



# ATO urges small businesses to take simple steps to avoid compliance action

The ATO has advice for small businesses to avoid compliance actions.

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The Australian Taxation Office (ATO) is encouraging small businesses to start 2026 strong to avoid compliance actions.

ATO Assistant Commissioner Angela Allen said the new calendar year is the perfect time for small businesses to reset their habits to set themselves up for success.

‘Every year we see small businesses run into avoidable issues because they haven’t kept accurate records, reported all their income or managed their cash flow effectively,’ Ms Allen said.

Seeking advice from a registered tax practitioner is one of the most effective ways to avoid common errors and navigate areas of complexity.

‘Part of the \$27.2 billion **small business income tax gap** is driven by mistakes, so it’s important to be aware of the [ATO’s small business focus areas](#) and if you’re unsure seek support early.’

‘Taking just a few small practical steps now can make a huge difference, whether it’s putting funds aside to cover GST and PAYG withholding, staying on top of ATO debts or setting calendar reminders for lodgment due dates.’

## Stay on top of ATO debts

The ATO is urging small businesses to stay on top of their tax debts or risk **firmer recovery actions** as it accelerates efforts to collect more than \$50 billion in unpaid tax.

Small business tax debts continue to grow and the ATO is urging business owners to act now to avoid pressure down the track.

‘It’s about setting your business up for success and if for some reason you can’t pay in full or on time, our number one tip is to not stick your head in the sand. Engage with us or your registered tax practitioner early to discuss your options,’ Ms Allen said.

‘The ATO is not a bank or a cheap source of finance. Deliberately delaying tax payments to fund your business creates an unfair advantage over the many small businesses that are doing the right thing and paying on time.’

## **Separate accounts for separate obligations**

Cash flow remains one of the biggest pressure points for small businesses, with owners scrambling at business activity statement (BAS) time because funds for GST or pay as you go (PAYG) withholding haven’t been set aside.

‘Keeping separate bank accounts for these obligations makes it easier to meet your commitments and avoid unexpected shortfalls,’ Ms Allen said.

‘Don’t be tempted to dip into GST you’ve collected, or PAYG withholding collected on behalf of your employees, as a way to bolster your cash flow.’

‘While using these amounts to fund your business may feel like a short-term fix, it creates much bigger problems down the track and makes it harder to recover when your obligations are due.’

## **Good records, good business**

The ATO continues to see instances where income is omitted from tax returns, particularly from businesses that accept cash payments or have inconsistent record keeping practices.

'Accurate, consistent and complete record keeping isn't just a good idea – it's a requirement,' Ms Allen said.

If you're still using the 'shoebox' method to keep your records, it's well and truly time to go digital. If you're a sole trader the ATO app has a range of features like myDeductions, tax withheld calculator and the business performance check tool.

Small businesses should also take advantage of the ATO's **online services**, where they can check their lodgment status and keep tabs on outstanding debts.

## **Prepare for Payday Super**

With Payday Super requiring businesses to pay employees their super guarantee each payday from 1 July 2026, the ATO is urging small businesses to plan ahead.

'Review your payroll systems and super processes and get ready to pay super guarantee more frequently,' Ms Allen said.


## **What's on the ATO's radar**

The ATO encourages small businesses and their tax practitioners to stay across the small business compliance focus areas, which are updated quarterly and published on the ATO's **website**.

'It's all about being transparent about the compliance risks on our radar so small businesses can continue to get it right in 2026. And, where we see deliberate non-compliance including shadow economy behaviours we will take firmer action.'

## **Seek support early**

Successful small businesses have support from someone who understands their business, such as a registered tax practitioner.

'If you need help keeping on top of your ATO obligations you may wish to engage a registered tax practitioner, but ensure they are registered with the [Tax Practitioners Board](#) , Ms Allen said.



'Getting your tax advice from a friend on the weekend is not a good plan and neither is relying on social media for guidance.'

## Closing up shop?

For business owners who have closed their business or are considering winding down in 2026, the ATO has detailed **information** on the next steps to take including cancelling ABNs, lodging final tax returns and BAS, and meeting payroll and super obligations for the last time.

'If you decide it's time to move on, closing your business the right way helps avoid future compliance issues,' Ms Allen said.


## Notes to journalists

The ATO encourages small businesses to use its **support** options and resources including the **record keeping evaluation tool**, the **Cash Flow Kit**, the [Payday Super checklist](#)  and the online learning platform [Essentials to strengthen your small business](#) .

Support is also available in multiple languages to help business owners from culturally and linguistically diverse communities. This includes in **language guidance** on the ATO website and support through the **Translating and Interpreting Service (TIS National)**.

The ATO also **supports** businesses and tax practitioners affected by natural disasters.

**ATO stock footage and images** are available for use in news bulletins from our media centre.

A high-resolution headshot of [ATO Assistant Commissioner Angela Allen \(JPG, 5.6MB\)](#)  is available for download from our media centre.

Interviews are available with ATO Assistant Commissioner Angela Allen on request to the ATO Media Unit.

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