

MEDIA STATEMENT

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ASBFEO report finds ATO early debt recovery action excessive

In a report on early debt recovery action by the Australian Taxation Office (ATO), the Australian Small Business and Family Enterprise Ombudsman found garnishee notices were issued in a sizeable number of cases where tax disputes were before Administrative Appeals Tribunal (AAT).

In response to this finding, Ombudsman Kate Carnell has called for the ATO to immediately cease debt recovery action against any small business with a dispute before the AAT.

“We found ATO debt recovery action occurred in at least 12% of cases before the AAT, severely impacting a small business’s resources to prosecute its case and carry on its business,” Ms Carnell said.

“Strong forms of debt recovery action by the ATO, such as garnishee notices, can destroy a small business because it effectively strips funds from a small business’s bank account.

“Consequently, the small business is not able to pay wages, rent, suppliers or bank loans and the follow-on effects of this - bad reputation, no credibility and potential bankruptcy – is significant.

“Despite the devastating impact on small businesses, the ATO alone has the authority to produce garnishee notices without any external oversight.

“ATO garnishee notices must be actioned only with appropriate oversight and approval, such as the court system, before an order can be issued.

“The asymmetry in power between this large and powerful organisation and the small business sector has left these particular small businesses in a vulnerable position and with diminished access to justice. They simply don’t have the same resources to fight where there is a legitimate dispute.

“Small businesses taxpayers in dispute with the ATO now have the option of a simple, fast and cheaper external review through our new Small Business Concierge Service.

“Our case managers help them understand the AAT process, they get an hour with a small business tax lawyer at a cost of \$100 and an additional hour free if they decide to go ahead with the appeal.”

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