

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Additional Estimates 2013

14 February 2013

**Question:**           **AET 110-113**

**Topic:**               **ATO Outstanding Tax Debts**

**Hansard page:**      **Written**

**Senator RYAN asked:**

110. How much tax debt is outstanding from small businesses with less than \$2 million in turnover for the following financial years:
- a) 2007-08
  - b) 2008-09
  - c) 2009-10
  - d) 2010-11
  - e) 2011-12
111. How many garnishee orders to small businesses with less than \$2 million in turnover did the ATO make during the financial years:
- a) 2007-08
  - b) 2008-09
  - c) 2009-10
  - d) 2010-11
  - e) 2011-12
112. How many businesses has the ATO put into liquidation or administration due to the failure to pay tax for the following years:
- a) 2007-08
  - b) 2008-09
  - c) 2009-10
  - d) 2010-11
  - e) 2011-12
113. For the follow years, how many times has the ATO initiated litigation against any small business with less than \$2 million turnover due to failure to pay tax debt:
- a) 2007-08
  - b) 2008-09
  - c) 2009-10
  - d) 2010-11
  - e) 2011-12

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#### Answer:

In the interests of fairness for all taxpayers and a level playing field for business, we have a responsibility to take action, which may include legal action, with the minority of people who don't meet their obligations.

This action may include garnishee notices, director penalty notices, statutory demands and, in some instances, bankruptcy or wind-up proceedings.

We take action, including insolvency action, to collect debts where taxpayers:

- are unwilling to work with us,
- continually default on agreed arrangements, or
- don't have the capacity to pay and don't take steps to resolve their situation.

The decision to initiate bankruptcy or wind-up proceedings is only taken after other courses of action, including the establishment of a payment arrangement, are exhausted.

Business viability is an important consideration in any decision to initiate bankruptcy or wind-up proceedings. We are obliged to take action where there is evidence of a business trading while insolvent.

Regular independent reviews are conducted to assess our management of insolvency cases. The 14 reviews completed since 2004 (which considered over 1,000 cases) have found that in no case did our actions lead to premature bankruptcy or wind-up. Recent reviews are on our website.

110. Collectable tax debt outstanding for small businesses with an annual turnover less than \$2 million:

a) 2007-08	\$7.008 billion
b) 2008-09	\$7.476 billion
c) 2009-10	\$9.217 billion
d) 2010-11	\$9.011 billion
e) 2011-12	\$9.961 billion

111. Garnishee notices issued in relation to amounts owed to the ATO by small businesses with an annual turnover less than \$2 million\*:

a) 2007-08	8,313
b) 2008-09	8,247
c) 2009-10	7,578
d) 2010-11	30,977
e) 2011-12	38,498

\* Includes garnishee notices issued in relation to superannuation guarantee charge debts. The ATO does not report separately on this sub-set of garnishee notices.

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112. ATO initiated liquidations and bankruptcies of small businesses with an annual turnover less than \$2 million\*:

- a) 2007-08 1,208
- b) 2008-09 1,121
- c) 2009-10 702
- d) 2010-11 1,260
- e) 2011-12 1,692

The ATO has not initiated any other form of external administration in relation to small businesses in the financial years 2007-08 to 2011-12.

\*These are estimates as the ATO does not collate segment based figures for this type of work. Includes insolvency proceedings initiated in relation to superannuation guarantee charge debts. The ATO does not report separately on this sub-set of insolvency proceedings.

113. Number of small business litigations initiated by the ATO (annual turnover less than \$2 million) to recover unpaid tax or superannuation debt\*:

	2007-08	2008-09	2009-10	2010-11	2011-12
ATO initiated claims and summonses filed in court in relation to small businesses	3,459	2,996	2,004	4,667	3,271
ATO initiated winding-up applications and creditor's petitions filed in court in relation to small businesses**	1,623	1,286	1,085	2,045	1,984

\*There will be some duplication in the figures because a claim / summons and a winding-up application / creditor's petition may be filed in court for the same taxpayer. Also, more than one claim / summons or winding-up application / creditor's petition may be filed in court for a particular taxpayer. Includes litigation proceedings initiated in relation to superannuation guarantee charge debts. The ATO does not report separately on this sub-set of litigation proceedings.

\*\*A winding-up application, if granted, results in a company being placed into liquidation. A creditor's petition, if granted, results in a person being made bankrupt.