



Monthly Information Newsletter – Tax & Super

July 2022

ATO Prioritising Debt Collection

As the economy emerges from COVID-19, the ATO is re-focusing on debt collection.

During the pandemic, the ATO deliberately shifted its focus away from firmer debt collection action to help and assist businesses and the community experiencing financial challenges because of the pandemic. It took a softly-softly approach, acknowledging the financial hardship that the virus wrought on business and individuals alike. However, with the economy now opening back up, business as usual on the ATO debt collection front, has now largely resumed.

That said, ATO Deputy Commissioner Vivek Chaudhary has confirmed that 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 action. This includes garnishees, recovery of director penalties, disclosure of business tax debts, and legal actions including summons, creditors petition, wind-up and insolvency action.

The ATO has also 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 to date has sent 29,552 awareness letters for disclosure

of business tax debts and 52,319 awareness letters about the use of Director Penalty Notices (DPNs).

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 provides 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 investigation are not reported until the dispute or the complaint is resolved.

The DPN awareness program makes contact with directors whose company has not met their existing debts including PAYG(W), Superannuation Guarantee Charge and GST. Directors are notified of the ATO's intent to issue a DPN 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.

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