Working with Women Alliance

POLICY BRIEF

INCOME SPLITTING

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Acknowledgement

The Working with Women Alliance acknowledges the Traditional Custodians of the land on which we work and live.
We pay our respects to Aboriginal and Torres Strait Islander Elders past and present, and we value the enduring connection Aboriginal and Torres Strait Islander people have to this land.

We value Aboriginal and Torres Strait Islander histories, cultures, and knowledge.

About Us

The Working with Women Alliance (WwWA) brings together a diversity of voices, expertise, and lived experience to inform and guide national policy on women's equality, leadership, and safety. We are one of five national women's alliances, funded through the Department of the Prime Minister and Cabinet to ensure that women's voices are central to policy development.

The Working with Women Alliance (WwWA) represents more than 800 organisation and individual members across two key portfolios: gender-based violence and gender equality. The WwWA connects the critical areas of gender-based violence and the advancement of women's economic equality and leadership, bridging these important policy fields for greater impact.

We work with members and stakeholders, including the Australian Government, to provide expertise and advice on gender equality and women's safety.

Language Note

Language used in this submission intends to demonstrate that women are disproportionately impacted by financial and economic inequality. However, we note that gender-diverse and non-binary people also experience financial and economic inequality.

Where possible, we have used gender inclusive language but may use women for brevity. The recommendations contained in this submission are equally relevant to gender-diverse and non-binary people, and we acknowledge the specific needs and experiences of the community.

About the Artist
Sheri Skele, also known as Bigi Nagala, a proud Bidjara woman and contemporary Aboriginal artist, explores an d shares her rich cultural tapestry, personal experiences, and healing aspirations.

Hailing from South West Queensland's vast Bidjara land, rich Indigenous cultural heritage, healing sites, pristine bushlands, lagoons, wildlife, and ancient waterways, Sheri's art captures this sacred landscape.

Executive Summary

Australiahasone of the most sophisticated and targeted tax-transfer systems in the world, and shifting from a system of individual taxation to household taxation such as income splitting would be a step backwards for gender equality.

Income splitting has been proposed by various political parties as a fairer way to tax dual-income families with caring responsibilities. At face-value, income splitting looks attractive, as it allows dual-income couples to have a lower tax burden compared individual taxation. It has therefore been positioned as cost-of-living relief policy to reduce childcare costs by allowing one parent to work fewer hours. However, a deeper analysis of income splitting reveals that it unfairly increases the tax burden for secondary income earners.

Income splitting would create a tax-transfer system that encourages women's economic dependence on men. This has multiple consequences including:

- Reduced incentives for women's workforce participation.
- Increased opportunities for perpetration of economic abuse through the tax system.
- Reinforcement of gender norms and the 'nuclear family'.

WwWA recommends that the Australian Tax-Transfer System continues to tax individuals as the main unit of taxation and that eligibility for the Family Tax Benefit be based on individual income, rather than family income, as an alternative solution to address the rising cost of living for those who need it most.

Context

Income splitting is sometimes framed as a progressive, cost-of-living relief policy that benefits women, particularly in relation to childcare costs. However, income-splitting relies on several out-dated assumptions about how families function in today's economy and places an unfair tax burden on the secondary income earner. In the 1970s, several OECD countries switched from married couple taxation to individual taxation (including Denmark, Sweden, Austria, the Netherlands, Finland, Belgium and Italy), recognising the equity issues that arose from income splitting.

Income splitting is when household income is aggregated and then evenly distributed across multiple taxpayers (usually a couple). This number determines the rate at which each family member is taxed, therefore reducing the total tax paid by a household.[1]

Income splitting is currently available to people who earn income from assets, including business assets. This includes people who are self-employed, business owners, or to the owners of property through trusts or companies. Income splitting is not available to wage and salary earners.

In 2025, One Nation launched their Income Splitting policy with the aims of financially incentivising parents to care for their children instead of enrolling them in early education and care settings and to encourage home schooling. They propose that only wage-earning couples with children would be eligible for income splitting and that families would have a choice to file tax returns separately or together.[2]

Income splitting was also explored by the Liberal Party in 2025,[3] however, the Parliamentary Budget Office highlighted that the policy 'would be expected to decrease the fiscal and underlying cash balances by around $12.4 billion over the 2024-25 Budget forward estimates period' due to lower productivity and income tax revenue.[4]

After becoming leader of the National Party in March 2026, Matt Canavan (a long-time supporter of the policy) highlighted his desire to introduce a capped form of income splitting[5] to encourage a secondary-income earner in a family to stay at home to raise children.[6]

Income splitting: A higher tax burden for secondary income earners

Income splitting is viewed by supporters as a “fairer” way to tax families with caring responsibilities and could allow households to have a lower total tax burden, compared to the amount of tax a household pays when each household member is taxed individually.

Income splitting ‘may initially seem to be more equitable as a single income family is placed in the same position as a two-income family’,[7] however, deeper analysis suggests that the secondary-income earner would be placed with a higher tax burden in an income splitting system.[8]

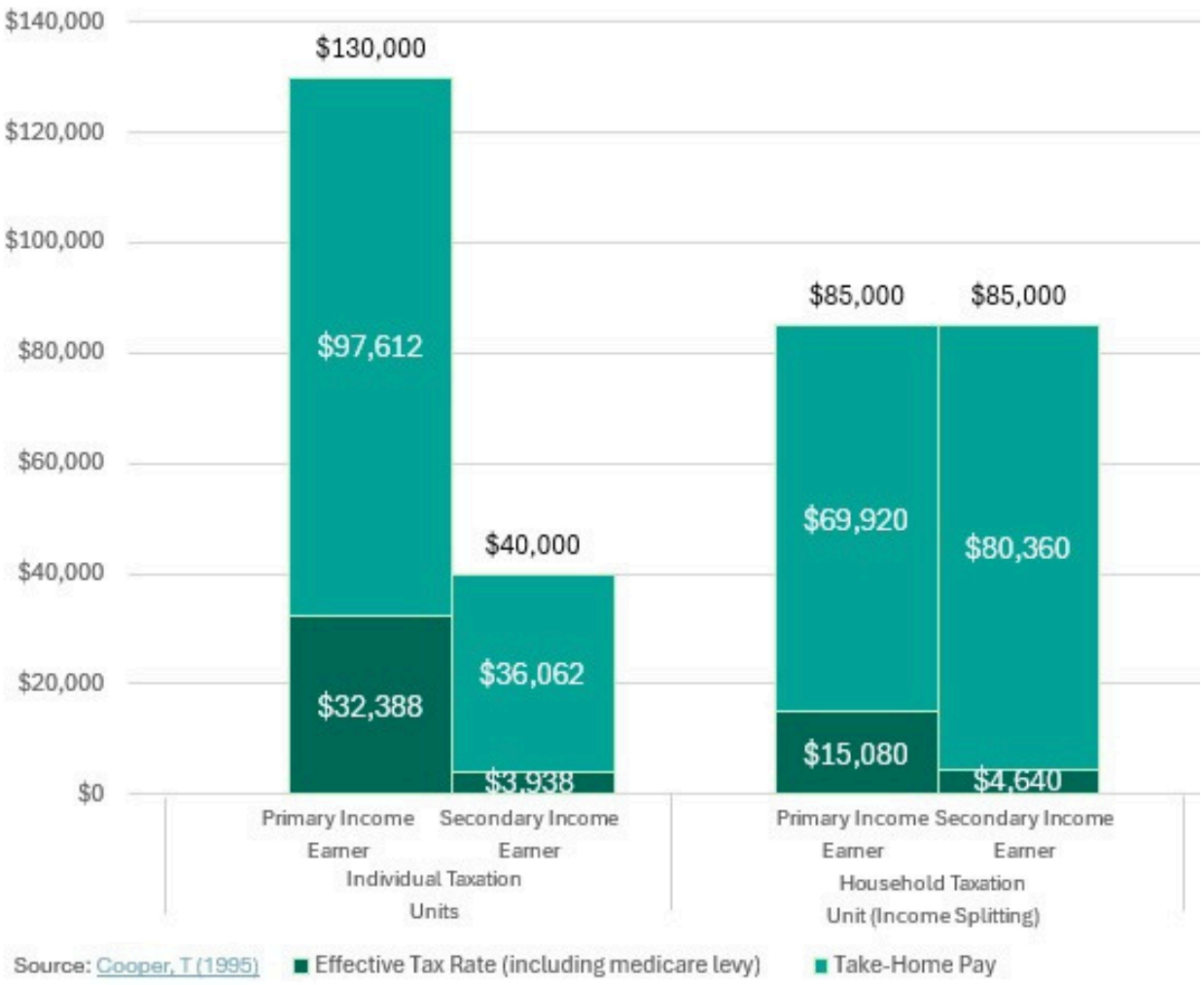

Figure 1a. *Amount ($) of tax and take-home pay by type of taxation unit*

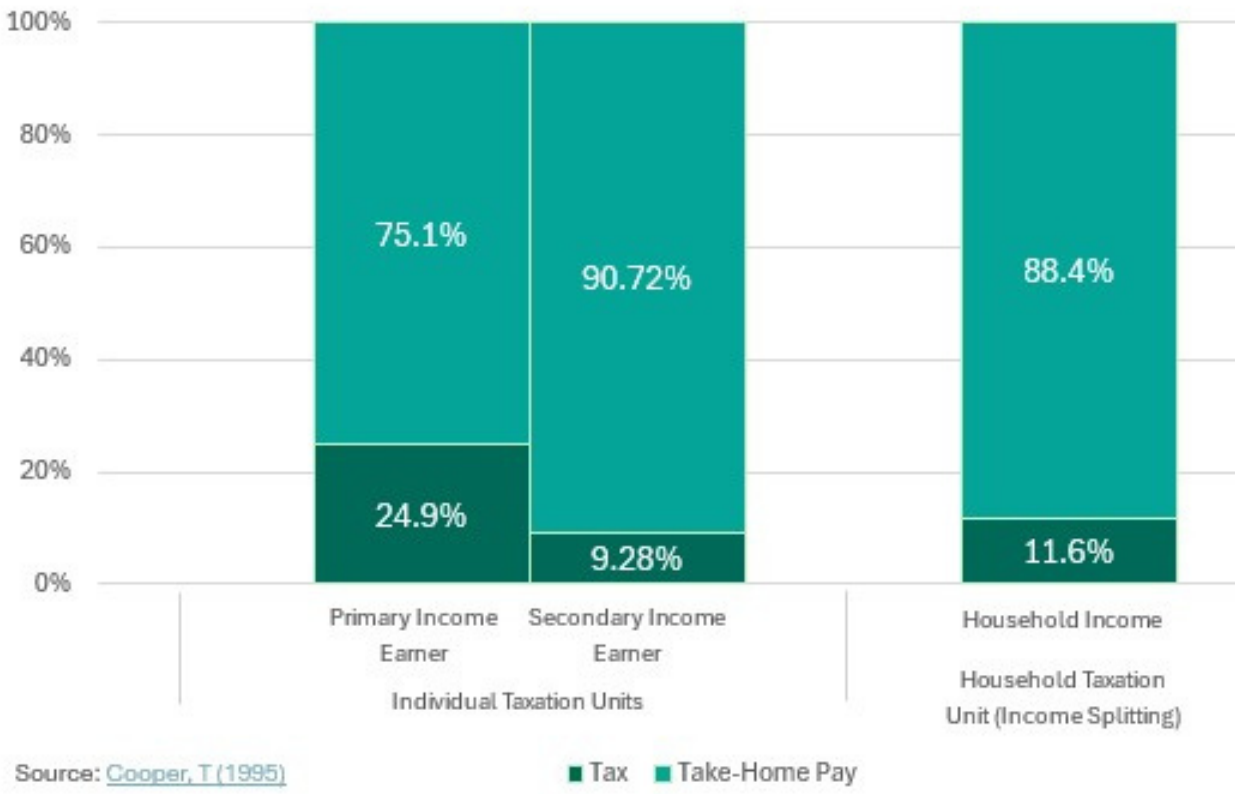

Figure 1b. *Proportion of tax and take-home pay by type of taxation unit*

Figure 1a. demonstrates the amount of tax owed in the current individual taxation unit system, versus income-splitting. In both scenarios, the primary income earner earns $130,000 and the secondary income earner earns $40,000.

Current Taxation Setting	Income Splitting
In an individual taxation unit system, the taxation rate for the primary income earner is 24.9% (including Medicare levy) and 9.28% (including Medicare levy and Low Income Super Tax Offset) for the secondary income earner (Figure 1b). Primary income earner: $130,000 x 24.9% = $32,388 Secondary income earner: $40,000 x 9.28% = $3,713 Total tax paid by family unit = $36,101 (21.23% of taxable income)	Income splitting is calculated by adding the income of a dual-income family together and dividing it in half (Figure 1a). $130,000 + $40,000 / 2 = $85,000. The effective tax rate on $85,000 is 11.6% (including Medicare levy) (Figure 1b). The tax burden for each income-earner is calculated as follows: Primary income earner: $130,000 x 11.6% = $15,080 Secondary income earner: $40,000 x 11.6% = $4,640 Total tax paid by family unit = $16,080 (11.6% of taxable income)

In an income-splitting scenario, whilst the family unit pays less tax overall, the amount of tax the secondary income earner pays has increased by 25% ($4,640 compared to $3,713).[9]

The Gendered Impacts of Income Splitting

Reduced incentives for women's workforce participation

Women are more likely to be the secondary-income earner in a dual-income family[10] and income splitting effectively subsidises the partner with a lower income to remain a low-income earner. In an income splitting scenario, maximum tax savings occur when all family income is earned by the primary income earner and their spouse does not work at all. If a secondary income earner were to gain employment, move into a higher-paying job, or receive a promotion, they would have a higher tax burden, and it would increase the 'family unit' tax rate. Income splitting would therefore reduce incentives for women's workforce participation and reinforce the division of paid and unpaid labour and care work.[11,12]

Lower rates of women's workforce participation and the gendered division of undervalued paid and unpaid care could widen the gender pay gap, and harm further opportunities for Australia's economic prosperity. If current barriers to equal economic participation were removed, $128 billion could be realised within the Australian economy.[13] Income splitting would be a step backward for women's full and equal participation in the workforce.

Assumed pooling of resources within family units

Income splitting relies on assumptions of income sharing between couples to conclude that the tax burden should also be shared. This could have serious consequences for victim-survivors of gender-based violence; it assumes that partners have equal access to funds, and that there is transparency as to how much the primary income-earner makes.[i] For many women, this is not a reality; in the 21-22 financial year, 16% of women (1.6 million) experienced partner economic abuse.[15]

The assumption that resources are pooled within a household has a number of implications, particularly for the secondary income earner. If the couple separates, the secondary income earner may need to pay more tax than they can necessarily afford.[16]

This means that there is a higher risk of sliding into poverty or losing homeownership in the case of separation, especially for older women if they do not re-partner. Women have lower superannuation balances compared to men at retirement age, are more likely to retire earlier, and be financially impacted by family and domestic violence.[17]

In Australia, mechanisms enabling tax relief on the grounds of economic abuse do not exist. This means that if income splitting were to be introduced, a secondary income earner could be liable for their partner's tax debt in cases of economic abuse. These compounding factors mean that income splitting could further disempower an already vulnerable population.[18]

Reinforced gender norms and the 'nuclear family'

Tax provisions allowing income splitting 'both rely on and reinforce the ideal family' and reveal a gendered assumption that a husband is the primary income earner and a wife is presumed not to have genuine financial independence.[19] It implies that a higher tax burden for the secondary income earner is acceptable as long as there is a lower tax rate for the 'family unit', undermining women's economic independence and autonomy.

Furthermore, the concept of the 'ideal' family or 'nuclear' family is rooted within 20th century western culture[20] and does not acknowledge the reality of diverse family and kinship structures that exist within Australian society, including single people, non-heteronormative families, multi-generational families, and single-parent families.

Federal Budget Impact

Income splitting is an expensive policy. Gerard Rennick, former Senator of the People First Party, requested a costing of income-splitting for couples with at least 1 dependent child in March 2025. The Parliamentary Budget Office (PBO) estimated that income-splitting would cost the government approximately $12.4 billion over a period of the forward estimates.[21]

Additionally, in his speech to parliament, One Nation Senator Malcolm Roberts estimated that income-splitting would cost the government $8 billion a year ($32 billion over four years), which he claimed would be offset by tax earned by resulting economic activity.[22]

In 2015, Matt Canavan suggested a capped form of income splitting, where tax relief would be limited to up to $2,000 per family. The PBO estimated that this policy would cost $1.5 billion a year ($6 billion over four years).[23]

Importantly, income splitting would represent a decrease in income tax revenue and would mean less to spend on the social services that support families. In contrast, other measures aimed at supporting families are more cost-effective. For example:

- The childcare three-day guarantee was estimated to cost $297.6 million over 4 years from 2024-25.[24]
- A 2019 report from PwC and The Front Project estimated that Australia receives $2 over a child's lifetime for every $1 invested in ECEC.[25]
- A 2020 report by the Grattan Institute estimated that investing $5 billion annually in the Child Care Subsidy would grow GDP by $11 billion through enabling greater workforce participation.[26]

Income splitting would be an exorbitant cost to the Federal Government whilst also incentivising lower rates of women's workforce participation.

Recommendation:

- Continue totaxindividualsas themain unit of taxation and do not adopt household income splitting policies.

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