

# Senate Community Affairs References Committee

## INQUIRY INTO CENTRELINK'S COMPLIANCE PROGRAM

### ANSWER TO QUESTION ON NOTICE

Services Australia

**Topic:** Debt collection and garnishee orders

**Question reference number:** QoN 6

**Member:** Siewert

**Type of question:** Written

**Date set by the committee for the return of answer:** 22 November 2019

**Number of pages:** 2

#### **Question:**

- a) What processes do you have in place to ensure that debts in dispute are not collected, either through garnishing of payments or tax returns, or by debt collectors?
- b) The committee has also received evidence of individuals with debt repayment plans in place having their tax return or family tax benefit garnished without their consent. How would this be occurring?

#### **Answer:**

- a) Where a person requests a review of a debt decision, Services Australia (the Department) actively discusses options, including the ability to pause the recovery of that debt. Some people who owe money do not want to have their payment arrangements paused, such as those who are appealing the amount owed, not the existence of a debt. Some customers also repay their debts while under review so they can apply for an Advance payment of a social security entitlement once the debt balance is nil.

Where the Department has paused recovery of the debt, this includes stopping the garnishee of tax refunds and referral of the debt to an External Collection Agent. If the debt is already with an External Collection Agent, the Department will recall the debt.

If a person has other outstanding debts, they will be subject to normal debt recovery action from the Department.

- b) The Department does not garnishee the tax refunds of people who have reasonable repayment arrangements in place to repay their debts and who are fulfilling those arrangements. The Department can and does garnishee the tax refunds of people who have failed to enter into a reasonable payment arrangement to repay their debt to the Department, or having entered into an arrangement they have failed to make a payment in accordance with that arrangement. The Department does not require the consent of a person owing money to take garnishee action.

The Department has provided further details on the legislative and policy settings for the garnishee of tax refunds for repayment of social welfare debts in the Department's answer to QoN 6 from the hearing on 3 October 2019.

Separate to the tax garnishee process, family assistance legislation, the *A New Tax System (Family Assistance) (Administration) Act 1999*, allows for:

- family assistance debts to be offset from tax refunds;
- family assistance, social security, student assistance and Paid Parental Leave scheme debts to be offset from Family Tax Benefit (FTB) arrears, reconciliation top-ups and lump sum claim payments; and
- tax debts to be offset from FTB reconciliation top-ups and lump sum claim payments.

These processes are not garnishee arrangements and can occur whenever the funds become available, even if a person has a current payment arrangement in place for any outstanding social welfare debt. These actions do not require consent but the person receives advice when recovery occurs.