



**AFFIRMATIVE**  
BUSINESS ADVISORY



# HOW TO BE PROACTIVE WITH ATO DEBT

## SMALL BUSINESS SUPPORT

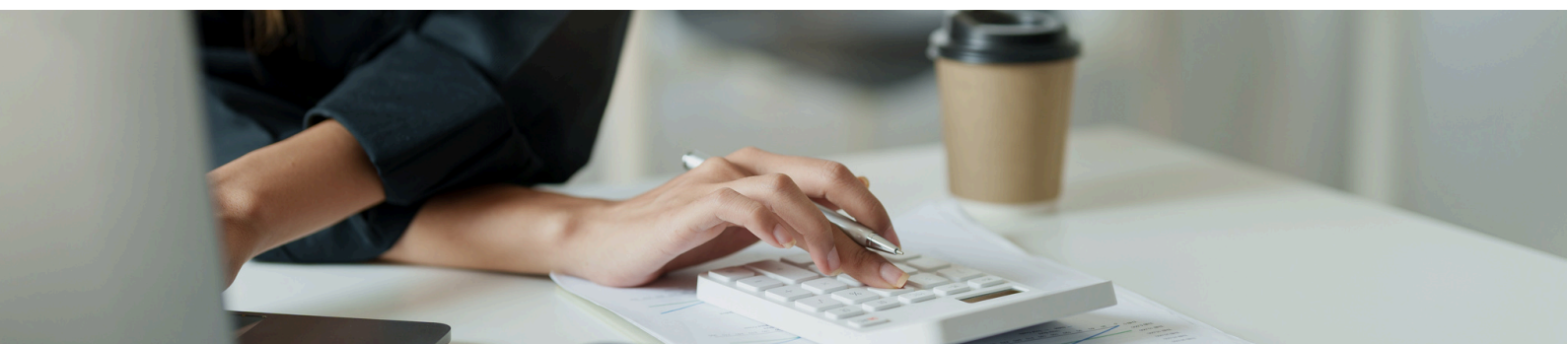
Contrary to popular belief, the ATO's primary goal isn't to penalise—it's to help businesses get back on track. At Affirmative Business Advisory, we've found that when clients proactively address their tax obligations and demonstrate a genuine willingness to repay any debt, the ATO is generally cooperative and supportive. Their focus is on encouraging long-term compliance and fairness—not only to recover what's owed, but also to ensure that businesses doing the right thing aren't disadvantaged by those who don't. This commitment to a level playing field is a fundamental part of how the ATO operates.

## 1. Know What You Owe

A common issue many business owners face is not having a clear picture of their total tax debt. ATO liabilities can include income tax, GST, PAYGW, and the Superannuation Guarantee Charge—along with interest and penalties that can build up quickly. Superannuation is particularly tricky, as it's not always visible on your ATO balance and often only surfaces during audits. That's why maintaining accurate, up-to-date accounting records is so important. To move forward, you'll need to understand your total debt, determine what you can pay upfront, and calculate a realistic monthly repayment. While the ATO prefers debts to be paid quickly, they can offer payment plans of up to two years in certain circumstances.

## 2. Speak with Your Accountant or Trusted Advisor

Before approaching the ATO, it's essential to consult with your Accountant or a trusted tax advisor. These professionals understand how the system works and often receive a more constructive response from ATO officers due to their expertise and experience. That said, not all advisors are equal. You need someone who's proactive, solution-focused, and doesn't rush to extreme measures like liquidation or bankruptcy as a first option. At Affirmative Business Advisory, we've helped many clients navigate complex tax issues simply by believing a solution is possible. While Solicitors can certainly play a role, Accountants often have a more practical and direct line of engagement with the ATO—though ultimately, it's the skill and mindset of the advisor that makes the difference.



### 3. Confirm Your Accountant Has Contacted the ATO

It's not uncommon to hear, "My Accountant is handling it," only to later discover there's been little to no contact with the ATO. When you're dealing with significant tax debt, your Accountant has a responsibility to stay actively engaged and help manage the process. Ideally, all ATO communication should go through them—but don't assume it's happening. Regularly request updates on your ATO account balances and ask for confirmation that discussions are underway. Your Accountant can access this information via the ATO Portal, and you can also set up your own access to stay informed and in control.

### 4. Keep Director Details Up to Date and Check Your Mail

For company directors, keeping your personal details—especially your postal address—current with the ATO and the Australian Business Register (ABR) is vital. If you're facing financial difficulties, make it a priority to check your mail daily. One critical document to be aware of is the Director Penalty Notice (DPN). Once issued, it gives you just 21 days (from the date on the letter, not when you receive it) to take specific actions—or you become personally liable for the company's debt. Ignoring or delaying action on a DPN can have serious consequences. These notices don't disappear, except under rare circumstances, so staying informed and responsive is essential.

### 5. Understanding ATO Interest Charges

While the ATO isn't a bank, many businesses unintentionally treat it like an unsecured lender, with unpaid tax debts that can quickly spiral out of control. According to the ATO, current estimates show there is over \$44.5 billion in activity statement debt; in most cases, interest is accruing daily, highlighting how widespread this issue is. The rate used is set by law and reviewed each quarter. While interest incurred before 1 July 2025 is generally tax-deductible, amounts incurred after that date are no longer deductible, adding further pressure on businesses, especially for larger debts. The good news? If you're proactive and demonstrate a genuine commitment to repaying your debt, the ATO may be willing to consider reducing or waiving the interest. For more information, please refer to ATO's current practice guide, which can be found in PS LA2006/8 Remission of shortfall interest charges and general interest charges for shortfall periods.

### 6. Liquidation and Bankruptcy Aren't Inevitable

Facing ATO debt doesn't automatically mean liquidation or bankruptcy. If you act quickly, communicate openly, and demonstrate a genuine ability to repay within a reasonable timeframe, the ATO is often willing to work with you. Problems arise when there's a pattern of non-compliance or attempts to avoid responsibility—this is when the ATO may escalate the matter and appoint a Liquidator. Once a Liquidator is involved, outcomes become far less favourable, as their role is to recover funds for creditors, with the ATO usually at the top of that list. If it's found that Directors used company funds for personal gain, recovery action may follow. Taking responsibility early is key to protecting both the business and its people.

### 7. Learn From Past Mistakes

Mistakes are inevitable in business—but what matters most is how you respond to them. Acknowledging what went wrong, understanding why it happened, and taking steps to prevent it from happening again is what sets resilient, successful business owners apart. The ATO is far more willing to work with businesses that demonstrate genuine learning and a commitment to improved compliance. At Affirmative Business Advisory, we believe every challenge is an opportunity to build a stronger, more informed foundation for the future.

### Disclaimer

*This document provides general information only and does not constitute legal or financial advice. For advice tailored to your circumstances, please consult a qualified professional.*