

Our approach to collecting debt

How debt arises

Debt is often a temporary problem, caused by unforeseen personal circumstances or a short-term business downturn.

Common examples we see are when businesses miss an activity statement payment then find themselves with a debt, or when individuals fail to put aside enough money from interest income or a capital gain.

This situation can then become increasingly difficult to manage as the debt continues to grow due to general interest charge (GIC) and other penalties.

Our approach

Our approach to collecting tax debt focuses on early intervention. By engaging with taxpayers early – as soon as a debt arises – we can help them manage their obligations and prevent their debt from escalating.

If taxpayers choose not to engage with us we will use stronger measures where appropriate. This ensures we create a level playing field for all taxpayers and reinforces community confidence in the tax system.

This also reflects our community focused guiding principles, which are about making decisions based on a consideration of each taxpayer's individual circumstances.

Experience has shown that our approach is robust enough to withstand economic highs and lows.

Help and support

We offer taxpayers a range of help and support services at all stages of the debt collection process.

Early intervention

The older the debt the more difficult it is to collect. By engaging with taxpayers early we give them the opportunity to address their debt when it is easiest to manage. Intervening early also benefits the community by protecting government revenue.

Collection action

- reminder letters
- SMS reminders
- phone calls
- referral to external collection agencies

Firmer and legal recovery action

When a taxpayer has made no effort to engage with us, we will undertake a risk analysis of their tax history and behaviour to determine the next steps. Generally, we will provide taxpayers with the opportunity to clear their debt before we take firmer action and always encourage taxpayers to engage with us – even if their case has been escalated for firmer action.

Collection action

- garnishee notices
- director penalty notices
- statutory demands
- claims or summonses
- creditors' petitions
- wind-up applications

Exit points

Payment in full, finalised payment arrangement, release from payment due to serious hardship, bankruptcy or wind-up.

Help and support

For businesses

To help and support small businesses we provide on our website a range of tools and calculators, free software and publications.

We also offer a free, confidential and practical support service aimed at keeping businesses on track, or helping them get back on track. This service consists of phone support, on-site visits, local seminars and workshops.

These services cover topics such as cash flow and record-keeping, which our research shows are important for managing obligations.

For individuals

On our website we provide a range of tools and services to help individuals better understand and manage their tax obligations. We have a tax calculator that helps estimate whether or not an individual will owe us money this financial year, and a personal tax record keeper tool to help individuals record and manage their tax records.

To help low income earners fill out their tax return we offer a free Tax Help program that runs from July to October.

Serious hardship

Serious hardship exists when payment of a debt would leave a person unable to provide food, accommodation, clothing, medical treatment, education or other necessities for themselves, their family or other dependants.

Individuals and sole traders experiencing serious hardship can apply for release from payment of some or all of their tax liabilities.

Asking for a review

At all stages of the debt collection process, taxpayers have the right to ask for a review of many of our decisions, including those on GIC remission, firmer action and release.

More information

Visit our website at www.ato.gov.au/debt

For debts less than \$25,000, our 24-hour automated service can be used to arrange a late payment or to pay by instalments:

- businesses phone **13 72 26**
- individuals phone **13 28 65**.

To discuss their circumstances, taxpayers can phone us on **13 11 42** between 8.00am and 6.00pm, Monday to Friday.