



Introduction

In Edition 24 of *IGoT News* which was issued last month, we noted that we would provide further information about “on hold” debts following briefings with the Australian Taxation Office (ATO). This edition sets out that further information together with contact details for the ATO should taxpayers or tax agents have further queries or concerns.

ATO correspondence about “on hold” debts

The IGTO is aware of recent media surrounding notices of “on hold” debts being sent by the ATO to tax agents and, more recently, to taxpayers themselves as part of an awareness campaign.

The IGTO has several concerns about the ATO notices:

- Debts which were placed “on hold” or deemed uneconomical to pursue by the ATO prior to November 2023 don’t appear as an outstanding balance on the taxpayer’s account and in this sense are not visible to taxpayers; and
- Because “on hold” debts are not visible to taxpayers, it is likely that taxpayers may be unaware of the debts, cannot explain how the “on hold” debt arose or is calculated. This is especially true for debts placed “on hold” prior to 2017.

The IGTO has reviewed the minutes of meeting for the Tax Practitioner Stewardship Group that raised these issues (back in February 2023) and has had several briefings and discussions with the ATO to follow up community concerns.

The IGTO is aware that the ATO has paused the awareness campaign and understands the ATO is still working through the options.

The ATO has provided general advice on its website to explain what “on hold debts” are and, in particular, the process of **offsetting**.

Specifically, the ATO website information states:

While we don't try to collect a debt that is on hold, the law requires us to use any credits or refunds you become entitled to, to pay off the debt. We call this offsetting.

When we use a credit or refund to pay your debt on hold, an offset transaction can be found on your statement of account or in ATO online services with the description 'offset'.

You don't need to do anything when we offset your debt on hold.

Example: offsetting a tax refund against a debt on hold

Hannah lodged her tax return for the 2018–19 financial year, which resulted in a tax debt of \$500.

We placed her \$500 debt on hold because collecting it was not an economical option for us.

Hannah lodged her tax return for the 2021–22 financial year, which resulted in an expected tax refund of \$990.

We offset her expected tax refund of \$990 against her \$500 debt on hold. This reduced her tax refund to \$490.

Hannah can find her offset transaction on her statement of account or in ATO online services with the description 'offset'.

After offsetting, any balance still payable will remain on hold. You don't need to do anything. We will continue to offset any credits or refunds until your debt on hold is paid in full.

However, as not ALL tax debts are currently visible to taxpayers, the offsetting may come as a 'surprise' and raise a need to contact the ATO (see below about how to contact the ATO on this).

The ATO has advised that ALL tax debts put "on-hold" should be visible to ALL taxpayers and their agents (if they know where to look on their ATO online account to identify the transaction).

Debts which are put on hold on or after 6 November 2023

- will be visible on ATO systems and will remain visible to taxpayers and tax practitioners, even though they have been put "on hold";
- will continue to attract General Interest Charge (GIC), which will be calculated and visible on such debts;
- the ATO [Practice Statement PSLA 2011/12 Remission of General Interest Charge](#) will continue to apply.

Debts which were put on hold before 6 November 2023

- don't appear as an outstanding balance on the taxpayer's account;
- the ATO has advised that a taxpayer or their agent could look back through the ATO online account to find the "non-pursued" transaction¹ but the IGTO notes that the taxpayer or their agent:
 - may not know there is anything to go looking for;
 - may also not know the exact time period to examine and what to look for
- should be visible to tax agents through the Online Services for Agents (OSfA) but again, assuming the agent knows what to look for and when;
- General Interest Charge will continue to be calculated however the ATO [Practice Statement PSLA 2011/12 Remission of General Interest Charge](#) will continue to apply.

For ALL 'on hold' debts

Where a taxpayer becomes entitled to a refund or credit, the ATO will offset that refund or credit against the "on hold" debt unless the Commissioner has a legal reason not to offset. Currently these reasons are limited and do not include (for example) circumstances where the taxpayer has financial vulnerabilities, can provide evidence of serious financial hardship or homelessness².

The Commissioner of Taxation has the power to extinguish a debt where there is serious financial hardship. This is limited to individual taxpayers (but not business tax debts like Goods and Services Tax (GST) or Superannuation Guarantee Charge (SGC)) and only applies to certain types of tax debts. This is referred to as **Release** and further information about this process is available on the ATO [website](#).

As a result of the community feedback and response to the ATO's awareness campaign and letters, the ATO has issued a [media statement](#) to advise that:

The ATO has heard the concerns raised by the community.

We have paused the awareness campaign and will review our overall approach on how we communicate about debts on hold.

¹ This is identified as a credit transaction with the description "Non-pursuit – uneconomical to pursue". Any subsequent re-raise transaction is identified by the transaction description "Re-raise of non-pursuit amount – conversion".

² see section 8AAZL of the *Taxation Administration Act 1953* and PS LA 2011/21 - Offsetting of refunds and credits against taxation and other debts

The statement further advises that:

We will review our overall approach to debts on hold before progressing any further.

No further action is required by anyone who has received a letter. However, if you have questions about your existing tax debt, you can contact the ATO for further information.

[Emphasis added]

What can taxpayers do if they have received a letter about “on hold” debts from the ATO?

Taxpayers and tax agents who have received communications from the ATO about “on hold” debts and who remain concerned, or who wish to understand the source of the debt may take the following actions.

In the first instance, taxpayers should call **1800 305 499** to enquire about the debt, ask how it arose and the components that make up the amount. If the taxpayer believes they have paid the debt, they should discuss this with the ATO officer.

If, after speaking with the ATO officer the taxpayer remains dissatisfied, the taxpayer may wish to raise a formal complaint with the ATO. This may be done by either:

- Calling the ATO on **1800 199 010**; or
- Lodging a complaint through the ATO’s [Complaints Form](#).

In either case, taxpayers should ensure that they receive a complaint reference number which looks like **1-XXXXXXXXXX** (1 dash followed by 10 or 11 digits). ATO Complaints will endeavour to resolve the matter for the taxpayer within 15 business days.

Finally, if the taxpayer remains dissatisfied after ATO Complaints has sought to address the matter, they may wish to lodge a dispute with the Taxation Ombudsman. Details on lodging a dispute with the Taxation Ombudsman are available on our [website](#).