



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

## AN INVESTIGATION AND EXPLORATION OF UNDISPUTED TAX DEBTS IN AUSTRALIA

The Inspector-General of Taxation and Taxation Ombudsman (IGTO) will commence an investigation and exploration into uncollected and undisputed tax debts<sup>1</sup> in Australia. This investigation will essentially scope and analyse the national undisputed tax debt position and as such will reference and build upon existing reports in this area including:

- Auditor General Report Number 42 – 2018 – *Management of Small Business Tax Debt*
- Inspector General of Taxation Report – 2015 – *Debt Collection*

A self-assessment system of tax administration depends on the voluntary compliance of all taxpayers to assess and report their tax liabilities and to make payment of any taxes owing in a timely manner. Although the vast majority of Australian taxpayers pay their taxes on time, there are circumstances which may hamper a taxpayer's ability to pay their undisputed tax liabilities on time. Tax disputes may also contribute to delays in tax collections. The efficient and cost-effective collection of these liabilities is an important element of good tax administration.

The investigation will examine the levels and composition of outstanding tax debts and in particular, the undisputed debts contributing to levels of outstanding tax debt.

During the last four financial years – FY16, FY17, FY18 and FY19 – the Australian Taxation Office (ATO) reported an increasing trend in the levels of undisputed debt (called 'collectable debt' by the ATO). The increasing trend is evident at both a headline level and within each of the major components of debt, as set out in the table below (rounding causes the totals to differ from the sum of the components).

ATO data <sup>2</sup>	FY16	FY17	FY18	FY19
Activity statement	\$10.2 billion	\$11.3 billion	\$12.3 billion	\$14.3 billion
Income tax	\$8.3 billion	\$8.8 billion	\$10.3 billion	\$10.8 billion
Superannuation guarantee charge	\$0.6 billion	\$0.7 billion	\$0.9 billion	\$1.1 billion
<b>Total</b>	<b>\$19.2 billion</b>	<b>\$20.9 billion</b>	<b>\$23.7 billion</b>	<b>\$26.5 billion</b>

The Auditor-General Report notes that tax debt owed by small business makes up 63 per cent of overall tax debt, with collectable debt for small business totalling \$15 billion in June 2018. The composition and reasons underlying the growth in undisputed debt are not entirely evident. Increasing undisputed debts may be attributable to a range of factors – interest and penalties, increasing tax collections, timing factors, internal changes within the ATO, including system and process changes as well as external environmental factors such as the performance of the economy, credit availability, and the introduction of new laws or policies that affect tax compliance.

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.

The investigation will also consider international jurisdictions associated with low levels of undisputed tax debts and their related environments. Whilst direct international comparison is rarely possible owing to differences in tax systems, there may be some lessons or insights from overseas experiences that can be identified for further exploration.

Although this is largely an initial scoping study for a subsequent targeted review, the IGTO welcomes submissions, comments and observations from all stakeholders.

## HOW TO LODGE A SUBMISSION

The closing date for submissions is 6 December 2019. Submissions may be lodged by telephone (02 8239 2111) or be sent by:

Post to:           Inspector-General of Taxation and Taxation Ombudsman  
                      GPO Box 551  
                      SYDNEY NSW 2001

Fax:               (02) 8239 2100

Email to:         [taxdebts@igt.gov.au](mailto:taxdebts@igt.gov.au)

## Confidentiality

Submissions provided to the IGTO are maintained in strict confidence (unless you specify otherwise). This means that the identity of the taxpayer, the identity of the adviser and any information contained in such submissions will not be made available to any other person, including the ATO. Section 37 of the Inspector-General of Taxation Act 2003 safeguards the confidentiality and secrecy of such information provided to the IGTO — for example, the IGTO cannot disclose the information as a result of a Freedom of Information (FOI) request, or as a result of a court order generally. Furthermore, if such information is the subject of client legal privilege (also referred to as legal professional privilege), disclosing that information to the IGTO will not result in a waiver of that privilege.

Professional bodies and others (e.g. specialist advisers) who wish to have their contribution to the IGTO investigation formally acknowledged should accordingly expressly waive confidentiality for these purposes.

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<sup>1</sup> The Australian Taxation Office uses the term collectable debt in their Annual Report. This term is deliberately not used since the expression itself may be confusing without the related defined meaning - debt that is not subject to objection or appeal or to some form of solvency administration

<sup>2</sup> Figures are sourced from Commissioner of Taxation, *Annual Report 2017-18*, p 198 and *Annual Report 2018 -19* pp 177 - 178. The breakdown of collectable debt lists only the major components. Rounding causes the totals to differ from the sum of the components.