

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

2016 - 2017

Division/Agency: Australian Taxation Office

Question No: 208

Topic: Small business debts revealed to credit agencies

Reference: Written

Senator: Ketter

Question:

1. Regarding the potential reporting of small business debts to credit agencies by the Australian Taxation Office. The Inspector General of Taxation has previously noted on ATO debt collection strategies that “there is a difficult balance to strike between recovering tax debt efficiently and minimising risk to government revenue on the one hand and providing appropriate financial accommodation to the taxpayer on the other” . Do you feel the measure announced in the Mid-Year Economic and Fiscal Outlook strikes this balance?
2. How long had the ATO been consulting with the Government and Treasury on this measure?
3. Was the measure originally proposed by the ATO? If not, by whom? When was the measure first flagged?
4. Has the ATO received complaints or concerns about the proposed MYEFO measure?
5. If so, what are the main issues the complaints have raised?
6. Will the measure rely on the same ICT servers that have crashed in recent months?

Answer:

1. Yes. It will encourage businesses to engage with the Australian Taxation Office to pay taxation debts and avoid the debt being reported to credit reporting agencies.
2. The ATO has consulted with Treasury on the design of this measure over a period of time.
3. On 2 May 2014 the then Prime Minister, the Hon Tony Abbott MP, endorsed the development of a whole of government debt strategy. Its key aims were to:
 - address concerns about the increasing level of debt owed to the Australian Government by individuals
 - promote a smaller, more effective and more efficient public service.

An interdepartmental committee (IDC) was established to review the management of individual debt under the leadership of the Department of Social Services.

In November 2015 the IDC endorsed the Whole of Government Debt Strategy Paper which was subsequently submitted to Prime Minister Turnbull on 15 December 2015. One of the recommendations included in the paper was to make tax debts more

transparent to credit reference agencies.

4. The MYEFO announcement attracted attention from some media and small business stakeholders, enquiring on how the measure will work in practice.

On 7 February 2017, the Minister for Revenue and Financial Service, the Hon Kelly O'Dwyer, approved targeted consultation with a select number of industry and interest groups to inform both the law and administrative design.

The ATO and Treasury have been conducting this consultation throughout March 2017. A range of issues have been raised and discussed.

5. Key themes which emerged from consultation include:
 - clarity on what constitutes effective engagement with the ATO
 - how debt will be assessed as overdue for 90 days in a running balance account environment
 - appropriate safeguards to stop incorrect referral to the credit reporting bureaus
 - assurance that once the business engages and no longer meets the referral criteria their information would be removed within a reasonable time.
6. No. The ATO expects to fully remediate / replace the faulty storage hardware before the end of this financial year and the planned effective date of the MYEFO tax transparency measure.