# Cutting tax red tape: a $60 billion opportunity

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**Complying with Australia's tax system costs taxpayers around $60 billion a year, about 2% of GDP.** That is time and money spent on paperwork, reporting and advice rather than on running businesses, serving customers and lifting productivity.

Small and medium businesses carry the heaviest load: around $31 billion a year, or 1.1% of GDP.

The government has asked the Board of Taxation for red tape cuts that are "substantial, material and measurable". CPA Australia supports that goal. But the last official estimate of what tax compliance costs is 14 years old, and its method was never published. **You cannot cut what you do not measure.**

CPA Australia is calling on government to:

1. Publish the Board of Taxation's red tape report.
2. Set a measurable target to cut tax compliance costs by 10% (about $6 billion a year) by 2030.
3. Deliver a package of low-cost quick wins now, starting with fringe benefits tax and duplicated tax reporting.

## The cost of tax red tape

| Who bears it | Annual cost (2024–25) | Share of GDP |
|---|---|---|
| Small and medium businesses (turnover under $100m) | about $31 billion | 1.1% |
| Individuals (non-business) | about $16 billion | 0.6% |
| Large corporate groups (turnover $100m+) | about $10 billion | 0.4% |
| Super funds, not-for-profits, government bodies | about $2 billion | 0.1% |
| **Total compliance cost** | **about $59 billion** | **2.1%** |
| Government administration (ATO and state revenue offices) | about $4.5 billion | 0.2% |
| **Total cost of running the tax system** | **about $63.5 billion** | **2.3%** |

The estimated range is $54–70 billion. Compliance costs alone are equivalent to **about 7% of all Commonwealth and state tax revenue**. **For every dollar government spends running the tax system, taxpayers spend about $13 complying with it.**

**The burden falls hardest on the smallest businesses.**

## Why it matters

**It is a drag on productivity.** Every hour spent on tax paperwork is an hour not spent on growth, investment or innovation. The Productivity Commission has recommended a $10 billion cut in regulatory burden by 2030. Tax compliance, at around $60 billion a year, is one of the largest single sources of that burden.

**It hits small business hardest.** Small business owners do most of their own tax work, and fixed costs weigh far more heavily on a small turnover. The goods and services tax is now the single most time-consuming tax for small and medium businesses.

**It is not falling.** Between 1995 and 2012, average compliance costs for small and medium businesses more than doubled in real terms (up 118%), and for individuals rose 73%. Digital tools such as pre-filled returns, Single Touch Payroll and cloud accounting have saved time on record-keeping, but evidence from New Zealand shows much of that saving has shifted into higher software and adviser fees rather than disappearing.

**AI will help, but it will not do the job alone.** On illustrative estimates, artificial intelligence could cut tax compliance costs by about 6% by 2030, equivalent to around $3.7 billion a year in today's terms, or 0.13% of GDP. The benefits will be uneven. Medium and large businesses may save through smaller in-house tax teams, and small businesses by doing some routine work, such as BAS preparation, themselves. Adviser fees are unlikely to fall: practices report they need a return on significant AI investments, and token-based pricing is expected to push AI costs up over time. AI savings will also be largest where tax rules are simple and the ATO accepts clean, structured data, which makes simplification more important, not less.

**New obligations keep arriving.** Large businesses report a steady shift of tax team time from advising the business to meeting reporting and assurance demands. Small businesses face frequent rule changes, duplicated reporting to federal and state agencies, and compliance-saving thresholds that have not been indexed for up to 20 years.

## What CPA Australia is calling for

1. **Publish the Board of Taxation's Red Tape Reduction Review.** The Board reported to government by 30 June 2026 after consulting more than 100 stakeholders and receiving 52 submissions. Businesses and their advisers deserve to see the recommendations. The Board's 2018 FBT compliance cost review was never released; that should not happen again.
2. **Measure the burden properly.** The ATO has committed to a compliance cost framework. It should be published, measure total compliance time and cost (not just time spent filling in forms), and report results every year so progress can be tracked. Savings from taxpayers' own use of AI should be reported separately, so they are not claimed as government red tape reduction or used to justify new obligations.
3. **Set a measurable target.** Commit to cutting tax compliance costs by 10%, about $6 billion a year, by 2030, as the tax system's contribution to the Productivity Commission's regulatory reduction goal. AI alone is unlikely to get there; policy and administrative change is needed.
4. **Deliver quick wins now.** Implement the low-cost, low-revenue-risk measures below in the next Budget.

5. **Stop adding to the pile.** Require a compliance cost estimate for every new tax measure, and a post-implementation review within three years for integrity measures and major administrative changes.
6. **Tackle the structural causes.** Red tape reduction cannot fix a tax system with too many taxes, thresholds and special regimes. A broader consumption base, flatter income tax settings, fewer thresholds and simpler superannuation administration would deliver far larger savings than administrative changes alone.

## Quick wins that cost little revenue

These measures are drawn from submissions to the Board of Taxation by CPA Australia and other professional and industry bodies. Savings are indicative estimates.

| Reform | What it would do |
|---|---|
| Simplify fringe benefits tax | Raise and index the $300 minor benefits threshold (to at least $500), allow FBT grouping and standard values for common benefits |
| Report payroll data once | Use Single Touch Payroll data to pre-fill super guarantee, TPAR and state payroll tax reporting, removing duplicate returns |
| Index compliance-saving thresholds | Update thresholds unchanged for up to 20 years (GST registration, FBT, small asset write-off) |
| Cut duplicate large business reporting | Remove overlaps between the international dealings schedule, local file and ATO assurance reviews |
| Simplify trust compliance | Make family trust elections more flexible and reduce specialist advice needed for routine trust matters |
| Fix ATO digital friction | Online refunds for all taxpayers, a single self-service interface for payment plans and corrections, fix access problems for trustee entities |

## About the figures

The estimates are CPA Australia analysis based on the most recent independent, peer-reviewed surveys of Australian tax compliance costs: three large ATO-assisted surveys of small and medium businesses, individuals and large corporations, conducted by UNSW researchers for the 2011–12 year. Each survey's dollar estimate is updated to 2024–25 using the ABS Wage Price Index and ATO statistics on the number of taxpayers; GDP is used only to express the result as a share. The surveys cover federal and state and territory taxes (including payroll tax, land tax and stamp duties) but not local government rates. Administration costs use the ATO's actual 2024–25 cost to collect and an estimate for state revenue offices based on Victoria's costs.

They are estimates, not a fresh measurement, which is why CPA Australia is calling for proper measurement. Allowing for the time saved by digital tax administration since 2012 would reduce the total by $1.5–3 billion; the headline of around $60 billion holds either way. The AI figures are an illustrative 2030 scenario based on early international evidence, not a measurement. The estimates cover the cost of complying with tax, not the tax itself or its wider economic effects.

**Key sources:** Lignier, Evans and Tran-Nam (2014), *Tangled up in tape*, Australian Tax Forum; Tran-Nam, Evans and Lignier (2014), *Personal taxpayer compliance costs*, Australian Tax Forum; Evans, Lignier and Tran-Nam (2016), *The tax compliance costs of large corporations*, Canadian Tax Journal; ATO Taxation Statistics 2023–24; ATO 2024–25 performance statements; State Revenue Office Victoria, Annual Review 2024–25; ABS Taxation Revenue 2024–25; ABS National Accounts, Wage Price Index and CPI; Board of Taxation, Red Tape Reduction Review; Productivity Commission (2025), *Creating a more dynamic and resilient economy*; CPA Australia submission to the Board of Taxation (December 2025).