

ATO Blitz on Debt Collection

As many of you may have recently read in the press the ATO has drastically changed its receivables policy in relation to the way it collects income tax and BAS debts.

Many of you would be aware that through the GFC the ATO was being extremely generous to businesses allowing long term payment arrangements, interest free concessions, and often substantial refunds of previously charged GIC.

This has now stopped.

We are also seeing an alarming amount of Director Penalty Notices (DPN) issuing which make the Directors of Companies personally liable for the tax debts of the company. The ATO has indicated that this is to secure the recovery of the debt. From the perspective of Directors this is a dangerous new initiative on the part of the ATO.

Further, the ATO is no longer allowing generous repayment terms. The default position is now 50% payment up front and a 6 month payment plan on the balance.

What Does This Mean For My Business?

The ATO is taking action against Directors of companies that owe business tax. This action has been made easier by recent changes in legislation making it easier for the Commissioner to issue DPN's whilst simultaneously giving fewer options to Directors in this position. Ultimately this places more responsibility on Directors. Should a DPN notice issue, the Directors have 21 days from the date of the letter to act upon it.

In addition, businesses that have previously budgeted their cashflow assuming they would have access to an ATO payment arrangement for a BAS debt, must now reconsider their options and cashflow budgets.

What Does This Mean For My Customers?

It's extremely important to review your credit policy and procedures. Customers who may have previously been good payers may have been financing this via an overdraft courtesy of the ATO. If one of your customers receives a DPN, they are a lot more likely to pay the ATO than you. One important consideration prior to allowing a customer extended terms of trade may be to obtain verification that this customers' ATO obligations are up to date.

If you wish to discuss this update in more detail please do not hesitate to contact our office on 9264 1111.