



Australasian Association

4 July 2014

Standing Committee on Tax and Revenue
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Committee Members,

Inquiry into Tax Disputes

Thank you for your invitation to make a submission to the Committee.

We would like to address disputes relating in particular to small business and high net worth individuals and to comment on the objection process and alternative dispute resolutions.

Unfortunately, disputes in taxation are inevitable. Our concern is that for most small businesses and individuals, a dispute with the Australian Taxation Office (the "ATO") is particularly challenging.

Assessments will have been raised for the amount of tax in dispute, together with penalties and Shortfall Interest Charge, with the amount being immediately repayable. This places the ATO in a strong position vis-a-vis small business taxpayers. While the ATO has a practice of agreeing to defer recovery if 50% of the amount in dispute is paid, the taxpayer will continue to incur General Interest Charges while the outstanding debt amount is remaining. The longer the dispute continues, the greater the payment due to the ATO. The key point here is that time is not an issue for the ATO.

Not only is the growing debt a concern for the taxpayer, the reality is that often no major financial transactions are undertaken while the dispute is in progress (depending on the quantum involved). Financiers balk at lending to taxpayers who owe money to the ATO as do investors. The financial stability of the taxpayer is consequently threatened. Directors need to be careful that their actions are not investigated if the dispute is not resolved in the taxpayer's favour.

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Therefore, it is important that:

- disputes be settled quickly with objection times fixed – for example, say 12 weeks;
- disputes to be settled on a commercial basis where there is genuine uncertainty and no tax avoidance; and
- there be continued emphasis on improvements to the alternative dispute resolution processes.

In relation to small businesses, we would advocate for the introduction of a simplified dispute resolution process, so that any tax disputes can be dealt with in a more timely and cost efficient basis. We would be in favour of a round table discussion with relevant parties to start the process of working out the ways in which this can be achieved for this vitally important sector of the Australian economy.

Should you have any questions in relation to this matter please contact me or Mark Pizzacalla on [REDACTED] c [REDACTED] respectively.

Yours faithfully

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Tony Fittler
Chairman

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Encl.