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PRESS RELEASE

**INSPECTOR-GENERAL TO EXAMINE
ATO SMALL BUSINESS DEBT COLLECTION PRACTICES**

David Vos, Inspector-General of Taxation, today released the Terms of Reference and Consultation Plan for his review into the ATO's small business debt collection practices.

Mr Vos said, "Last financial year, the total overdue collectable debt managed by the ATO increased by 25% to \$6.9 billion. About 60% of that debt comes from a number of unspecified businesses in the micro-business sector. This sector comprises 2.5 million businesses with annual turnovers of under \$2 million. Given that this sector only contributes 10% of the total Commonwealth revenue and remits 16% of all employees' PAYG and superannuation withholdings, 60% of collectable debt is an extraordinarily disproportionate amount."

"If the ATO is tardy in collecting this debt it could increase to unmanageable amounts and force drastic measures. If the ATO is too aggressive in clamping down on this ballooning debt it could unnecessarily take businesses under, leaving people without a job and the public to foot the bill for unrecovered taxes deducted from employees' pay packets. The ATO needs to get it right ... the first time."

The review has arisen from the issue being raised by taxpayers and their representatives as a key concern throughout the Inspector-General's scoping study.

The Inspector-General stated, "This review will determine whether the Commissioner of Taxation is striking an appropriate balance between efficiently collecting tax debts and recognising the benefits of viable businesses' ongoing trading."

The legislative framework supporting the debt collection system requires taxpayers to pay tax by the date due. The ATO must collect tax debts efficiently but it is also able to come to alternative arrangements with taxpayers where appropriate. Businesses that cannot pay on time or come to an alternative arrangement with the ATO can be forced into bankruptcy, leaving people without jobs.

Mr Vos said, "Small businesses make a significant contribution to the viability of the Australian economy and its workforce. This issue affects both small business and Australian jobs. The ATO's handling of collecting small business debt has a dramatic effect on millions of Australian businesses and jobs. Clearly the ATO has a responsibility to collect the debt efficiently, but it also has a responsibility to collect that debt fairly and reasonably."

"I am actively seeking community feedback for this review" said Mr Vos.

The Terms of Reference and Consultation Plan for the review are available on the Inspector-General of Taxation website: www.igt.gov.au

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