



Australian Government
Inspector-General of Taxation
Taxation Ombudsman

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IGTO ANNOUNCES TWO NEW REVIEWS

RISE IN COLLECTABLE DEBTS & TAX ADMINISTRATION OF DECEASED ESTATES TO BE INVESTIGATED BY THE INSPECTOR GENERAL OF TAXATION AND TAXATION OMBUDSMAN

The Inspector-General of Taxation and Taxation Ombudsman, Ms Karen Payne, today announced the launch of two new investigations into aspects of the Australian Taxation Office's (ATO) systems and procedures. The investigations will examine and explore two key matters:

1. Rise in collectable debt levels – IGTO will examine the underlying causes for the rise in uncollected, undisputed tax debts (called 'collectable debts' by the ATO)
2. Tax administration of deceased estates – IGTO will review the ATO's approaches to dealing with deceased estate tax matters.

The reviews have arisen in response to both market feedback and the ATO's own Annual Report which shows a debt book of almost \$45 billion, with collectable debt accounting for more than half of that amount ie. \$26.5 billion. IGTO has noted, according to the ATO's figures, that collectable debt has risen every year for (at least) the past four years, both at a headline level as well as within each of the components making up the collectable debt.

"If a tax debt is not disputed as to liability or amount, the community would expect that taxes would be paid as and when they fall due," said Karen Payne Inspector General of Taxation and Tax Ombudsmen in announcing the two reviews.

"Our 'collectable debt' investigation aims to gain a clear line of sight as to the characteristics of participants that are contributing to increasing undisputed debt. These might include sectors of the economy, debtor age, debt components - penalties, interest & primary tax, industries and taxpayer size and scale - and therefore indicate individuals and businesses potentially needing help in paying their debts."

Ms Payne said a more targeted review could also follow to investigate and identify potential causes for the rise in collectable debt and potential solutions.

"It is a concern that undisputed debt levels continue to rise and there is growing awareness of this issue in the wider community. My aim is to gather further information and ascertain where and why this might be happening. That is the key objective of this review."

She said the review would be unique and is not intended to replicate other work that the IGTO and the Auditor-General had undertaken in recent years.

“It is about seeking to understand where the heat spots are within the system that warrant a deeper dive through more targeted and directed investigations later on,” Ms Payne said.

The purpose of the review is to understand the trends and landscape of outstanding tax debts in Australia. The results can assist to identify and gain greater insight into which segments of the economy are experiencing increases in undisputed debt collections – that is, areas for further and targeted investigation.

Turning to the second review into ATO management of deceased estates, Ms Payne said that losing a loved one or a close friend was stressful and emotional event. She observed that at such times, tax was the last thing people wanted to worry about.

“My office has received complaints about how difficult it can be to deal with tax matters for deceased estates,” said Karen Payne. “This message has been reinforced when I have been out and about speaking with tax practitioners. Thus, I want to look into the management of this area by the ATO, its communications and processes and any legislative constraints in order to see what improvements might be made to streamline, improve, and de-stress the process.”

Ms Payne confirmed her office aimed to complete and release the reports from the two investigations early 2020.

“I want our reviews to be targeted and timely, with recommendations for improvements made available as quickly as possible – in other words, before the world has moved on,” said Ms Payne.

Terms of reference for the two reviews are available on the IGTO’s website at www.igt.gov.au.

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