law at the time of estimation.
- For projected estimates, we assume
  - past outcomes of audits, reviews, settlements, and objections are reasonable representations of future outcomes.

Accounting for non-detection in the gap

We don't detect all errors through audit and assurance activity. We account for this by applying a non-detection uplift to the unreported tax estimate.

We apply different non-detection uplift rates depending on the level of assurance we have over the tax reported in each return. Where we reviewed a tax return and have a high level of confidence in the amounts reported, we apply a lower non-detection uplift rate. We apply a higher non-detection uplift rate for tax returns we have not reviewed.

For the 2022–23 year, we estimated the impact of non-detected errors to be $2.4 billion.

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
- our tax assurance activities improve the accuracy our tax gap estimates.

This year, there have been no significant revisions to the previously published net tax gap estimates for large corporate groups.

Due to timing of lodgments, some of our assurance activities will be reflected in the next years published gap. This will likely mean refreshed estimates of the 2022–23 tax gap will be lower than the estimate published this year.

Figure 2 displays the gross gap and net gap from our current model compared to our previous estimates and shows a downward trend.

Figure 2: Current and previous large corporate groups income tax gap estimates, 2010–11 to 2022–23

Our previous and current Large Corporate Groups gap estimates, as outlined in Table 4.

There have been no major changes made to the methodology since the last release of estimates in 2024. The overall size and trend of the gap is similar to previous estimates.

As standard practice, the estimates have been revised using updated data. This provides additional information on the amount of tax assured and the actual amount of amendments which reduces the reliance on earlier projections.

The data used in Figure 2 is presented in Table 4.

Table 4: Current and previous large corporate groups net tax gap estimates (percentage), 2014–15 to 2022–23

Program year	2014–15	2015–16	2016–17	2017–18	2018–19
2025	**n/a**	**n/a**	**n/a**	**3.8%**	**3.9%**
2024	**n/a**	**n/a**	**3.3%**	**3.7%**	**4.0%**
2023	n/a	4.3%	3.3%	3.7%	3.7%
2022	6.2%	4.8%	3.3%	4.1%	4.3%
2021	5.4%	4.0%	3.6%	3.8%	4.3%
2020	4.9%	3.8%	3.5%	3.7%	n/a

We will publish revisions to these results in future years as information becomes available.

New information generally relates to later years. By including this we can reduce the uncertainty in the estimates and improve their reliability and credibility.

Given the higher level of uncertainty with later year gap estimates, caution should be taken in extrapolating these results.

Reliability of large corporate groups income gap estimate

How we make sure the large corporate groups 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 rating for this estimate is **high** with a score of 22.

Our gap estimates remain sensitive to assumptions made, particularly regarding non-detection and the imputed result of compliance activities not carried out.

While the estimates are sensitive to these assumptions, our confidence in the underlying data and population coverage informing the estimates is high. Our integration of tax assured data has significantly improved the accuracy of our estimate.

Figure 3: Reliability rating scale from very low to very high – large corporate groups income tax gap

The reliability rating of high for the current Large Corporate Groups 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 Large Corporate Groups gap estimates have a rating of 22 which is high.

QC 105752

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