

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

TREASURY

Australian Taxation Office

(Supplementary Budget Estimates 1-2 November 2006)

Question **SBT 103**

Topic: **BANKRUPTCY ACTION BY SEGMENT**

Hansard Page: **E86&87**

Senator Sherry asked:

Thank you for that. What is the number of bankruptcy actions in the last financial year?

Ms Crawford—There were 3,776 bankruptcy notices issued. Again, that is not necessarily in a particular segment; it is just overall.

Senator SHERRY—It is overall?

Ms Crawford—Yes.

Senator SHERRY—Could you take on notice the segment breakdown. How does that 3,776 compare to the previous couple of years?

Answer:

The breakdown of ATO issued Bankruptcy Notices by market segment for the past three financial years is as follows:

**Table 1: ATO issued Bankruptcy Notices by market segment
for the past three financial years**

Market Segment	Bankruptcy Notices issued 2003-04	Bankruptcy Notices issued 2004-05	Bankruptcy Notices issued 2005-06
Micro Businesses (annual turnover <\$2 million)	865	1,344	2,840
Small to Medium Enterprises (annual turnover between \$2 million & \$100 million)	47	219	115
Large Businesses (annual turnover > \$100 million)	0	0	0
Non-profit / Government Organisations	2	0	2
Individuals	355	363	819
TOTAL	1,269	1,926	3,776

The increase in Bankruptcy Notices issued in 2005-06 is attributed to a flow on effect from summonses issued in 2004-2005 under the Small Business Debt Assistance Initiative.

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While the ATO is unable to break the following table down by market segment it should be noted that the ATO pursues bankruptcy action for only a minority of taxpayers who are issued a Bankruptcy Notice. This is because taxpayers are generally given the opportunity to finalise their debt prior to any commencement of legal action. Given the legal ramifications associated with bankruptcy, taxpayers will normally act to deal with their tax liabilities to avoid further litigation, including either payment in full or entering into a suitable payment arrangement.

Table 2: Comparison of ATO initiated Bankruptcy Notices to ATO initiated bankruptcies for the past three financial years

	2003-04	2004-05	2005-06
ATO initiated Bankruptcy Notices	1,269	1,926	3,776
ATO initiated Bankruptcies	266	385	798
% of Bankruptcies to Notices	20.96	19.99	21.13