

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

23 – 24 February 2011

Question No: AET 43

Topic: ATO OUTSOURCING TO PRIVATE DEBT COLLECTORS

Hansard Page: Written

Senator Ryan asked:

1. How many private debt collectors have been contracted to provide debt collection services? Can the ATO provide a list of debt collectors that have been contracted, and the size of the contract?
2. What is the total value of the debts that private debt collectors have been contracted to collect?
3. What are the typical terms of the contract with a debt collector – specifically, do debt collectors receive a commission or percentage of the debts returned?
4. How much did the ATO spend on debt collectors in the 2009-10 financial year?
5. How much does the ATO expect to spend on debt collectors in the 2010-11 financial year?

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Answer:

1. In October 2007, following a competitive tender process, the ATO appointed a panel of four external collection agencies to collect certain tax debts on its behalf. The four agencies are:

 - Dun & Bradstreet (Australia) Pty Limited
 - National Credit Management Limited
 - Recoveries Corporation Pty Ltd, and
 - Baycorp Collection Services Pty Limited.

The contracts with the four collection agencies do not specify

 - the total amount of debt to be referred for collection
 - the number of cases to be referred for collection, or
 - the total payments to be made to the agencies.
2. The four collection agencies are not contracted to collect an aggregate value of debt, but rather are contracted to provide debt collection services on debt cases that meet specific criteria. Cases referred are those:

 - where the debt is newly established
 - with a low level of complexity, and
 - where the value of the outstanding debt is less than \$75,000 (although the majority of cases have a value below \$50,000).
3. No, the collection agencies do not receive either a commission or a percentage of the debts returned. All of the agencies are paid on a flat fee for service per case basis. The amount of the fee is determined according to the type of debt (business and other activity statement debt, individual or company income tax debt or superannuation guarantee charge debt) and the level of debt (based on dollar value).
4. In 2009-10, the ATO paid a total of \$18.13 million (excluding GST) to the four collection agencies for their tax debt collection services. Debt collected by the agencies in 2009-10 totalled \$400.61 million.
5. In 2010-11, the ATO expects total payments to the four collection agencies for their tax debt collection services to be around \$16 million (excluding GST). Expenditure on this service varies each year depending on the number of cases available that meet the agreed criteria and the level of funding available for this activity.