

**Australian Government****Inspector-General of Taxation****Taxation Ombudsman**

Telephone: 1300 44 88 29
Facsimile: 02 8239 2100

GPO Box 551
Sydney NSW 2001

2 February 2021

Senator Slade Brockman
Chair
Senate Economics Legislation Committee
Parliament House
CANBERRA ACT 2600

Dear Chair

Inquiry into the National Consumer Credit Protection Amendment (Supporting Economic Recovery) Bill 2020

The Inspector-General of Taxation and Taxation Ombudsman (**IGTO**) welcomes the opportunity to make this submission to the Senate Economic Legislation Committee's (**Committee**) inquiry into the National Consumer Credit Protection Amendment (Supporting Economic Recovery) Bill 2020 (**Bill**).

The IGTO is an independent, Commonwealth statutory agency that investigates taxation administration systems and laws, as well as the actions and decisions made by Tax Officials - of the Australian Taxation Office (**ATO**) or the Tax Practitioners Board (**TPB**). The IGTO seeks 'to assure and ensure that there is fair, equitable, and transparent administration of the tax system consistent with community expectations.'¹ We also undertake tax investigations for the purpose of providing independent advice and assurance to Government on the taxation administration laws and systems.

The IGTO is not empowered to investigate or advise on tax policy matters or matters relating to consumer credit. Accordingly, this submission does not make (or intend to make) comment on the appropriateness of the reforms set out in the Bill. Rather, we have reviewed the Bill and the associated explanatory memorandum to provide some comments on any potential tax administration concerns that may warrant the Committee's attention.

We understand that the proposed reforms in the Bill are a key part of the Government's economic recovery plan in response to the economic impacts arising out of the COVID-19 pandemic. In the main, the provisions of the Bill apply so that responsible lending obligations only apply to small amount credit contracts and consumer leases, with the aim of improving the flow of credit to consumers and small businesses.²

The COVID-19 pandemic significantly impacts the lives of all Australians, as it does for people all around the world. For many, the pandemic compounded the already difficult circumstances resulting from the 2019-20 bushfires. Many individuals and small businesses were particularly affected by these

¹ Inspector-General of Taxation and Taxation Ombudsman (IGTO), *Corporate Plan 2021 – 2024* (2020) p 5
<<http://igt.gov.au/accountability-and-reporting/>>.

² Explanatory Memorandum to the National Consumer Credit Protection Amendment (Supporting Economic Recovery) Bill 2020, p 7.

events and the road to recovery continues. As noted below, the IGTO supports all measures that assist Australians on the road to recovery.

Throughout much of 2020, our office devoted the majority of our complaints handling resources to receiving, managing and responding to time-sensitive complaints for those taxpayers (individuals and small businesses) who were affected by the bushfires or the pandemic. Flowing from our complaint investigations, the IGTO published a report in relation to taxpayer eligibility for Jobkeeper and Boosting Cash Flow payments, assisting those who had been refused access to these measures to better understand the decision that been made and options to ask that it be reconsidered.³

That work, like the proposed reforms in the Bill, aimed to aid small business taxpayers to access financial support to sustain their businesses during a difficult and challenging period.

We wish to draw to the Committee's attention to the following matters which are both related to the issue of tax debt liabilities and which may be of interest as part of this Inquiry.

Investigation and Exploration of Undisputed Tax Debts in Australia

In October 2019, our office commenced an investigation into the underlying causes of increasing undisputed and uncollected tax debts (called collectable debts by the ATO) in Australia.⁴ The investigation seeks to explore trends in outstanding tax debts with the aim of identifying those segments within the economy that are experiencing increasing levels of collectable debt to gain greater insights and identify areas for further investigation.

We deferred the investigation in April 2020 to allow the ATO to focus its resources on implementing the Government's coronavirus economic recovery measures, amongst other reasons.⁵ We have more recently recommenced work on that investigation.

While the investigation is not yet finalised (and therefore insights and findings are not publicly available), we would be happy to provide the Committee with a private briefing on our preliminary insights and observations, if that would be helpful to the Committee as part of this Inquiry.

Tax Debt Complaints

Since our office assumed the Taxation Ombudsman function in May 2015, tax debt collection has consistently ranked as the number one (#1) area of taxation complaint made to our office⁶ apart from the 2020 financial year where tax debt collection complaints ranked second, behind 'payments to the taxpayer'.⁷

This shift was likely due to a combination of the ATO suspending much of its active debt collection action as well as concerns arising from access (or inability to access) coronavirus economic support payments. We anticipate that as the ATO resumes its debt collection activities that complainants associated with debt collection will rise again.

³ IGTO, *A Report on aspects of the Australian Taxation Office's administration of JobKeeper and Boosting Cash Flow Payments for new businesses* (2020) <<https://www.igt.gov.au/news-and-publications/reports-reviews/payments-for-new-businesses>>.

⁴ IGTO, *Investigation and Exploration of Undisputed Tax Debts in Australia* (in progress) <<https://www.igt.gov.au/news-and-publications/reports-reviews-1>>.

⁵ IGTO, *Review Status Update - Review into Undisputed and Uncollected Tax Debts deferred due to COVID-19* (9 April 2020) <<https://www.igt.gov.au/news-publications/news/review-status-update-review-undisputed-and-uncollected-tax-debts-deferred-due-covid-19>>.

⁶ IGTO, *Annual Report 2014-15* (2015), p 23; IGTO, *Annual Report 2015-16* (2016) p 29; IGTO, *Annual Report 2016-17* (2017), p 11; IGTO, *Annual Report 2017-18* (2018), p 11; IGTO, *Annual Report 2018-19* (2019), p 35.

⁷ IGTO, *Annual Report 2019-20* (2020) p 5.

For many taxpayers, tax debts are not likely to be at the forefront of their minds when looking at options for economic recovery from COVID-19. However, it is a relevant lending consideration and one that will, invariably, need to be considered and addressed as part of any access to credit arrangement. It is prudent for both lenders and borrowers to ensure that access to credit is managed transparently and holistically, so that economic recovery is supported and sustainable in the long term.

We trust this submission is of assistance to the Committee in its consideration of the Bill. If our office may be of any further assistance, please do not hesitate to contact me by email ([REDACTED]) or by phone ([REDACTED]).

Kind regards,

A large black rectangular redaction box covering the signature area.

Karen Payne
Inspector-General of Taxation and Taxation Ombudsman