



Identification and management of financial abuse within the tax system

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Tax 
Ombudsman

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The Inspector-General of Taxation and Taxation Ombudsman acknowledges the Traditional Owners and Custodians of country throughout Australia and acknowledges their continuing connection to land, sea and community. We recognise the continuation of cultural, spiritual and educational practices of Aboriginal and Torres Strait Islander peoples. We pay our respects to the people and their Elders past, present and emerging.

Artwork used with permission from Kayannie Denigan, Luritja artist

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Help and support

Financial abuse (as well as other forms of family and domestic violence) can be hard to discuss and reading this document may cause distress. Help is available.

If you or someone close to you is in distress or immediate danger, please call 000.

For information, support and counselling, you can contact:

1800RESPECT	National sexual assault, domestic and family violence counselling service	1800 737 732 www.1800respect.org.au
Well Mob	Social, emotional and cultural well-being online resources for Aboriginal and Torres Strait Islander peoples	www.wellmob.org.au
Full Stop Australia	National trauma counselling and recovery service for people of all ages and genders experiencing sexual, domestic and family violence	1800 385 578 www.fullstop.org.au
MensLine Australia	A telephone and online counselling service offering support for Australian men	1300 78 99 78
National Debt Helpline	A free, independent and confidential service that helps people tackle their debt problems	1800 007 007 www.ndh.org.au

Ten things to know from our report

1. Financial and economic abuse can happen to anyone from any walk of life. Australian Bureau of Statistics data suggests that 1 in 6 women and 1 in 13 men have experienced economic abuse by an intimate partner.
2. The tax system is being used to perpetrate financial abuse. Victim-survivors are often unaware it is happening until it is too late, usually after they receive notifications of tax debts that have accrued in their names.
3. Financial abuse is not always obvious or visible, and victim-survivors often find it difficult to report, provide evidence and seek the support they need. The ATO needs to consider how it can work with trusted partner organisations to gather the necessary information about the financial abuse, whilst supporting victim-survivors and avoiding further trauma in the process.
4. Victim-survivors are often stuck with the debts inflicted on them because the ATO has limited powers to clear a tax debt entirely or to transfer it to the perpetrator of the abuse. More opportunities to clear the debt, within existing legislation, need to be explored, as well as any future legislative changes the Government may be considering. In the meantime, victim-survivors need better trauma informed support and better guidance on what options they have to pause or delay payment.
5. ATO frontline staff don't always recognise the warning signs of financial abuse. There is a lack of relevant training, policy and guidance to identify and support taxpayers impacted by financial abuse. ATO needs a specialist support team for victim-survivors, with specialist knowledge and trauma-informed practice; and awareness training for all frontline staff.



The impacts of financial abuse in the tax system are not limited to just tax. They can have impacts right across the range of government support services for victim-survivors.



6. Financial abuse in the tax system also impacts child support and other welfare payments that rely on timely and accurate tax returns. Late or inaccurate tax returns prevent Services Australia from correctly assessing child support and other benefits. This may leave victim-survivors with under or unpaid child support or family tax benefit overpayments. There are opportunities for the ATO to collaborate with Services Australia and improve their data matching to increase the success of the lodgement enforcement program.
7. Victim-survivors have to deal with each agency separately. This compounds the impacts of the abuse on the victim-survivor, by having to re-tell their history. They can also find that their eligibility for relief from one debt is impacted by debts held by other agencies. Government agencies need to consider debt relief holistically in financial abuse situations.
8. The ATO should clarify laws about when it may share information about possible financial abuse with other organisations and agencies to enable them to take action, including law enforcement.
9. The ATO understands that financial abuse in the tax system is a problem and is working to improve the support it provides to taxpayers experiencing vulnerability and hardship, including those experiencing financial abuse.
10. Prevention is better than response. All Government agencies are being encouraged to introduce “safety by design’ into future policy making and service design. We commend this approach to the ATO.

Why we undertook this review

Financial abuse can happen to anyone. Data from the Australian Bureau of Statistics shows that 1 in 6 women (16% or 1.6 million women) and 1 in 13 men (7.8% or 745,000 men) have experienced economic abuse by an intimate partner.¹ Financial abuse can occur through many different types of practices, including weaponisation of the tax system. The impacts on victim-survivors (and their families) can be devastating and long lasting, with substantial financial burdens and ongoing instability and stress caused by debts they did not personally incur.



We have conducted this review because more needs to be done to understand how the tax system is being weaponised and what action is required from the Australian Taxation Office (**ATO**) to address it and provide appropriate support and remediation for those affected.

Financial abuse and coercive control are issues that have come to the fore in Australian public policy only recently. Recent significant programs of work have been undertaken and are currently underway across government, in industry, in academia and within the community to understand, expose and tackle financial abuse and improve support for victim-survivors (refer to Appendix B). In particular, we note the Parliamentary Joint Committee on Corporations and Financial Services report published in December 2024 titled *Financial abuse: an insidious form of domestic violence*. The report contains 61 recommendations aimed at improving support for victim-survivors of financial abuse across government and industry and includes legislative changes beyond our remit, including recommendations relating to the tax system. In October 2022, the Australian State and Territory governments released the *National Plan to End Violence against Women and Children 2022-2032*. The plan provides a national policy framework that guides actions towards ending violence against women and children in 10 years.

¹ Australian Bureau of Statistics, *1 in 5 Australians have experienced partner violence of abuse* (Media Release, 22 November 2023) <<https://www.abs.gov.au/media-centre/media-releases/1-5-australians-have-experienced-partner-violence-or-abuse>>.

With this review, we aim to contribute to these broader, longer-term programs of work on financial abuse and to offer the ATO timely and practical recommendations to address issues of financial abuse within the tax system, within existing legislation. The ATO is developing its Vulnerability Capability. This will establish principles, areas of improvements, guidance and policies to assist the ATO in supporting people experiencing vulnerability (including those experiencing financial abuse) to participate in the tax and superannuation systems. While financial abuse victim-survivors are one subset of the population experiencing vulnerability, our aim is to contribute to the ATO Vulnerability Capability while it is under development.

Where appropriate, we seek to build on the experience of sectors and jurisdictions which have already sought to address financial abuse. The ATO can make use of the actions and experience of others, notably where they have been developed using the insights of people with lived experience of financial abuse. For example, the financial services industry has undertaken work to prevent financial abuse and introduced a consistent framework to support customers experiencing financial abuse. As an example, the Australian Banking Association's *Banking Code of Practice* requires member banks to take extra care with vulnerable customers and provides safeguards and protections not set out in law. The Council of Australian Life Insurers has recently introduced its *Best practice guidance: Family and domestic violence policies* to assist life insurance companies improve their responses to financial abuse within life insurance policies and support to victim-survivors of family and domestic violence. While work is continuing to develop in this area, these are crucial steps to protecting victim-survivors from harm and offer useful exemplars to the ATO to avoid needing to start from scratch on a well-considered issue.

In addition, in the US, the Internal Revenue Service (**IRS**) has developed innocent spouse relief for victim-survivors of financial abuse. Although this may not be easily replicable within Australia, the learnings from the IRS will help the ATO or Government determine its future options and possibly short circuit work on future policy options.

What is financial abuse?

Research by the University of New South Wales's Gendered Violence Research Network has identified that there is a lack of a clear and consistent definition of financial abuse in Australia.

'Financial abuse': a definition

Whilst there are different definitions, the term financial abuse generally refers to a pattern of controlling, exploitative, and disruptive behaviours, which may include:

- taking control of someone else's finances
- denying someone access to their own or joint bank accounts
- withholding financial support such as child support
- making one partner liable for debts that are not genuinely incurred by them.

Financial abuse is not limited to intimate partner or familial relationships.

In this report, we use the term ‘financial abuse’ in the context of the tax system and refer to a pattern of controlling or coercive behaviours which result in a person having a tax debt in their name which was not genuinely incurred by them. We have also used the term ‘victim-survivor’ to refer to someone with a tax debt incurred because of financial abuse. The term makes no assumption of whether the allegation can be substantiated.

Financial abuse within the tax system



Recent research shows that perpetrators may commit financial abuse by manipulating the tax system to create tax debts in the name of victim-survivors by, for example:

- making them directors of companies (either unknowingly or under duress) of which they have little or no control;
- misusing family trust structures and trust distributions to avoid tax liability or reduce assessable income; or
- fraudulently using a victim-survivor’s personal details to lodge false tax claims and registrations or wrongfully claim and divert refunds.

Perpetrators may also deliberately fail to lodge tax returns (at all, or on time) or underreport their income to avoid or minimise child support liabilities or create welfare debts for victim-survivors.

The scope of our review

In this review, the first that we have undertaken in this area, we consider how the ATO addresses situations where a victim-survivor has a tax debt as a result of financial abuse and is seeking the ATO’s assistance with respect to that liability. The key focus of our review is on the ATO’s frontline services. This is because ATO frontline teams are often the first point of contact with a victim-survivor and play an important role in identifying potential financial abuse.

This review does not examine or recommend potential policy changes as that is beyond our statutory remit. Others within government are looking into possible policy or legislative change and will be following up on the recommendations of the Parliamentary Joint Committee on Corporations and Financial Services.

Our scope also does not cover broader elements of financial abuse such as elder abuse, other forms of family and domestic violence or identity fraud. We published our report '*Tax Identity Fraud: an own initiative investigation*' in April 2024 and made 13 recommendations to the ATO. The ATO has recently provided a final response to the review which is available on our website.

Chapter 4 of this report examines the intersection between tax and other government services, most notably welfare and child support payment systems. As our statutory remit requires us to focus on the actions of the ATO, we have sought to highlight where the ATO can work more effectively with others (including other government agencies) in addressing financial abuse within the tax system.

Tax agents also play an important role in the identification of financial abuse. The professional tax and accounting bodies are increasingly taking ownership for supporting their members in highlighting the issue, as well as working with the Tax Practitioners Board in relation to the professional responsibilities and conduct of tax practitioners and their role in combatting financial abuse. We commend this work and will continue to monitor developments in this area and may provide further insights and recommendations on this issue at a later point in time, if appropriate.

Similarly, financial abuse also occurs within the superannuation system, most notably through inappropriate access to super funds. Stakeholders have highlighted the particular risks of self-managed superannuation funds (**SMSFs**) being manipulated to commit financial abuse. Unlike industry or retail funds, victims of theft or fraud through an SMSF have limited recourse to compensation and support, such as those provided by the Australian Financial Complaints Authority. Although the ATO does have a role to play as the regulator of SMSFs, our review has not extended to examine their role in this respect. It is another area that we will continue to monitor.

Finally, we wish to acknowledge the assistance of stakeholders, particularly those with lived experience, who have shared their time, expertise, stories and insights with us. Financial abuse within the tax system has far reaching consequences and we will continue to monitor developments in this area through our complaint investigation function and stakeholder engagement activities.

We also thank the various ATO officers who have been involved in this investigation for their time, assistance and professional engagement.

List of recommendations

1. Identification of financial abuse.

The ATO, in consultation with subject matter experts, community organisations and people with lived experience:

- a) develop and provide regular mandatory training to all ATO frontline officers and other staff who engage with taxpayers to support them in identifying and referring cases of financial abuse to a specialist team;
- b) create a specialist, centralised team to be the point of referral for cases of alleged or potential financial abuse that are outside the skills and expertise of ATO frontline officers to manage;
- c) provide additional specialist training in financial abuse and trauma-informed practice to officers in that team, those in the Specialised Client Support team and the Advocate Help Desk;
- d) refresh its policies and procedures to include specific guidance on the identification and management of financial abuse within the tax system; and
- e) consider options to implement system indicators that alert ATO officers to potential financial abuse while minimising safety and privacy risks for victim-survivors.

2. Support and relief for victim-survivors.

The ATO:

- a) further develop its procedures and guidelines on the circumstances in which it will:
 - permanently remove a debt;
 - defer or discontinue recovery action; or
 - administer other types of relieffor tax liabilities incurred because of financial abuse, to enable case officers to provide correct, consistent and complete advice and support to victim-survivors;
- b) improve its written guidance and website communications to raise awareness amongst taxpayers and tax professionals about financial abuse, the types of support and relief that are available, and where to go for other forms of support such as community organisations, helplines and financial counsellors;
- c) consider options to obtain supporting information in circumstances where the taxpayer may not have direct evidence of financial abuse, including from trusted partners; and
- d) adopt a 'Safety by Design' framework and develop assessment tools to ensure that all relevant ATO teams have a lens of financial abuse when they design new internal policies or procedures, to minimise the potential for abuse of the tax systems.

3. Holding perpetrators to account.

The ATO:

- (a) undertake a review of its existing powers that may be applied to redistribute liabilities to perpetrators and develop staff guidance on how and when these powers would be used;
- (b) provide accessible communication channels for victim-survivors or third parties to report suspected financial abuse in the tax system; and
- (c) consider whether any of the exceptions contained within Division 355 of Schedule 1 to the *Taxation Administration Act 1953* empowers it to disclose instances of domestic and financial abuse outside of the ATO and:
 - i. if the exceptions do not empower such actions, raise the matter with the Treasury for consideration as part of its current review of tax regulator secrecy exceptions; or
 - ii. if the exceptions do empower such actions, implement a process and guidelines to assist officers to identify and refer cases for consideration of potential external disclosure.

4. Interaction with other government agencies.

The ATO:

- (a) publish more data about the outcomes of the Child Support Lodgement Enforcement program;
- (b) engage with Services Australia and explore opportunities to increase the frequency of referrals and enhance the quality of information referred to increase the number of referrals which can be actioned for lodgement enforcement;
- (c) assess the risk and prevalence of income underreporting by individuals with child support obligations and assess whether the ATO's current compliance approach is commensurate to the risk;
- (d) consider its policy on debt relief where a victim-survivor has multiple Commonwealth debts and where those debts are caused by the same financial abuse; and
- (e) develop a process for officers to share across business lines information received via a tip-off that potentially impacts child support or other social security benefits to enable a more holistic ATO response and appropriate support or resolution.



1. Identification of financial abuse

Identification of financial abuse

It is crucial that the ATO has effective systems and processes in place to assist frontline officers to identify potential financial abuse so that appropriate tax or superannuation related support and information regarding external support services can be provided to victim-survivors.

What we found

Victim-survivors of financial abuse present to the ATO through a variety of channels. The presence of financial abuse is not always evident to ATO officers, and this may be especially difficult where taxpayers avoid discussing abuse or only do so through indirect language. ATO officers do not all have a clear understanding of financial abuse or how to recognise it. This results in an inconsistent experience for victim-survivors, not all of whom receive the support or advice they need.

The ATO is developing its Vulnerability Capability to strengthen and coordinate (with government and non-government partners) the way it supports taxpayers experiencing vulnerability, including those experiencing financial abuse. The first phase will include the delivery of a Vulnerability Framework (in June 2025) which will establish the principles for supporting people experiencing vulnerability to participate in the tax and superannuation systems. Other priorities involve identifying opportunities to improve relevant policies, practice statements, procedures, and staff training, as well as designing and implementing appropriate whole-of-ATO support options. We commend the ATO for taking these positive steps. At the same time, we and the ATO recognise that there is still more work to be done in this important area.

Until this work is complete, there remains gaps in the ATO's operational policies and practice in how to address instances of tax debt caused through financial abuse. Victim-survivors and their representatives are left unclear about what help they can expect from the ATO in these situations.

Existing ATO resources on identifying financial abuse within the tax system

The ATO has a suite of policies, procedures, and scripting to assist frontline officers to identify and support taxpayers experiencing vulnerability and hardship. These documents recognise financial abuse as a factor that may contribute to a taxpayer's vulnerability, however, they do not currently define or explain financial abuse in any detail or provide procedural guidance on what action can be taken specifically to identify or support a victim-survivor of financial abuse.

Different taxpayers may experience vulnerability in different ways, and it can be temporary, long term, or permanent. Acknowledging that experiences of vulnerability are difficult to define, the

ATO instructs officers to understand taxpayers' vulnerability through the barriers that impact their capacity to pay, lodge, and engage with the ATO. These barriers may include:

- serious illness and mental health challenges
- family or domestic abuse (including financial, emotional or elder abuse)
- low levels of support or literacy
- impacts from natural disasters.

In addition to the written guidance and resources, ATO officers also have access to real time support and advice by team leaders from the Hardship and Release and Specialised Client Support teams if they require help to identify vulnerabilities and support options.

No specific system indicators to denote financial abuse

The ATO's case management system includes options for indicators to assist ATO officers to quickly identify certain key information. Some of these indicators include where tax file numbers have been compromised or where associations with criminal activity may have been found.

The ATO does not currently use system indicators to flag that a taxpayer is experiencing vulnerability, including financial abuse. If a taxpayer is concerned that an abusive partner may access their ATO account, the ATO may apply enhanced security measures specific to the taxpayer's circumstances. These preventative measures go some way to protect the victim-survivor's account, however, it may not be practicable in all financial abuse situations, for example, where the victim-survivors are still living with the perpetrators.

ATO frontline staff don't always recognise the warning signs of financial abuse. There is a lack of relevant training, policy and guidance to identify and support taxpayers impacted by financial abuse.



ATO officer training on identification of financial abuse within the tax system

ATO frontline officers have varying degrees of awareness of financial abuse. The ATO has identified that limitations in training, specifically around financial abuse and coercion, are a barrier for frontline officers when supporting taxpayers experiencing vulnerability.

The ATO does not have specific training products that are dedicated to identifying financial abuse. Current training products are designed to enable officers to identify and engage with taxpayers experiencing vulnerability and hardship more broadly. These training modules are not mandatory. Officers may complete them where they are being trained for a skillset / topic relevant to their role. The ATO has advised us that it will seek to identify and address gaps in vulnerability training of frontline officers as part of its work on the Vulnerability Capability.

Development of specialist capability on identification and management of financial abuse within the tax system

Since 1 August 2024, the ATO has brought together 47 full-time equivalent officers under a single structure (the Additional Support Hub) to provide more dedicated support for both ATO officers as well as taxpayers experiencing vulnerability and their representatives.

The Specialised Client Support team assists taxpayers experiencing high levels of vulnerability by providing support tailored to their situation. This team currently engages with taxpayers by referral only. If an ATO officer assesses a taxpayer's level of vulnerability to be severe (i.e. the taxpayer is experiencing multiple events which have a prolonged and lasting impact on their ability to manage their tax obligations), and the officer is unable to provide the level of assistance needed, they can refer the taxpayer, subject to approval by their team leader, to the Specialised Client Support team.

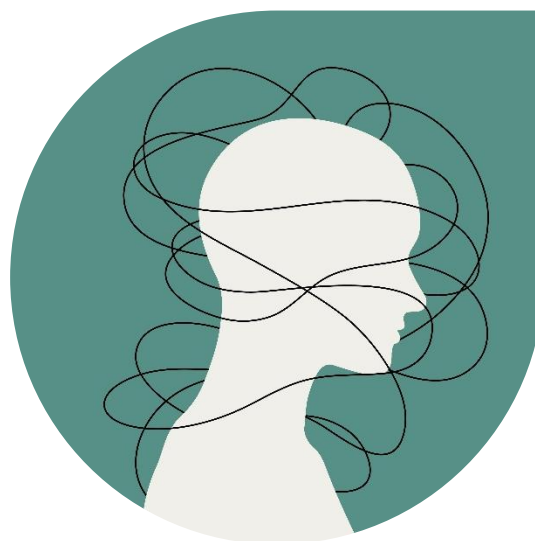
Separately, the Advocate Help Desk provides a channel for financial counsellors, tax clinic representatives, and other advocates who work with clients experiencing vulnerability to have direct and streamlined access to ATO resources, education and direct support via phone or email.

Notwithstanding their specialised support roles, officers in the Advocate Help Desk and Specialised Client Support teams are not provided with additional formal training beyond those offered to other frontline officers. Instead, they receive more on the job training on how to engage with taxpayers experiencing vulnerability and hardship, notably through case studies.

Key performance indicators and performance metrics for these teams differ from those of other frontline teams, with greater emphasis and encouragement to take time, through one or more engagements, to provide the support needed to those experiencing vulnerability.

Our observations

Like many agencies and organisations engaging with their customers, the ATO faces considerable challenges in identifying potential instances of financial abuse as its presence may not always be obvious or visible. This is further emphasised by the many millions of interactions that ATO frontline officers undertake each year and the limited amount of time they have with each taxpayer during these interactions. It is therefore critical that all frontline officers (and other officers who engage with taxpayers) are trained and supported to identify instances of potential financial abuse in order to offer support and to make referrals to a specialist team.



An indicator on ATO systems would help ATO officers identify victim-survivors and reduce the need for them to repeat their story multiple times. However, there are potential risks of unintended consequences. For example, where a taxpayer may have (under duress) shared credentials to their ATO online account, the perpetrator may see the indicator, which in turn may impact the physical safety of the victim-survivor. Any system indicator therefore needs to be designed in a manner that is either not visible to the perpetrator or, if it is visible, is not obvious that it is a flag for financial abuse. We understand other organisations have successfully addressed this issue (including Services Australia and banking institutions). Stakeholders have suggested the implementation of a cross-agency indicator to improve agencies' response to financial abuse and the experience of victim-survivors seeking assistance. Any such initiative would require whole-of-government coordination.

An additional complexity in the use of indicators is knowing when they should be placed on or removed from an account. Evidence of domestic violence or financial abuse may not be readily available, particularly when there is no physical violence or intervention from law enforcement or other organisations. The issues regarding evidence and substantiation are discussed in Chapter 2.

Further challenges arise where financial abuse is not explicitly raised. There are a range of reasons why victim-survivors may not report abuse, for example, being dependent on the perpetrator (for their care and/or the care of children), fear of possible retaliation or not being believed, shame and stigma associated with being a victim of abuse, or lack of awareness that they are being abused. We have received several complaints regarding tax debts in which complainants do not use the term 'financial abuse', however, the circumstances described suggest financial abuse may be present.

The challenge in identifying and evidencing financial abuse means that there may be a significant cohort of taxpayers who may not be getting the support they need with their tax and superannuation issues and are being held liable by the ATO for debts they did not personally incur.

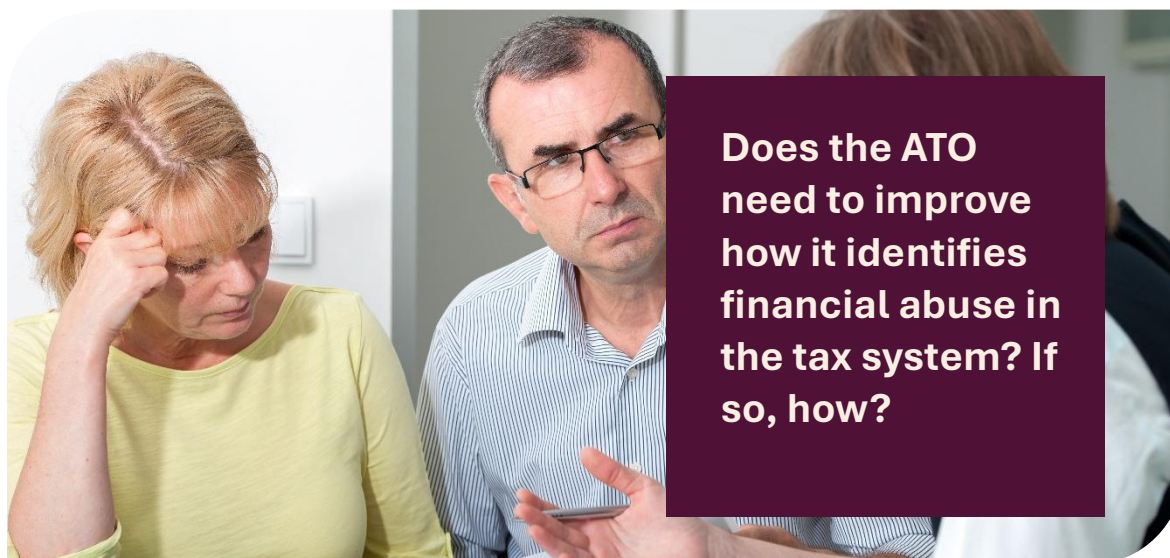
Case study 1 – ATO frontline officer awareness of financial abuse

A financial counsellor contacted the ATO to enquire about the details of their client's business tax debts, which arose because of financial abuse and coercion. They explained that the client was nominated by their ex-partner to be a director of the business but was not aware of the nomination or involved in the running of that business.

The ATO officer expressed surprise and asked the caller how the taxpayer did not know they were a director. The financial counsellor explained to the ATO officer that this was due to coercive control and financial abuse by the ex-partner.

The ATO officer's surprise in this case suggests that they were not aware of how financial abuse may be perpetrated in the tax system and its impacts on victim-survivors.

Rationale for change



Our evidence suggests a varying degree of awareness of financial abuse amongst ATO frontline officers, which impacts victim-survivors' experiences and the level of support and resolution received. It can leave victim-survivors or their representatives fighting against the ATO's action to recover tax debts, for which they were not personally responsible.

ATO frontline officers have identified limitations in training, specifically around financial abuse and coercion, as a barrier for them when supporting taxpayers experiencing vulnerability. It is vital that all frontline officers (and others who engage with taxpayers) receive mandatory awareness training on the issue.

The ATO has specialist teams in the Additional Support Hub that support clients experiencing vulnerability and hardship, including financial abuse. However, they do not receive additional specialist training in financial abuse or trauma-informed practice. Cases involving financial abuse are often complex and likely challenging for an ATO frontline officer to address at the first point of contact. In such circumstances, there are benefits in having a dedicated and specialist team available to whom these matters could be escalated and managed holistically, to enhance support and service delivery to victim-survivors and reducing the impacts on the ATO frontline.

The ATO may wish to consider whether these functions could be absorbed into the existing Additional Support Hub or whether the creation of a new team would be necessary. Specialist teams and officers should receive further in-depth training in financial abuse beyond the training that is provided to ATO frontline officers. They should be trained in how best to engage with victim-survivors, use of trauma-informed approaches to investigating alleged abuse and identifying options for support.

We support the ATO's commitment to improving how it engages with and supports taxpayers experiencing vulnerability through the current program of work in developing the Vulnerability Capability. It is important that this initiative address the current gaps in policies, procedures, scripting, and training relating to identifying and supporting taxpayers experiencing financial abuse within the tax system. We believe there is considerable benefit and scope for the ATO to engage with key community organisations currently working to support victim-survivors in this area to develop appropriate training for frontline officers.

Recommendation 1

The ATO, in consultation with subject matter experts, community organisations and people with lived experience:

- a) develop and provide regular mandatory training to all ATO frontline officers and other staff who engage with taxpayers to support them in identifying and referring cases of financial abuse to a specialist team;
- b) create a specialist, centralised team to be the point of referral for cases of alleged or potential financial abuse that are outside the skills and expertise of ATO frontline officers to manage;
- c) provide additional specialist training in financial abuse and trauma-informed practice to officers in that team, those in the Specialised Client Support team and the Advocate Help Desk;
- d) refresh its policies and procedures to include specific guidance on the identification and management of financial abuse within the tax system; and
- e) consider options to implement system indicators that alert ATO officers to potential financial abuse while minimising safety and privacy risks for victim-survivors.



2. Support and relief for victim-survivors

Support and relief for victim survivors

There are limited options available to the ATO within existing legislation to fully remove a tax debt, incurred through financial abuse, from a victim-survivor's account. This leaves the victim-survivor with ongoing liability for a debt for which they were not responsible. The options for relief from these debts are often not clear and the experience of victim-survivors in seeking help from the ATO is inconsistent.

What we found

There are general provisions within tax law which allow the ATO to provide varying degrees of relief and assistance to taxpayers for their tax debts. However, none of these provisions are specifically aimed at providing relief for financial abuse where a victim-survivor is held liable for a debt not of their making.

The options for ATO to extinguish a debt are limited. All other options provide lesser degrees of relief, which are based on the victim-survivor needing to repay the debt (albeit at a later date or through a payment plan) and on the assumption that they are responsible for the debt inflicted on them by the perpetrator. Each option has its own eligibility criteria and, in some instances, may not be available to victim-survivors of financial abuse.

Permanent removal of a tax debt

Permanent removal may occur where a taxpayer successfully challenges the tax liability through the objections process or by appeal to the Administrative Review Tribunal or the Federal Court of Australia. Similarly, a taxpayer who has received a director penalty notice may challenge it on grounds that they did not partake in the management of the company. These options are costly and stressful and would require the taxpayer to evidence that the liabilities are incorrect or excessive.

Release of tax debts on grounds of serious hardship

This option permanently removes the debt from the taxpayer's account. However, the types of liabilities that may be released are limited and do not include certain liabilities relating to a business (such as GST, PAYG withholding, super guarantee charge, director penalty notice), which would exclude a large proportion of financial abuse cases. Moreover, the taxpayer must show evidence of serious hardship, which is not always present in cases of financial abuse notwithstanding that the liability does not rightfully rest with the taxpayer.

Further complexities may arise where the taxpayer has multiple debts, such as tax and welfare debts. In those situations, it may be determined that the release of one debt does not alleviate the serious hardship if the other debt is also not released [see Chapter 4].

Waiver of tax debts

Victim-survivors of financial abuse can apply to the Department of Finance to waive their tax debt. Waivers of debt are discretionary and the power to approve a waiver is held by the Minister of Finance and delegated to officials within the Department of Finance (not the ATO). This is seen as an option of last resort and will generally only be considered after all other available options have been tested with the agency holding the debt, i.e. the ATO in the case of tax debts.

In the cases we have sampled, we note that this option is not always made known to a victim-survivor or their representative. While information about the debt waiver process is available on the Department of Finance and ATO websites (i.e. ATO practice statement PS LA 2011/17 *Debt relief*), it is likely that many taxpayers may not be aware of it, and it would be helpful for the ATO to inform victim-survivors or their representatives of this option.

Consideration of US-style relief.

Encouragingly, the ATO has had an initial discussion with the IRS on the application of the innocent spouse relief legislation, its prevalence, and how the IRS supports taxpayers eligible for this relief. This US legislation is intended to relieve taxpayers from paying the joint and several tax liabilities caused by errors made by their spouse on a joint tax return, which the taxpayers were not aware of. Any changes to Australian legislation would be a matter for Government.

Deferral of recovery action or assistance to pay

The ATO may defer payment deadlines and recovery proceedings for a certain amount of time to assist the victim-survivor to get back on their feet. The ATO may also put a debt on hold (i.e. not commence active debt recovery action).

Other options available to assist taxpayers address debts that have accrued include tailored payment arrangements (including those which may be longer than the standard 24-36 months), no-interest payment arrangements, general interest charge and penalty remissions.

Preventing or curbing further accrual of debt

The ATO has a range of processes in place to protect the integrity and prevent further compromise of taxpayer accounts. For example, by placing additional markers, checks or notes that alert ATO officers to carry out additional checks before the accounts are accessed or refunds are issued.

Stakeholders have highlighted the importance of designing out opportunities for financial abuse within the tax system, noting the work of Ms Catherine Fitzpatrick who created Designed to Disrupt as a blueprint for the financial services sector to prevent or disrupt potential misuse of financial products to cause harm. The Parliamentary Joint Committee on Corporations and Financial Services recommended, in its December 2024 report, that the financial services sector develop a financial ‘Safety by Design’ framework and assessment tools to mitigate risks of financial abuse at the front end of product design. A similar approach should be considered by the ATO.

Financial abuse through directorships

Submissions we have received suggest that it is common for financial abuse to occur through company directorships (or other business structures). In these cases, a person may be made a director of a company by fraudulent nominations or coercion. That person is then left to deal with outstanding business tax debts in the form of director penalty notices issued by the ATO.

The ATO has discretion as to whether to issue a director penalty notice and can consider the taxpayer’s circumstances (which could include financial abuse) in using this discretion. However, it is not uncommon for the ATO to only become aware of the financial abuse situation after a director penalty notice is issued. This is usually when the director seeks to contest the liability, and they explain their circumstances to the ATO.

It is common for financial abuse to occur through company directorships or other business structures, where a person may be made a director of a company by fraudulent nomination or coercion, then left to deal with the business’s tax debts when the ATO issues director penalty notices.

Director penalties, once crystallised, give the ATO limited ability to withdraw or pause them. Directors have 21 days to respond to the notices, meaning there is limited time to obtain professional advice on next steps, making it very difficult for victim-survivors to respond with a defence, particularly if the matter is complicated.

The law requires the ATO to offset credits against any tax debts that a taxpayer owes, except in some specific circumstances, including where the credits are to be offset against a director penalty debt. However, it is not simply the case that if the credit is to be offset against a direct penalty that a right to receive the refund is automatic. There are other factors that the ATO will consider including the taxpayer’s compliance history, risk to revenue, whether the debts relate to superannuation guarantee or outstanding child support, or whether the taxpayer is a promoter of schemes.

Victim-survivors may claim a defence to a director penalty notice (such that they do not become liable for the penalty) if they did not take part in the management of the business. Practically, however, it is very difficult for victim-survivors to make a successful defence claim.

For example, because they could not provide evidence that financial abuse occurred, or that they started taking steps to address the business tax debts upon becoming aware of the debts. Therefore, it is important that victim-survivors, their advocates and tax advisors are aware of these issues so that they do not inadvertently jeopardise the victim-survivor’s ability to claim a director penalty notice defence. To this end, there is an important role for the ATO to play in providing clearer guidance to advocates and advisors about the director penalty notice regime. This includes what steps are needed to be taken to address any liabilities or to seek ATO agreement not to actively pursue the penalty.



Victim-survivors may need to search the Australian Securities & Investments Commission’s (ASIC) registers to obtain information to assist with their defence to the director penalty notice. ASIC is continuing the stabilisation of Australia’s business registers and undertaking targeted uplifts including linking director identification numbers to the Company Register. This reform will further support efforts to combat illegal phoenixing activities, and it is expected to have a positive impact for victim survivors of coercive control as they will have greater visibility over the companies they are made director of.

Specialist personnel and assistance – within the ATO

As noted in Chapter 1, the ATO has two dedicated and specialised teams to support both ATO officers and external representatives to better assist taxpayers experiencing vulnerability.

Table 2.1 outlines the number of referrals received and finalised by the Specialised Client Support team during the 2024 calendar year.

Table 2.1: Referrals received and finalised by the Specialised Client Support team in 2024

Referrals	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Received	23	42	45	43	58	64	73	66	68	74	94	63
Finalised	19	30	27	31	43	51	70	63	57	63	71	61

Source: Data provided by the ATO.

Table 2.2 sets out engagement statistics with the Advocate Help Desk since its implementation (August 2024) to December 2024. The data indicates a steady increase in the use of this service. Feedback provided by stakeholders suggests that while the Advocate Help Desk has been very welcome, there is opportunity for the ATO to improve this service. For example, through further specialised training of staff and increasing transparency in the escalation process to a decision maker, particularly for those advisers dealing with more complex cases.

Table 2.2: Advocate Help Desk engagement statistics

Engagement type	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
Emails received	99	127	158	174	98
Inbound calls received	387	400	404	441	336

Source: Data provided by the ATO.

ATO public information regarding financial abuse

The ATO website has information on how it can help taxpayers in difficult times ([Support in difficult times](#)). Assistance regarding family and domestic violence is discussed under the section 'Personal crisis support'. At present, there is no information on the ATO website about financial abuse. The ATO does not currently have any programs or strategies to raise awareness in the community about financial abuse within the tax system and related ATO support options. The ATO explained that as part of the development of the Vulnerability Capability, it will work with subject matter experts and business areas to communicate the change with external stakeholders (e.g. tax agent community, professional associations, etc) to assist with engagement and change management.

Referral for specialist support options outside the ATO

The ATO cannot provide all of the support a victim-survivor may need. ATO officers have access to guidance and resources on specific advocates and external services that play a role in supporting taxpayers and how officers may refer taxpayers to these services, for example, financial counsellors, the Small Business Debt Helpline, and mental health services such as Lifeline. While resources and contacts to these services are made available to ATO frontline officers, the extent to which it is used depends on the nature of the issues being discussed and officer knowledge and experience. The Specialised Client Support officers make greater and more consistent use of these resources.

There is also a network of tax clinics operating out of universities and TAFEs across Australia. The tax clinics are partially funded by grants from the Australian Government and provide free tax advice and support to taxpayers facing financial, personal or social challenges. The tax clinics assist taxpayers to engage with the ATO and may also be a point of referral from the ATO where it is identified that the taxpayer needs advice and representation to manage their tax affairs. The tax clinics are filling a previous gap within the tax system, providing support for unrepresented and vulnerable taxpayers. Without the tax clinics, many victim-survivors would remain unsupported and struggling to engage with the ATO and their debts. We understand the clinics are increasingly seeing that the majority of their clients have been affected by family or

domestic violence and financial abuse. However, we also understand that most clinics are overwhelmed with demand and have long waiting times for appointments due to capacity.

Our observations

Most relief options do not permanently relieve victim-survivors

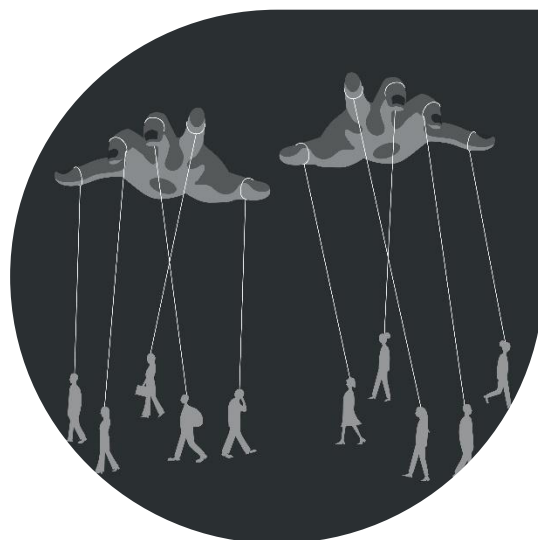
The tax law provides very few options for a victim-survivor, who bears a tax liability as a result of financial abuse, to effectively have that liability permanently removed from their account. While this is specific to the design and architecture of the tax system and intended to manage its integrity and protect the revenue, we now observe unintended consequences for victim-survivors.

Options such as deferral of recovery actions or placing liabilities on hold only provide temporary relief. The liabilities remain on the taxpayer's account, which can be traumatising to victim-survivors, and may be offset against future refunds or credits.

The absence of sufficient options to effectively extinguish liabilities resulting from financial abuse, even in instances where the perpetrator has been prosecuted, imposes an unfair burden on the victim-survivor. Moreover, it creates an administrative challenge for the ATO in having a liability that it may not be able to collect.

There have been a number of recommendations made for reform in tax law to grant more permanent relief for victim-survivors from tax liabilities that arise from financial abuse. These include those made by the Parliamentary Joint Committee on Corporations and Financial Services in relation to liabilities arising out of director penalty notices and trust structures. We support further exploration and consideration of these options as well as other options available to the ATO to assist taxpayers to permanently deal with tax liabilities arising out of financial abuse. Many of these options will likely require policy and legislative consideration falling outside of our remit and would be a matter for Government.

There would be significant benefits in implementing the 'Safety by Design' principles within the tax system, in consultation with subject matter experts (including people with lived experience and community organisations supporting them). In this respect, we note that the ATO has been engaging and collaborating with external partners to improve its policies and practice to support people experiencing vulnerability, including financial abuse.



Consistent and holistic advice about tax relief options



Financial counsellors, community organisations and those with lived experience have reported a lack of consistent service and information provided by the ATO. They also report difficulties communicating with the ATO, including some instances of long wait times on calls and having to explain the circumstances and impact of abuse to multiple officers. Where financial abuse resulted in unauthorised and fraudulent tax returns being lodged in the name of the victim-survivor, the ATO would advise the victim-survivor to amend their tax return. However, the ATO may not alert them to the fact that if the amendment results in a debt on their tax account, they may be personally liable to pay it.

The case studies set out below also highlight the challenges for ATO officers of working through and considering all relief options that may be available to the taxpayer and discussing them. In some instances, only one or two relief options are mentioned. This suggests that ATO officers may not be familiar with all the policies and guidance regarding support and relief options for taxpayers experiencing vulnerability such as financial abuse. Such inconsistencies in the application of policies and guidance suggest that there is an opportunity for improvement in officer training and knowledge regarding the support and relief options that are available.

Table 2.1 above highlights the relatively low level of referrals (compared to known evidence of financial abuse) to the Specialised Client Support team. This may be due to a number of factors. Firstly, due to the challenges associated with recognising indicators and identifying financial abuse, ATO frontline officers may simply not be aware that the case needs to be referred. Secondly, it may also suggest low awareness within ATO of the option to refer cases to the specialised team. Finally, it may be that ATO frontline officers believe that they have provided sufficient client assistance without the need for involvement from the specialised team, which may or may not be the case, as suggested by case studies 1 and 3 below.

ATO public practice statements, such as PS LA 2011/17 *Debt relief, waiver and non-pursuit*, PS LA 2011/12 *Remission of General Interest Charge*, and PS LA 2011/14 *General debt collection powers and principles* provide helpful information on how the ATO may consider an application for tax debt relief and the factors that are considered. However, it is not entirely clear how the circumstances of a victim-survivor of financial abuse may fit in the general criteria outlined in those practice statements. In the absence of more specific guidance relating to financial abuse,

it is likely that different ATO officers with varying degrees of training, understanding and appreciation of financial abuse may take different approaches when assessing a victim-survivor's application for relief. This may also explain the inconsistent experience of victim-survivors and their advocates when engaging with the ATO as evident in the following case studies.

Case study 1 (continued) – Potential relief options not raised with the representative

Following the discussion with the financial counsellor about their client's financial abuse situation, the ATO officer advised the financial counsellor that the taxpayer's business tax debts totalled over \$50,000 and related to GST, PAYG withholding, and superannuation guarantee charges, and that a director penalty notice had not yet been issued. The officer further advised the financial counsellor that the only relief option available to the taxpayer was a 24 to 36-month payment plan or bankruptcy.

No explanation was provided on other relief options that may have been applicable, such as a possible longer term payment plan or remission of interest.

Case study 2 – Potential relief options raised with the taxpayer

A taxpayer contacted the ATO seeking to enter into a payment plan or obtain other types of relief for their tax debt. The taxpayer disclosed to the ATO that they were a victim-survivor of domestic violence including financial abuse and were unable to pay their tax debt in full as they were experiencing financial distress.

The ATO officer acknowledged the taxpayer's situation and provided information regarding external support services. The officer also discussed potential tax relief options that may be applicable to the taxpayer's situation, such as placing the debt on hold or releasing the taxpayer from the debt if they were in serious hardship. After obtaining the taxpayer's financial information, the officer transferred the taxpayer to the ATO's hardship area. The ATO hardship area assessed the taxpayer's circumstances and placed their debt on hold, noting that it could later be re-raised and offset against a future refund or credit). The ATO also provided the taxpayer with contact details for the National Debt Helpline.

Case study 3 – Potential relief options not raised with the taxpayer and challenges in providing support due to taxpayer’s misunderstanding

The taxpayer had a tax debt because of an unauthorised and fraudulent tax return lodged by their ex-partner’s tax agent. The ATO advised the taxpayer to amend their tax return if it was not correct.

The taxpayer’s financial counsellor sought assistance from our office regarding the ATO’s response. We confirmed that the ATO’s advice was correct. We also provided information to the financial counsellor about tax clinic services and relief options such as applying to the ATO for a release or the Department of Finance for a waiver of the debt.

The taxpayer and their financial counsellor contacted the ATO again, including the ATO Advocate Help Desk. The taxpayer expressed concern that lodging an amendment could be taken as an admission of liability for the debt, and it was not appropriate for them to seek a waiver of a debt that was not genuinely incurred by them. The ATO explained that lodging an amendment was not considered as admitting liability to the debt and provided information about debt waiver from the Department of Finance. The financial counsellor remained dissatisfied with the ATO’s explanation.

Although the ATO discussed debt waiver (by the Department of Finance), it did not discuss or consider whether it could release the taxpayer from their debt, noting that the debt related to personal income tax and could be releasable (provided the criteria for serious hardship were satisfied). The taxpayer’s misunderstanding that amending their tax return or seeking forgiveness of the debt would be taken to be an admission of liability contributed to the complexity in the ATO’s effort to support and provide relief to the taxpayer.

We have also observed, based on our engagement with stakeholders with lived experience, that some are reluctant to approach the ATO. This could be because they are not aware that support is available, are scared that they will not be believed because they do not have documentary evidence, or because they fear the consequences of alerting the ATO to potential tax liabilities, despite such liabilities arose in the context of financial abuse. Furthermore, tax professionals may also be unaware of the behavioural indicators of financial abuse and how best to support victim-survivors. In this regard, there is also an opportunity for the ATO to raise more awareness in the community about indicators of financial abuse and the support it can provide to victim-survivors.

ATO information requirements regarding financial abuse



Evidencing financial abuse is a significant challenge for both victim-survivors and for the ATO. The general design of the tax system is predicated on the taxpayer bearing the burden of proof of facts and statements they put forth in support of their position. For many victim-survivors, the nature of the circumstances that they are in may mean there is often little, if any, evidence that could be provided to the ATO. In a recent complaint investigated by the IGTO, we observed that the lack of evidence of financial abuse was a major factor in the ATO's decision not to release the complainant from their tax debt.

In many different areas of the law, the ATO has very clear guidance about the types of evidence it would accept where taxpayers are seeking relief, for example in support of tax release applications or applications for remission of interest and penalties. There is also discretion in what evidence may be accepted, particularly in circumstances where records may have been lost or destroyed. A good example of this is in relation to taxpayers affected by natural disasters.

Discussions with key community advocates and support organisations unearthed concerns that current evidence and substantiation requirements do not operate well in relation to cases of domestic violence and financial abuse. They expressed concern that, if not well managed, strict application of these requirements could further re-traumatise victim-survivors. We understand that for certain organisations, such as those in the financial services sector, it has been suggested that claims of financial abuse be accepted at face value and not require evidence be provided.² Such an approach would not be consistent with the current overall design of the tax system and would require significant policy considerations, both for the tax system and across other government services that interface with the tax system.

An alternative could be to leverage existing triage and records of other agencies and organisations to obtain supporting information of domestic violence or financial abuse. These agencies and organisations could be state-based health services, law enforcement agencies, community legal centres, financial counsellors and tax clinics. The use of memoranda of understanding with peak bodies to recognise member organisations could further assist to

² Australian Financial Complaints Authority, *The AFCA approach to joint facilities and family violence* (June 2022) <https://www.afca.org.au/news/information-for-consumer-advocates/supporting-people-impacted-by-domestic-violence#>.

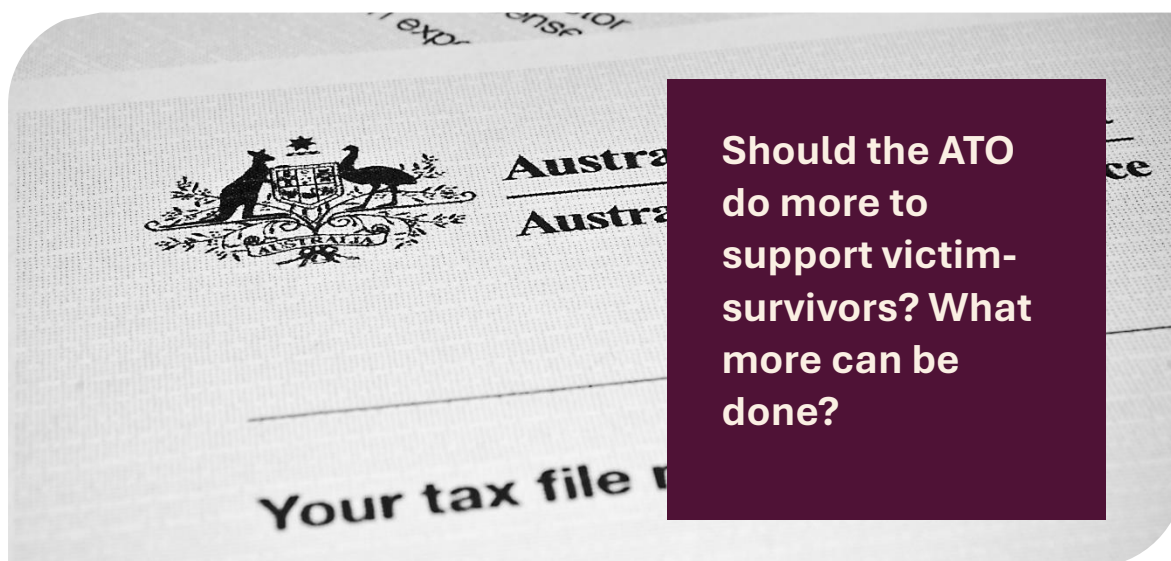
identify trusted entities who have robust triage processes and can provide reliable information to assist the ATO.

Precedent on relief for financial abuse from the US

While legislation such as the innocent spouse relief provisions in the US provide some precedent on relief for financial abuse within the tax system, it should be noted that the application of these provisions appears to be limited based on the eligibility criteria – a joint return must be filed which includes understated income due to errors or omissions; the applicant did not know about the errors when they signed the return; and the applicant lives in a community property state (only nine states are community property states in the US).

We support consideration and discussions of legislative relief options in Australia. We note that the narrow and specific scope of the US provisions, and the differences between the US and Australian tax and legal systems may create some uncertainty as to how a provision of this nature could be adapted into the Australian tax system. Further analysis on alternative options to achieve the same outcome would be welcome.

Rationale for change



First and foremost, the ATO needs to test its own powers within existing legislation on the options to extinguish a debt on behalf of a victim-survivor, or where advice to government is required for future legislative change. There appears to be a gap in reasonable options to extinguish a debt inflicted by one individual on another within the context of financial abuse. This means victim-survivors are left with a liability which they did not create.

Secondly, there is a strong case for providing victim-survivors, or their representatives, with clarity on the available options to seek release or relief from the tax debts incurred through financial abuse.

Stakeholders, particularly those with lived experience, have highlighted inconsistent experiences in dealing with ATO officers in terms of knowledge, capability and empathy. These

experiences may further exacerbate the cycle of abuse and the trauma that comes from it. It also acts as a barrier for victim-survivors seeking support and relief.

To adequately support victim-survivors and provide appropriate avenues for relief, it is important that ATO officers who engage with taxpayers in relation to tax debts are aware of all forms of debt relief and support options. ATO officers in the nominated specialist teams and the Advocate Help Desk should have specialised knowledge in these areas. Officers also need the ability to address any misunderstanding or concerns regarding relief options, and ease the burden placed on victim-survivors and their advocates in having to re-explain traumatic experiences.

Although the ATO has a tight focus on its statutory obligations to collect tax legally due, it does not operate in isolation. There are opportunities for the ATO to engage and leverage the work and expertise of community organisations that operate at the front line to support and assist victim-survivors. This could take the form of referrals of taxpayers for support services or providing a channel for those services to refer cases to the ATO for investigation or relief. A key area the ATO could leverage is these organisations' triage and work processes as a means of obtaining supporting information for domestic or financial abuse.

In addition to ensuring appropriate and adequate support for victim-survivors, it is also important for the ATO to ensure that its administration of the tax system does not inadvertently create opportunities for financial abuse to occur in the first place. The Parliamentary Joint Committee on Corporations and Financial Services recommended, in its December 2024 report, that the finance sector develop a financial 'Safety by Design' framework and assessment tools to mitigate risks of financial abuse at the front end of product design. We consider that a 'Safety by Design' framework and assessment tools would also be beneficial in the context of the ATO's administration of the tax system, to ensure that the system is safeguarded from potential misuse to cause harm.

Recommendation 2

The ATO:

- a) further develop its procedures and guidelines on the circumstances in which it will:
 - permanently remove a debt;
 - defer or discontinue recovery action; or
 - administer other types of relieffor tax liabilities incurred because of financial abuse, to enable case officers to provide correct, consistent and complete advice and support to victim-survivors;
- b) improve its written guidance and website communications to raise awareness amongst taxpayers and tax professionals about financial abuse, the types of support and relief that are available, and where to go for other forms of support such as community organisations, helplines and financial counsellors;
- c) consider options to obtain supporting information in circumstances where the taxpayer may not have direct evidence of financial abuse, including from trusted partners; and
- d) adopt a 'Safety by Design' framework and develop assessment tools to ensure that all relevant ATO teams have a lens of financial abuse when they design new internal policies or procedures, to minimise the potential for abuse of the tax systems.

Note

We recognise that registered tax/BAS agents have an important role in the tax system in combating financial abuse. We support the work of the professional bodies in developing additional guidelines and training to assist their members to better understand, identify and report potential financial abuse.

We have also received complaints raising instances where agents are complicit in perpetrating or enabling financial abuse, whether knowingly or not. This is a matter for the professional bodies and Tax Practitioners Board and, while beyond the scope of this review, we will be raising the issue with them in relation to clarification of the expectations within the relevant ethical frameworks and Code of Conduct.



3. Holding perpetrators to account

Holding perpetrators to account

Ideally, tax debts created through financial abuse should be transferred to the responsible perpetrator, relieving the liability from the victim-survivor, while protecting the revenue. However, that is very hard for the ATO to achieve under its current powers. The ATO is also constrained in how it refers perpetrators to law enforcement, where financial abuse may be present.

What we found

As the Government's principal revenue collection agency, the role of the ATO is to ensure that taxpayers meet their tax obligations and liabilities. It does not have a role in prosecuting perpetrators of financial abuse. The ATO lacks specific powers to address some aspects of financial abuse within close personal relationships or to transfer tax liabilities between individuals even in cases where financial abuse can be demonstrated. However, the ATO can refer perpetrators to the appropriate authorities, as necessary, for further action.

Constraints on pursuing perpetrators for tax debt

The ATO has advised us that perpetrators may be held to account in the following limited factual circumstances:

- the Family Court may order the transfer of a debt (under the *Family Law Act 1975*), including tax liabilities, between spouses in property settlement matters provided the ATO is a party to the proceedings and the court deems it just and equitable. The High Court of Australia has indicated that this power would rarely, if ever, be exercised in relation to tax debts on the basis that it would not be just and equitable as a transferred debt would lose its character as a tax debt, potentially limiting the ATO's collection options. The ATO's position in relation to transfer of debt claims is that it will generally seek to intervene (become a party) in proceedings to make the Court aware of the potential adverse consequences likely to arise from an order. Where the ATO intervenes, it represents the interests of the Commonwealth of Australia, and not of the victim-survivor.
- where a director penalty notice has been issued to recover certain unpaid company tax obligations personally from the directors of that company. As company directors are jointly and severally liable, each director can be pursued for the entirety of the debt to increase the likelihood of recovery. However, the ATO's ability to hold the perpetrator to account through director penalty notices is hampered in situations where the perpetrator is not recorded as a director of the company, but the victim-survivor is.

In relation to child support, the ATO has engaged in discussions with the Treasury, Department of Social Services and Services Australia to explore opportunities for mitigating the use of child support as a tool to perpetrate financial abuse and weaponisation.

In relation to holding perpetrators of financial abuse to account, there needs to be recognition of the need to understand end-to-end opportunity and risk across government services and responsible agencies. Solutions or reforms may require coordinated effort across government agencies to ensure effective impact. One such way of doing this is through the establishment of a taskforce of all relevant government agencies to implement regulatory and legislative reform. Whether such an approach is adopted is ultimately a matter for Government.

The ATO has also advised us that it is ready to support additional discussions regarding potential legislative reforms, noting this is a matter for Government.

Constraints on reporting financial abuse to law enforcement

There is no express legislative provision that compels or permits the ATO to report financial abuse to external law enforcement agencies or corporate regulators. The ATO is bound by strict privacy and tax secrecy provisions contained within the *Privacy Act 1988* and Division 355 of Schedule 1 to the *Taxation Administration Act 1953*, which prohibit tax officers from disclosing taxpayer information to another entity except in limited circumstances. For example, where the disclosure is made in performing duties as a taxation officer or where it is for the specific government or law enforcement purposes prescribed in the legislation. Unlawful disclosure of taxpayer information is a criminal offence punishable by a fine and/or a term of imprisonment of up to two years.

Through community tip-offs received, the ATO shared 4 cases which related to financial abuse or coercive control with law enforcement agencies in the 2023 financial year and 5 cases in the 2024 financial year. These limited instances of information sharing were made under the existing exception for government or law

There is no express legislative provision that compels or permits the ATO to report financial abuse to external law enforcement agencies or corporate regulators.

enforcement purposes, namely for the purposes of preventing or lessening a serious threat to life, health and safety. In all these cases, the information received by the ATO suggested severe risk of physical violence, in addition to financial abuse, to the victim-survivor. The limited numbers of such referrals suggest a combination of the scope of the exceptions under tax law being unclear or narrow and officers being uncertain as to what cases may be referred and the process under which those referrals may be made.

In this respect, the ATO has advised us that it has not received any legal advice in relation to the interpretation of the exception to disclose information that is necessary to prevent or lessen a serious threat to an individual's life, health or safety. It referred us to the explanatory memorandum to this exception (in the Tax Laws Amendment (Confidentiality of Taxpayer Information) Bill 2009) which states that "a threat to life or health includes threats to safety and would include bushfires, industrial accidents and direct threats to individuals or groups. Health includes mental as well as physical health, although a threat of stress or anxiety would generally not be sufficiently serious."

There is currently no specific ATO guidance regarding when it may be appropriate for officers to escalate instances of (suspected) financial abuse within the ATO for consideration of potential external referral or information sharing under the current legislation.

Options for reporting financial abuse to ATO

The ATO does not have a dedicated helpline or form for reporting financial abuse in the tax system. Instead, people providing information use the existing ‘tip-off’ form. This form is for reporting about community members intentionally doing the wrong thing, including suspected phoenix, tax evasion or shadow economy activity. Therefore, there appears to be a need for channels to bring concerns about abuse to the attention of government authorities for action.

Our observations

Potential avenues for the ATO to redistribute tax liabilities to perpetrators of financial abuse

As part of our engagement with stakeholders, suggestions were made about potential avenues for the ATO to redistribute tax liabilities to perpetrators of financial abuse in some situations within its existing legislative powers. These potential avenues are section 100A of the *Income Tax Assessment Act 1936* and powers to deal with sham contracting arrangements.

Section 100A is an anti-avoidance rule in relation to trust income. Where a victim-survivor beneficiary is presently entitled to trust income, but cash is instead distributed to the perpetrator, section 100A may apply to assess tax on the trustee of the trust rather than the victim-survivor beneficiary.

A sham arrangement is described in Tax Determination TD 2005/34 *Income tax: what are the results for income tax purposes of entering into a profit washing arrangement as described in Taxpayer Alert TA 2005/1* as “a transaction which involves a common intention between the parties to the apparent transaction that it be a disguise for some other and real transaction or for no transaction at all”. In cases where a victim-survivor incurs a director penalty because they are a director of a company, but the director appointment was without their knowledge or consent, it may be argued that the appointment was a sham and thus has no legal effect under existing law.

While these provisions address the transfer of liabilities, they are complex in application and not designed for broad scale application. Nonetheless, it is important that the ATO considers these suggestions (for application on a case-by-case basis) and further explore other potential avenues to ensure that it is utilising its full suite of powers to respond to financial abuse within the tax system. If there is a need to have specific provisions in tax law to deal with the transfer of liabilities in instances of financial abuse, the ATO may consider raising the feasibility of specific provisions for these purposes with the Treasury. It is important that any action to bring



perpetrators to account considers potential impacts on victim-survivors and prioritises their safety.

Clarity is needed on the constraints and parameters for the ATO to share information relating to financial abuse



There needs to be greater information sharing between agencies to ensure financial abuse is captured and addressed holistically, including with law enforcement agencies. However, there is a lack of clarity within the ATO with respect to the constraints and parameters of the exceptions contained within the tax secrecy provisions and how it may apply to the disclosure of taxpayer information where financial abuse may be present. Upholding taxpayer confidentiality remains fundamental to maintaining trust and confidence in the tax and superannuation systems.

There is limited guidance beyond the legislative explanatory materials concerning the tax secrecy provisions which shed light on the scope of exceptions for the ATO to make disclosures where financial abuse may be identified. The explanation does leave some room for the exception to canvass preventing or lessening serious threats to an individual's mental health. However, within the context of other commentary, it would not appear that a broad interpretation would be possible without further legal or judicial clarification. We also observe that the relevant legislation was developed at a time when the understanding and definition of domestic violence would have been very different to the contemporary understanding.

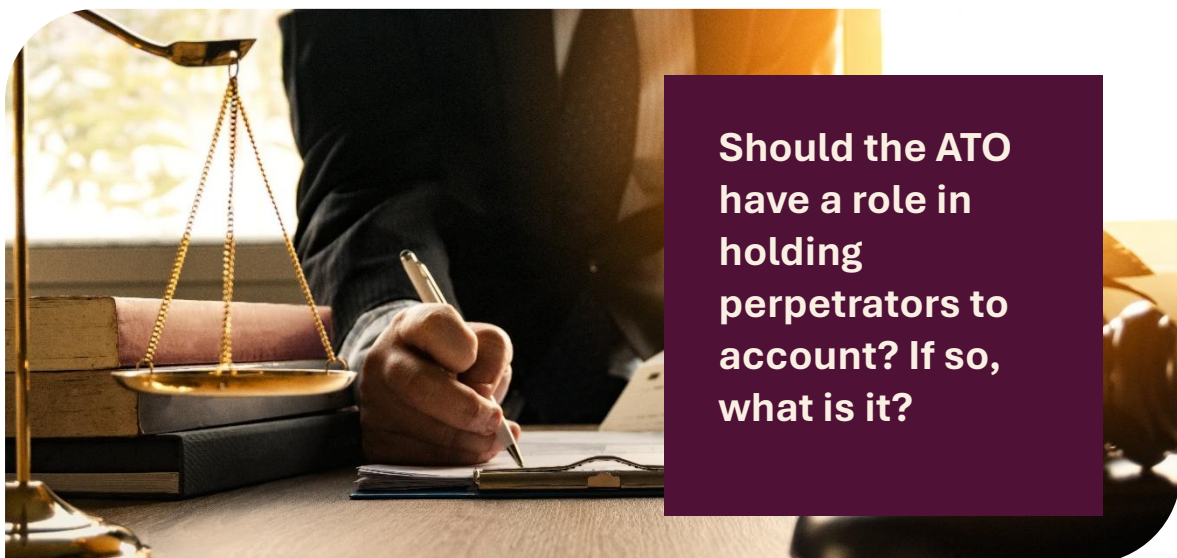
Another exception is in relation to disclosures to an authorised law enforcement agency, a court or tribunal for the purposes of investigating a serious offence or enforcing a law, the contravention of which is a serious offence. For the purposes of this exception, a serious offence is defined to be an offence against an Australian law that is punishable by imprisonment for a period exceeding 12 months. The nature of gender-based violence and the different forms that it may take pose a challenge to determining whether any aspect of the violence or abuse, taken separately or as a whole, would constitute a serious offence, as defined. As State and Territory legislation is being enacted to combat gender-based violence and abuse, it is likely that over time these definitions will become clearer, as will the punishments.

An additional consideration is whether there is opportunity for greater information sharing by the ATO to help identify and combat financial abuse early. In particular, whether early effective sharing of information by the ATO with financial institutions, superannuation funds and registered tax practitioners could assist them to manage potential abuse at their respective front lines. While we see merit in this respect, it would require careful and balanced consideration to ensure the integrity of protected taxpayer information, and the system as a whole, is maintained. It would be beneficial for the ATO and stakeholders to raise these matters with the Treasury for its consideration as part of the current review of tax regulator secrecy exceptions.

Options for the public to report financial abuse in the tax system

The ATO tip-off form can be used to report a number of misconduct or wrongdoings in the tax and superannuation systems. These wrongdoings are presented as a list of options for selection on the form, some of which may be indicators of financial abuse. However, the form does not have a specific selection option for financial abuse. It would be beneficial for the ATO to update the existing tip-off form or provide a new channel specially for reporting financial abuse in the tax system so that this information can be more clearly identifiable and acted upon, including referral to appropriate internal ATO areas or external agencies to address where appropriate and permissible under the existing tax secrecy laws. Importantly, any update to or creation of new systems and processes should consider the risks of misuse or abuse by perpetrators and incorporate appropriate safeguards. The ATO should also consider how information collected through these channels about financial abuse in the tax system may be used in assessing the suitability of placing system indicators on the relevant accounts (refer to recommendation 1(e)).

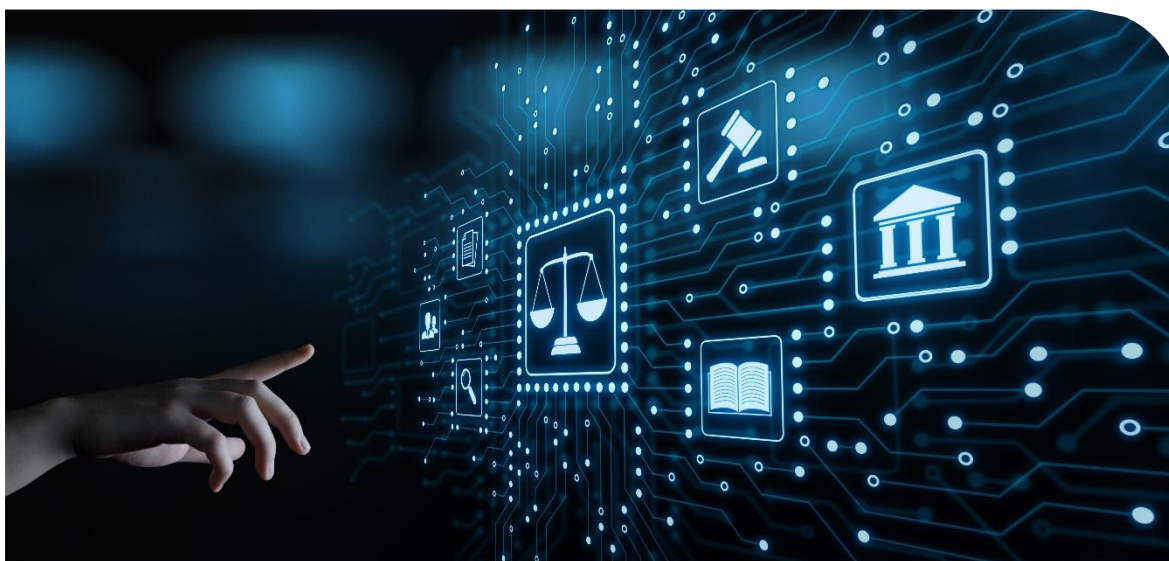
Rationale for change



The ATO's core purpose is to collect revenue legally due. In cases of financial abuse, the ATO needs the ability to collect the revenue due from the individual responsible – the abuse perpetrator – and not the victim-survivor. There are limited powers for the ATO to do so under

current legislation and these need to be used, where appropriate. It would be a matter for Government to seek to extend those powers to protect the revenue while also supporting the victim-survivor.

There needs to be greater information sharing across agencies to ensure financial abuse is captured and addressed holistically. While it is not for the ATO to investigate criminal activity, the ATO may refer perpetrators to the appropriate authorities as necessary for further action. However, it is unclear under the current legislation to what extent information regarding financial abuse within the tax system may be on-disclosed to support a more holistic approach to supporting victim-survivors and holding perpetrators to account. This uncertainty may lead to further re-traumatisation of victim-survivors and lack of action or remediation for them with respect to the debts that arose from actions of the perpetrator.



There are benefits in the ATO clarifying its understanding of the scope of the exception that empowers it to disclose information “necessary to prevent or lessen a serious threat to an individual’s life, health and safety” with a particular focus on whether it is sufficiently broad as to cover instances of financial abuse or coercive control. This will help inform any next steps the ATO may need to take.

If the ATO clarifies that the exception is narrow and therefore constrains disclosures in relation to financial abuse and coercive control, there is opportunity to raise this for consideration at a policy level. In its December 2024 consultation paper titled ‘Review of Tax Regulator Secrecy Exceptions’, the Treasury has sought comments as to whether there are any further changes needed to the tax secrecy provisions to address gender-based violence and the exploitation of the tax and superannuation systems by perpetrators.

Where, however, the ATO considers that the exception is sufficiently broad to cover situations of financial abuse, we believe there would be benefit in the ATO developing an internal process to assist ATO officers to escalate cases for referral under the exception. This would assist both to ensure that referrals are consistently made in line with parameters in the exception and provide assurance to ATO officers who become aware of such cases that they are able to escalate the cases for consideration.

The ATO does not have a dedicated helpline or form for reporting financial abuse in the tax system. We consider that there is an opportunity for the ATO to provide more information and resources to direct members of the community (including tax practitioners) to provide information where there is actual or suspected financial abuse in the tax system or to refer people to contact appropriate authorities to report other suspected forms of abuse (that are outside of the tax system).

Recommendation 3

The ATO:

- a) undertake a review of its existing powers that may be applied to redistribute liabilities to perpetrators and develop staff guidance on how and when these powers would be used;
- b) provide accessible communication channels for victim-survivors or third parties to report suspected financial abuse in the tax system; and
- c) consider whether any of the exceptions contained within Division 355 of Schedule 1 to the *Taxation Administration Act 1953* empowers it to disclose instances of domestic and financial abuse outside of the ATO and:
 - i. if the exceptions do not empower such actions, raise the matter with the Treasury for consideration as part of its current review of tax regulator secrecy exceptions; or
 - ii. if the exceptions do empower such actions, implement a process and guidelines to assist officers to identify and refer cases for consideration of potential external disclosure.

Note

We note that the Treasury's December 2024 consultation paper titled 'Review of Tax Regulator Secrecy Exceptions' will consider the tax secrecy provisions in further detail and how it can address gender-based violence and the exploitation of the tax and superannuation systems by perpetrators. As at the date of this report the review is ongoing. This report will be submitted to contribute to the Treasury's consultation.



4. Interaction with other government agencies

Interaction with other government agencies

Financial abuse within the tax system does not happen in isolation and can have far-reaching consequences on a victim-survivor's ability to access other benefits or entitlements administered by other agencies, such as child support.

What we found

In this review, we have set out to examine the ATO's approaches to identifying and supporting victim-survivors of financial abuse in the tax system. We have received submissions from community organisations and victim-survivors sharing their lived experiences. A large number of those submissions have tended to focus on how financial abuse within the tax system manifests in other areas, most notably the avoidance or minimisation of child support payments, giving rise to a child support debt that is not managed by the ATO. We have therefore examined how the ATO interacts with other government agencies in this area.

This chapter focuses specifically on the ATO's information sharing arrangements with Services Australia to the extent that it relates to child support.

To facilitate the information exchange with Services Australia with respect to the child support program, the ATO applies indicators on taxpayers' records to identify those who may have child support assessments based on data from Services Australia. Both the ATO and officers from the child support program can see the child support indicators in the ATO system.

The ATO also operates the Child Support Lodgement Enforcement program to pursue taxpayers identified by Services Australia where non-lodgement of tax returns presents a risk to the operation of the child support system. Under a memorandum of understanding, Services Australia makes a bulk referral of cases to the ATO on an annual basis for ATO to action in the following financial year. Ad hoc referrals may also be made by Services Australia to the ATO outside of this process where, for example, it considers that an individual poses a high risk. The ATO uses this information to take action to secure lodgements (as opposed to verifying the accuracy of the lodgements which would be undertaken through other compliance and audit activities) and issue assessments which enable Services Australia to determine the individual's child support obligations.

Table 4.1 outlines the number of referrals that the ATO received from Services Australia between FY23 and FY25 under the Child Support Lodgement Enforcement program.

Table 4.1: Services Australia - Child Support Lodgement Enforcement program referrals

Financial year	FY23	FY24	FY25
Referral received	168,082	161,997 (↓ 3.6%)	151,949 (↓ 6.4%)

Source: Data provided by the ATO.

The ATO attempts to engage with every taxpayer referred by Services Australia through text messages, letters or phone calls to finalise their outstanding lodgement obligations. This may be through lodgement of income tax returns, advice that the taxpayer does not need to lodge a tax return or through issuing a default assessment where the taxpayer is not engaging with the ATO. Where lodgement obligations remain outstanding, all suitable taxpayers are referred for prosecution consideration, though it is noted that prosecution action is subject to resource constraints.

The ATO is able to take action on approximately 70% of cases referred by Services Australia. The remainder are not able to be actioned for a number of reasons. For example, because remedial action may already have been taken such that there are no overdue tax lodgement obligations or there may be duplicate taxpayer identification.

Of the 161,997 taxpayers that were referred by Services Australia for action in FY24, the ATO was able to action 115,346 referrals (approximately 71%) resulting in 86,903 finalised outcomes including lodgements, returns not necessary and default assessments.

The recovery of child support debts is supported through the tax refund intercept process. In the 2024 financial year, approximately \$138 million in tax refunds were intercepted from taxpayers identified by Services Australia as having a child support debt. Of this amount, approximately \$27 million related to cases that had been referred under the Child Support Lodgement Enforcement program. This amount may not reflect the full extent of child support owing, as we are aware that perpetrators deliberately underreport their income to reduce child support payment obligations.

Our observations

We do not have the jurisdiction to review Services Australia's administration and management of the child support system and how it identifies and supports victim-survivors of financial abuse. However, we have engaged in discussions with the Commonwealth Ombudsman who has indicated that the issues of financial abuse within the child support system have been brought to their attention, and they are examining these issues in developing future work. We will continue to work in partnership with the Commonwealth Ombudsman as part of any scope of work in this area.

Feedback we have received from stakeholders with lived experience has touched on the impact that financial abuse has had on their interaction with other government agencies, in particular Services Australia and child support entitlements. Concerns raised in the feedback include perpetrators under-reporting income or deliberately failing to lodge income tax returns to minimise child support payments, thereby pushing many victim-survivors into further hardship and financial distress.

We have investigated complaints from child support payees regarding apparent inactions by the ATO following their tip-off of non-lodgement of tax returns or under-reporting of taxable income by their ex-partners. We observed that the ATO assessed all referrals received, and while the ATO may undertake enforcement actions, the approach varied based on its risk assessment of the reported persons. As a result, not all tip-offs or referrals may result in timely engagements of the reported person. We consider it beneficial for the ATO to engage with Services Australia to explore options for more regular referrals and to improve the quality of information referred. This may assist the ATO to more effectively data match the referrals and take more timely lodgement enforcement actions. It would also be beneficial for the ATO to assess the risk of income underreporting by individuals with child support obligations to ensure timely verification actions, where appropriate. This is because underreporting of income (and potentially overclaims of deductions) is another way financial abuse is perpetrated across the tax and transfers (e.g. government benefit payments) systems.

Further, the ATO's ability to holistically assess any child support risk associated with a tip-off and take actions in response (e.g. lodgement enforcement, verification of accuracy of reporting, etc) appears to be hampered by the limited information sharing between different internal ATO areas. In the case study below, the ATO explained that its lodgement enforcement area did not identify the child support connection or risk associated with a tip-off received because the team that received the tip-off did not provide them with details of the tip-off to protect the identity of the discloser due to tax whistleblower legislation. In that case, initially, the ATO's enforcement actions were limited to warning communications, which did not result in any engagement by the reported person. Once the ATO received a referral from Services Australia and further risks were identified, the ATO took further enforcement actions, which resulted in the reported person lodging all outstanding tax returns.



Case study 4 – ATO response to tip-off regarding non-lodgement of tax returns

A child support payee made a tip-off to the ATO regarding their ex-spouse's non-lodgement of tax returns. The ATO sent a re-engagement letter to the reported taxpayer as part of its lodgement enforcement action. This did not result in compliance by the reported person.

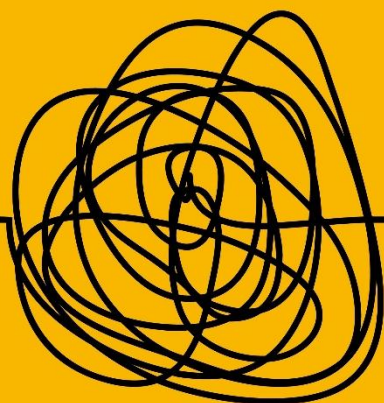
The child support payee made further tip-offs to the ATO about the ex-spouse's non-lodgement of tax returns. The ATO sent a further re-engagement letter, a voice message, and a final warning letter to the reported taxpayer. Again, this did not result in compliance by the reported person. The ATO took no further actions as the case did not meet ATO parameters to proceed further, meaning child support may have been underpaid.

In the 2024 financial year, the reported taxpayer presented on ATO risk radar through multiple channels due to the number of outstanding obligations, evidence of income over a certain amount, and a child support referral from Services Australia. The ATO undertook further enforcement actions, including creating a child support case and issuing a default assessment warning letter. This prompted the reported person to lodge all outstanding tax returns.

An additional dimension of the abuse relates to the interaction between child support and Family Tax Benefit (FTB). In summary, where a victim-survivor does not receive their full entitlement to child support, their maintenance income assessed for FTB purposes may be lower and, accordingly, their FTB may be higher in some cases. If enforcement or collection action is taken and child support is back paid, this can change FTB entitlements. If it is determined that the victim-survivor was overpaid FTB, this can create a debt with Centrelink in certain circumstances, despite there being mechanisms in place to manually or automatically reduce the debt. Centrelink may also write off the debt if the victim-survivor has no capacity to repay it (e.g. recovering the debt could result in the victim-survivor being in severe financial hardship). Similarly, the ATO may release a person from their tax debt on grounds of serious hardship. However, if each agency assesses the victim-survivor's relief application in isolation, they may determine that the release or write off (as the case may be) of one debt does not alleviate the serious hardship due to the existence of the other debt. It is therefore important for government agencies to consider debt relief in financial abuse situations holistically. Where a taxpayer has multiple Commonwealth debts created through financial abuse, that should not rule them out of having the tax debt relieved.

Scenarios such as this also reinforce the importance of both timely referral and timely action to ensure that non-lodgement cannot be used by perpetrators as a means to perpetuate abuse on victim-survivors. They also highlight the need for cross agency collaboration or a taskforce approach to address abuse where it crosses organisational boundaries.

Rationale for change



Should the ATO improve the ways it interacts with other agencies to combat financial abuse? If so, how?

One of the most prevalent applications of financial abuse within the tax system is its linkages to child support and welfare payments which can be weaponised by ex-partners. Submissions we have received suggest that the ATO does not enforce lodgement of tax returns or is not effective in its lodgement enforcement actions because many child support payers do not lodge tax returns for many years. An advocate organisation highlighted that based upon data published in 2021 at least 200,000 people, primarily men, who owed child support, failed to submit a tax return for more than two years, and over 16,000 had not filed a tax return for more than 10 years.

Information and data provided to us during the review suggests that the ATO does have active enforcement programs in place to pursue non-lodgement of income tax returns by taxpayers with child support obligations. The scale and outcomes associated with this program of enforcement may not be evident as there is limited publicly available data in this area. We consider that there would be benefit in the ATO sharing more information to provide context about the outcomes of the program.

Encouragingly, the ATO has advised that as part of its broader work around developing its Vulnerability Capability, it intends to explore what enhancements can be made to its cross-government data sharing which should foster both more timely referrals and feedback about successes in this area of work. There also appears to be opportunity for improved data matching between the ATO and Services Australia, meaning more referrals could be actioned and enforcement action taken.

Underreporting of income is another way in which a perpetrator of financial abuse uses to inflict financial harm on victim-survivors. The ATO does have compliance programs in place to address incorrect income reporting. However, these programs are not specifically designed to address the interactions of financial abuse in the tax and child support systems. It would be beneficial for the ATO to assess the prevalence of income underreporting by individuals with child support obligations and assess whether the ATO's current compliance approach is commensurate to the risk or improved data matching could address the risk.

We consider that there is opportunity for the ATO to implement processes for information sharing across its different business areas to ensure that ‘tip offs’ relating to avoidance of child support are referred to the relevant areas for investigation as part of ATO enforcement programs. Such processes would contribute further to minimising the risk that non-lodgement is used as a means of delaying or avoiding child support obligations.

Given evidence of perpetrator behaviour, the ATO also ought to consider its criteria for debt relief. Where a taxpayer has multiple Commonwealth debts created through financial abuse, that should not rule them out of having the tax debt relieved.

Finally, we note that several stakeholder submissions have expressed support for transferring the responsibility of child support payments from Services Australia to the ATO. The Parliamentary Joint Committee on Corporations and Financial Services has also made recommendations to this effect in its report. Ultimately, however, this is a matter for Government and would entail consideration of factors beyond those considered by our review.

Recommendation 4

The ATO:

- a) publish more data about the outcomes of the Child Support Lodgement Enforcement program;
- b) engage with Services Australia and explore opportunities to increase the frequency of referrals and enhance the quality of information referred to increase the number of referrals which can be actioned for lodgement enforcement;
- c) assess the risk and prevalence of income underreporting by individuals with child support obligations and assess whether the ATO’s current compliance approach is commensurate to the risk;
- d) consider its policy on debt relief where a victim-survivor has multiple Commonwealth debts and where those debts are caused by the same financial abuse; and
- e) develop a process for officers to share across business lines information received via a tip-off that potentially impacts child support or other social security benefits to enable a more holistic ATO response and appropriate support or resolution.

**Appendix A: Australian
Taxation Office response**



Ruth Owen
Inspector-General of Taxation and Taxation Ombudsman
GPO Box 551
Sydney NSW 2001

Dear Ruth,

Re: Review into the ATO's identification and management of financial abuse within the tax system

Thank you for the opportunity to comment on the draft report for your review of the ATO's identification and management of financial abuse within the tax system.

The ATO is aware of, and focussed on the impacts of financial abuse and coercion on taxpayers and the tax professionals and advocates that support them.

As you are aware, the ATO has an important role in supporting taxpayers experiencing financial abuse with their tax and superannuation obligations. In doing so, we have a responsibility to act in a way that meets community expectations. Therefore, we value the IGTO's perspectives, as well as the perspectives of others, including the lived experience of victim survivors.

Specifically, we welcome insights on how we can strengthen and coordinate how we support taxpayers that have experienced financial abuse, including through considering improvements to our existing procedures in place to support these taxpayers. In addition, we are conscious of the need to ensure the measures that we put in place also support the continued integrity of the tax system.

The ATO agrees with all the review recommendations and are pleased that several of the recommendations align with work already underway as part of the ATO's vulnerability capability. Our detailed response is attached.

We welcome further engagement with other government agencies and community groups as we continue our work on the ATO's vulnerability capability and leverage existing support and programs to address financial abuse within the tax system.

Finally, the ATO appreciates the collaborative way the IGTO review team has engaged with us throughout the review, which is the first to be completed under your leadership.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jeremy Hirschhorn', written over a light grey circular stamp.

Jeremy Hirschhorn
Second Commissioner of Taxation

28 March 2025

ATO response to our recommendations

Identification of financial abuse

Recommendation 1	ATO response
<p>The ATO, in consultation with subject matter experts, community organisations and people with lived experience:</p> <p>a) develop and provide regular mandatory training to all ATO frontline officers and other staff who engage with taxpayers to support them in identifying and referring cases of financial abuse to a specialist team;</p> <p>b) create a specialist, centralised team to be the point of referral for cases of alleged or potential financial abuse that are outside the skills and expertise of ATO frontline officers to manage;</p>	<p>Agree</p> <p>The ATO agrees to develop and provide training to support officers identify and refer cases involving financial abuse.</p> <p>Further, the ATO is currently implementing a Vulnerability Capability that will strengthen and coordinate the way the ATO supports people experiencing vulnerability. This program of work will include the development of a framework, together with specific actions and activities to support people experiencing vulnerability, including financial abuse. The current program identifies that the development and delivery of additional training to frontline staff, and other staff that engage with taxpayers is required.</p> <p>Agree</p> <p>The ATO agrees, noting that initial work will be required to determine how this recommendation can be best implemented and that the report provides scope for the ATO to determine how this can be achieved. For example, through expansion of the existing Additional Support Hub or establishing a new team.</p> <p>We also note that the Additional Support Hub was established as a specialist point of referral internally to ensure that cases are triaged appropriately where additional support may be needed.</p>
<p>c) provide additional specialist training in financial abuse and trauma-informed practice to officers in that team, those in the Specialised</p>	<p>Agree</p> <p>The ATO agrees to develop and provide training to support officers identify and refer cases involving financial abuse.</p>

Client Support team and the Advocate Help Desk;	
d) refresh its policies and procedures to include specific guidance on the identification and management of financial abuse within the tax system; and	<p>Agree</p> <p>A specific action for delivery under the ATO Vulnerability Capability is the development of additional guidance and procedures for staff on the identification, substantiation and management of financial abuse.</p> <p>The ATO will consider the IGTO’s findings and this recommendation in the development and delivery of that specific action.</p>
e) consider options to implement system indicators that alert ATO officers to potential financial abuse while minimising safety and privacy risks for victim-survivors.	<p>Agree</p> <p>The ATO agrees to consider options for the implementation of system indicators within the confines of the existing legislative framework that determines what information the Commissioner can collect and for what purposes.</p> <p>The consideration of options will require an exploration of practical matters, legislative frameworks, and potential systems (processes and technology) changes before a decision can be made as to how and whether it is appropriate to implement systems indicators.</p> <p>We also note that depending on where we ultimately determine the bounds of our legislative framework to be on this matter, this could be a policy or legislative change matter for Government.</p>

Support and relief for victim-survivors

Recommendation 2	ATO response
<p>The ATO:</p> <p>a) further develop its procedures and guidelines on the circumstances in which it will:</p>	<p>Agree</p> <p>The ATO agrees with this recommendation. However, we note that the ATO’s powers to permanently remove a debt, defer or discontinue recovery action are very limited, and that the presence of financial abuse is not</p>

<ul style="list-style-type: none"> • permanently remove a debt; • defer or discontinue recovery action; or • administer other types of relief <p>for tax liabilities incurred because of financial abuse, to enable case officers to provide correct, consistent and complete advice and support to victim-survivors;</p>	<p>necessarily sufficient on its own to enliven these powers.</p> <p>For example, section 340-5 of Schedule 1 to the Taxation Administration Act 1953 allows the Commissioner to release certain liabilities where the taxpayer would suffer serious hardship if required to satisfy it. A victim-survivor suffering financial abuse might satisfy this test of serious hardship, but in some cases a victim-survivor might not. Further, section 340-5 also does not allow the Commissioner to release GST liabilities.</p> <p>The ATO agrees that in ensuring case officers give correct, consistent and complete advice and support, it can review and further develop its procedures and guidelines on the circumstances in which it can and cannot provide relief for tax liabilities incurred because of financial abuse.</p>
<p>b) improve its written guidance and website communications to raise awareness amongst taxpayers and tax professionals about financial abuse, the types of support and relief that are available, and where to go for other forms of support such as community organisations, helplines and financial counsellors;</p>	<p>Agree</p> <p>Through the development of the ATO Vulnerability Capability, the ATO will commence a program of work to consider how we can improve our communications, including written guidance and our website, to better support those experiencing vulnerability, including financial abuse.</p>
<p>c) consider options to obtain supporting information in circumstances where the taxpayer may not have direct evidence of financial abuse, including from trusted partners; and</p>	<p>Agree</p> <p>The ATO agrees to consider options that would be sufficient to the Commissioner, including leveraging existing processes that already exist externally to the ATO (such as state-based health services or law enforcement).</p>
<p>d) adopt a 'Safety by Design' framework and develop</p>	<p>Agree</p>

assessment tools to ensure that all relevant ATO teams have a lens of financial abuse when they design new internal policies or procedures, to minimise the potential for abuse of the tax systems.

The implementation of the ATO Vulnerability Capability will include the development of a framework. The framework will include a focus on ensuring the impacts for people experiencing vulnerability, including financial abuse, are considered in the design of new processes and procedures. The ATO will incorporate ‘Safety by Design’ principles into the programs of work established under the capability.

Holding perpetrators to account

Recommendation 3	ATO response
<p>The ATO:</p> <p>(a) undertake a review of its existing powers that may be applied to redistribute liabilities to perpetrators and develop staff guidance on how and when these powers would be used;</p>	<p>Agree</p> <p>The ATO agrees to undertake a review of existing powers under the law and associated staff guidance.</p>
<p>(b) provide accessible communication channels for victim-survivors or third parties to report suspected financial abuse in the tax system; and</p>	<p>Agree</p> <p>The ATO agrees to provide appropriate communication channels to enable victim-survivors or third parties to report instances of known or suspected financial abuse that is impacting their tax affairs.</p>
<p>(c) consider whether any of the exceptions contained within Division 355 of Schedule 1 to the <i>Taxation Administration Act 1953</i> empowers it to disclose instances of domestic and financial abuse outside of the ATO and:</p> <p>i. if the exceptions do not empower such actions, raise the</p>	<p>Agree</p> <p>The ATO agrees to consider whether any of the existing exceptions contained within Division 355 of Schedule 1 to the <i>Taxation Administration Act 1953</i> empowers the sharing of protected information in instances of domestic and/or financial abuse, including to whom and for what purposes.</p> <p>However, in doing so, we note that whether a matter does ultimately fall within an exception under Division 355 is determined on a case-by-case basis.</p>

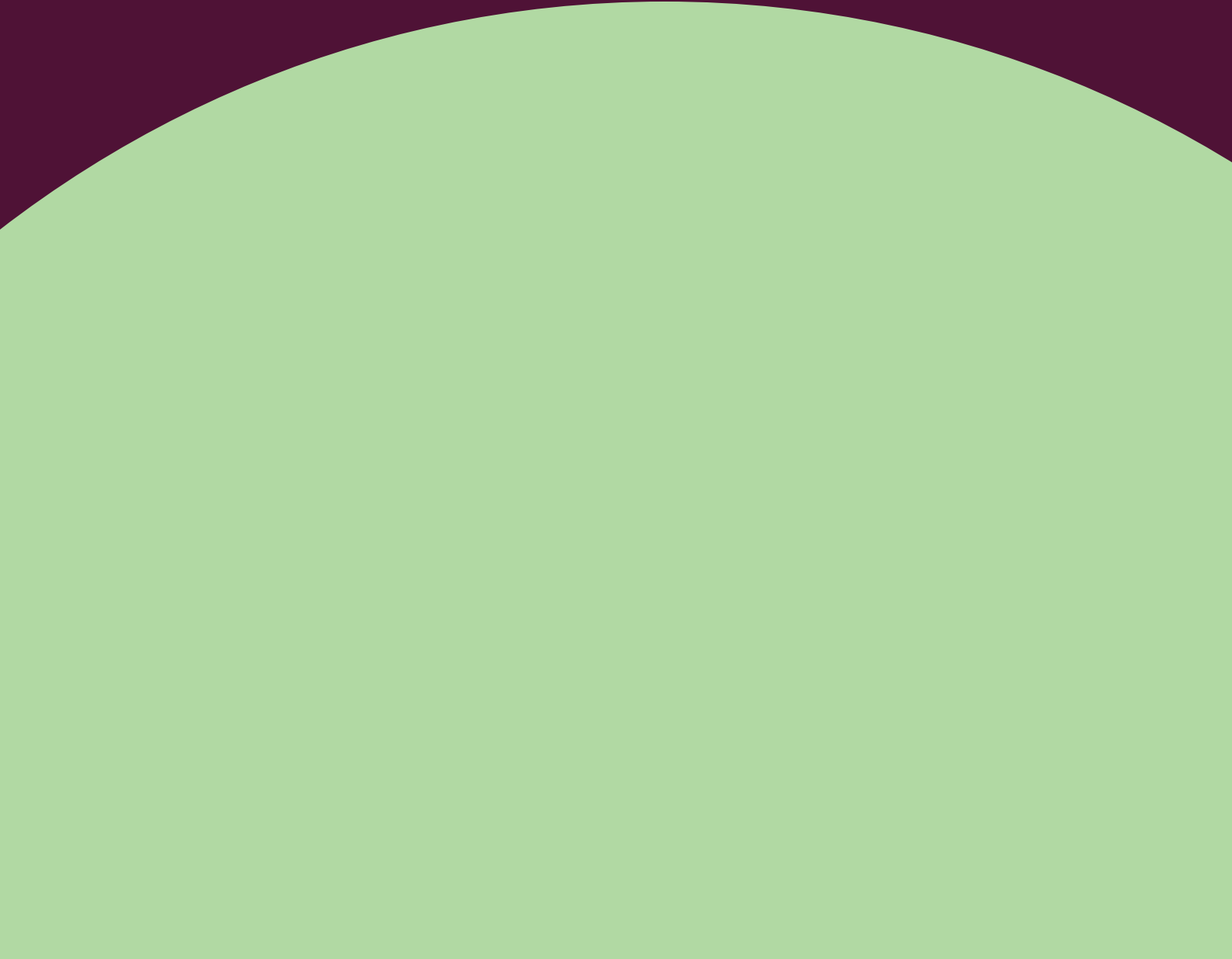
<p>matter with the Treasury for consideration as part of its current review of tax regulator secrecy exceptions; or</p> <p>ii. if the exceptions do empower such actions, implement a process and guidelines to assist officers to identify and refer cases for consideration of potential external disclosure.</p>	<p>We also note that any policy or legislative changes to provide further exceptions would be a matter for Government.</p>
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Interaction with other government agencies

Recommendation 4	ATO response
<p>The ATO:</p> <p>(a) publish more data about the outcomes of the Child Support Lodgement Enforcement program;</p>	<p>Agree</p> <p>The ATO agrees to publish more data about the outcomes of the Child Support Lodgement Enforcement program.</p>
<p>(b) engage with Services Australia and explore opportunities to increase the frequency of referrals and enhance the quality of information referred to increase the number of referrals which can be actioned for lodgement enforcement;</p>	<p>Agree</p> <p>The ATO is currently engaged with Services Australia and agrees to continue to explore opportunities in relation to both the frequency of referrals and quality of information referred, relating to the Lodgement Enforcement program.</p>
<p>(c) assess the risk and prevalence of income underreporting by individuals with child support obligations and</p>	<p>Agree</p> <p>The ATO agrees to assess the risk and prevalence of income underreporting by individuals with child support obligations and assess the findings against the current compliance approach.</p>

<p>assess whether the ATO's current compliance approach is commensurate to the risk;</p>	
<p>(d) consider its policy on debt relief where a victim-survivor has multiple Commonwealth debts and where those debts are caused by the same financial abuse; and</p>	<p>Agree</p> <p>The ATO agrees with the recommendation. In doing so, we note that the ATO is able to review the current policy around the relevance of other Commonwealth debts when considering whether a victim-survivor is eligible for debt relief. This will require us to also consider the extent to which the ATO's privacy and secrecy obligations allow it to disclose information to another agency to achieve cross-agency collaboration on debt relief.</p> <p>We also note that in applying the debt release policies, the ATO takes a holistic approach to understanding the financial circumstances of the client and all debts that they have. Ultimately, the operation of the law will determine how the specific liabilities of the taxpayer (government and non-government debts) are considered in the determination made by the Commissioner. Any specific consideration about providing for an alternate outcome to the current provisions, where those debts were caused by the same financial abuse would be a matter for government.</p>
<p>(e) develop a process for officers to share across business lines information received via a tip-off that potentially impacts child support or other social security benefits to enable a more holistic ATO response and appropriate support or resolution.</p>	<p>Agree</p> <p>The ATO agrees to develop a process for tip-offs to be shared across business lines to support the overall ATO response to the information received.</p>

**Appendix B: Work by others
to understand and address
economic and financial abuse**



Work by others to understand and address economic and financial abuse

Work in government

Parliamentary Joint Committee on Corporations and Financial Services, December 2024, *'Financial abuse: an insidious form of domestic violence'*

https://parlinfo.aph.gov.au/parlInfo/download/committees/reportjnt/RB000471/toc_pdf/Financialabuseaninsidiousformofdomesticviolence.pdf

The Treasury, *Review of Tax Regulator Secrecy Exceptions Consultation paper*, December 2024
<https://treasury.gov.au/sites/default/files/2024-12/c2024-579753-cp.pdf>

Department of Social Services, *National Plan to End Violence against Women and Children 2022-2032* (October 2022) <https://www.dss.gov.au/national-plan-end-gender-based-violence>

Work in academia and within the community

Keven O'Rourke, Ann Kayis-Kumar and Michael Walpole, *A velvet glove for the grip of steel? Redefining ATO powers at the intersection of debt and poverty* (UNSW Working Paper, 2025)

Keven O'Rourke, Ann Kayis-Kumar and Michael Walpole, *Legal protections for financially vulnerable persons with taxation debts* (UNSW Working Paper, 2025)

Keven O'Rourke, Ann Kayis-Kumar and Michael Walpole, *Director penalty notices in a post-Robodebt era: Has the ATO learnt the lessons?* (UNSW Working Paper, 2025)

Jes Detterer, *Policy facilitated economic abuse: An unintended consequence of inequality in the Australian tax-transfer system?*, presented at 36th Australasian Tax Teachers' Association Conference, Canberra, 15 January 2025 - 17 January 2025

Clare Tai, Sean Sun, and Prafula Pearce, *Exploring the impact of a legislative-aligned vulnerability index on quantifying access gaps in tax services*, presented at 36th Australasian Tax Teachers' Association Conference, Canberra, 15 January 2025 - 17 January 2025

Ann Kayis-Kumar, Christine Speidel, and Leslie Book, *Squeezing blood from stone? A comparative analysis of tax relief for victim-survivors in Australia and the United States* (2024) 39(2) Australian Tax Forum 191 https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4746954

Catherine Fitzpatrick, *Designed to disrupt: reimagining general insurance to improve financial safety* (March 2024) <https://flequity.au/designed-to-disrupt/>

Kay Cook, Adrienne Byrt, Rachael Burgin, Terese Edwards, Ashlea Coen, and Georgina Dimopoulos, *Financial abuse: the weaponisation of child support in Australia* (March 2023) <https://apo.org.au/sites/default/files/resource-files/2023-03/apo-nid321973.pdf>

Ann Kayis-Kumar, Youngdeok Lim, Jack Noone, Michael Walpole, Jan Breckenridge and Leslie Book, *Identifying and supporting financially vulnerable women experiencing economic abuse: a*

grounded theory approach (2023) <https://www.unsw.edu.au/content/dam/pdfs/business/acct-audit-tax/research-reports/ejournal-of-tax-research/2024-volume-22-number-1/2023-V21-N2-Identifying-and-supporting-finally-vulnerable.pdf>

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Other resources

Further information and resources are available through various community organisations and industry bodies, some of which are listed below:

- Centre for Women’s Economic Safety <https://cwes.org.au/>
- Community Legal Centres Australia <https://clcs.org.au/>
- EACH <https://www.each.com.au/>
- Economic Abuse Reference Group <https://earg.org.au/>
- Financial Counselling Australia <https://www.financialcounsellingaustralia.org.au/>
- Single Mother Families Australia <https://smfa.com.au/>
- The Gendered Violence Research Network <https://www.unsw.edu.au/arts-design-architecture/our-research/research-centres-institutes/research-networks-clusters-labs/gendered-violence-research-network>
- Women’s Legal Services Australia <https://www.wlsa.org.au/>

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