

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

2014 - 2015

Department/Agency: ATO

Question: AET 65

Topic: Costs to small business

Reference: Hansard page 69

Senator: Ketter

Question:

Senator KETTER: On this particular subject, can you provide me with an estimate as to what additional costs would be imposed on small businesses by the ATO if they receive an amended tax notice and if they are unable to pay the tax by the due date?

Mr Jordan: You are asking about additional costs to small business if they get an amended tax assessment and they are not able to pay the amount by the due date?

Senator KETTER: Yes.

Mr Jordan: We would typically try to work with the small business to come to a payment arrangement. We have fairly sophisticated tools that look at the viability of the business to see what level of free cash flow is coming out. We are becoming a lot more flexible in some of these things. If it is the first time that a small business has a debt with us that they cannot meet the obligation of we do work with them to make sure there is some payment arrangement that is reasonable to them to keep the business afloat. Clearly, we need to work in a different way with taxpayers who regularly have disputes and debts with us. We try to have a differentiated, more flexible and more reasonable approach if it is a first-time issue. I am not sure we could actually get the costs that they might have to deal with. The procedure is to specifically sit down and work with them, analyse their business and if we believe they have a reasonable opportunity to pay the debt off, what we do is work with them to come to a mutually agreed payment schedule.

Senator KETTER: In the interests of time, can you take that issue on notice and give a more considered response?

Answer:

Where a viable small business is unable to pay their tax by the due date and has a good history of complying with their tax obligations, the ATO will work with them to address their debt, often by granting a payment arrangement that suits the taxpayer's individual circumstances.

Small businesses that fail to pay a tax liability incur a general interest charge (GIC) (the rate for the March 2015 quarter is 9.75%) which will continue to accrue until the debt is cleared. The GIC is automatically imposed by law, but the Commissioner has a discretion to remit GIC where appropriate based on a consideration of the taxpayer's circumstances, particularly the factors relevant to the late payment.