



ATO prioritising support and assistance for debt collection efforts

The ATO remains committed to engaging with taxpayers about unpaid debts as the economy emerges from the COVID-19 pandemic.

Last updated 13 May 2022

During the early days of COVID-19, the ATO deliberately shifted its focus away from firmer debt collection action to help and assist businesses and the community experiencing challenges because of the pandemic.

ATO Deputy Commissioner Vivek Chaudhary confirmed the ATO's preferred approach is always to work with taxpayers to resolve their situation through engagement rather than enforcement.

"We have a range of support and assistance we can provide, and we can tailor a solution to a taxpayer's unique circumstances. What is critical is that taxpayers or their representatives talk to us and respond to our calls."

"We understand that a lot of people – especially small businesses – have done it tough through COVID and may now have a tax debt. Our message is – don't stick your head in the sand – even if you can't pay the full amount owed straight away, please contact us or your registered tax professional to discuss and we will work with you to set up an appropriate payment arrangement. We cannot help taxpayers who do not engage with us."

Where taxpayers don't engage the ATO is taking firmer actions. These include garnishees, recovery of director penalties, disclosure of

business tax debts, and legal actions including summons, creditors petition, wind-up and insolvency action.

“Our debt collection activities prioritise those taxpayers representing higher risks and refusing to engage. That is why our initial focus will be on taxpayers with higher debts before including taxpayers with all other debts. Taxpayers with Superannuation Guarantee debts may be prioritised irrespective of their debt value. This is because the Superannuation Guarantee is an entitlement that is owed to employees”.

In addition to these enforcement actions the ATO has recently written to businesses under two key awareness programs – disclosure of business tax debts and the use of Director Penalty Notices. These programs focus on taxpayers who have not responded to calls and letters – and have significant tax obligations outstanding. The ATO has sent 29,552 awareness letters for disclosure of business tax debts and 52,319 awareness letters about the use of Director Penalty Notices.

“We’ve seen an encouraging response to our awareness campaigns, with a significant level of payments and taxpayers entering into payment plans. In fact, more than 20,000 taxpayers have already responded to our awareness letters by making payments or entering into payment plans,” Mr Chaudhary said.

The ATO also acknowledged that it expects a number of insolvencies to occur over the coming months as the economy normalises.

For those taxpayers who have not responded and are not engaging, the ATO will move to the next steps:

- In regard to disclosure of business tax debts the ATO has issued nearly 300 intent to disclose notices and has commenced disclosing some of these to Credit Reporting Bureaus Equifax and Creditor Watch.
- In regard to companies with outstanding obligations the ATO is currently issuing 30–40 Director Penalty Notices each day and expects that to increase.

“Both programs focus on making taxpayers aware of their obligations, the actions we may take, and provide clear pathways for taxpayers to re-engage, work with us, and avoid escalation. As part of this approach, we will continue to offer support to help taxpayers meet their obligations.”

Whilst all debts remain due and payable, the ATO does not generally undertake debt recovery action on small business debts during a formal dispute.

Taxpayers with debts should speak with their registered tax practitioner or call the ATO on **13 11 42** (8am to 6pm local time, Monday to Friday). For debts of \$100,000 or less, payment plans can be set up using the ATO's online services or by phoning the ATO's automated phone service on **13 72 26**.

Notes to journalists

- The disclosure of business tax debts measure allows the ATO to report significant tax debts (over \$100,000) to Credit Reporting Bureaus (CRBs) under certain circumstances. The measure will provide a new level of visibility of significant tax debts for the business community which will allow them to make more informed decisions. Debts subject to a formal dispute or an Inspector General of Taxation and Taxation Ombudsman (IGTO) investigation are not reported until the dispute or the complaint is resolved. More information on the disclosure of business tax debts measure is available on the ATO's website ato.gov.au/disclosurebusinessstaxdebt.
- The Director Penalty Notice awareness program makes contact with directors of companies whose company have not met their existing debts including PAYG(W), Superannuation Guarantee Charge and GST. Directors are notified of the ATO's intent to issue a Director Penalty Notices which enables the ATO to commence recovery of the director penalty from each director of the company if the company does not actively manage their debt.
- More information on the **Director Penalty regime** is available on the ATO's website
- More information about what taxpayers can do if they are unable to pay the ATO on time is available on the ATO's website ato.gov.au/debt

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

Copyright notice

© Australian Taxation Office for the Commonwealth of Australia

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).