

# business

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## Warning on tax debt crackdown

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Business Reporter

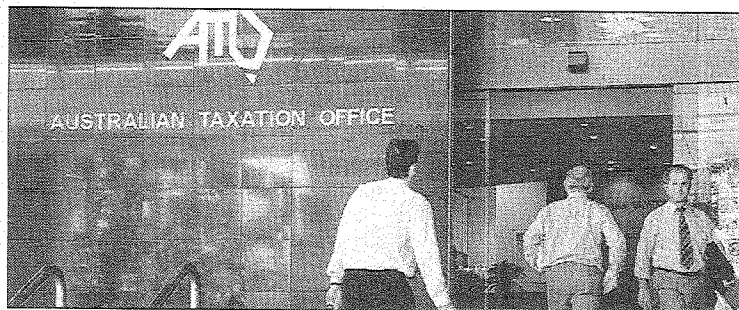
SMALL business owners have been warned not to be complacent about their tax obligations as the Australian Taxation Office launches a crackdown on outstanding debts.

The warning comes as total collectable tax debt in Australia surged by 21 per cent in the 2010 financial year to \$14.7 billion, according to the ATO's annual report.

In the previous financial year, the level of tax debt grew by 11.6 per cent.

The ATO crackdown is a reversal of the lenient approach it took during the global financial crisis, when it offered 12-month interest free payment arrangements and deferred due dates for activity statement payments.

While both options are still available this financial year, within reason, little-known law changes in July have made it easier for the ATO to take action against company directors, making them personally liable for any outstanding tax debt.



"Dealing effectively with small business tax debt will continue to be a major focus in 2010-11," the ATO report states.

"We will maintain our support for viable businesses while also taking timely firmer action with businesses unwilling or unable to meet their payment obligations.

"The level of collectable debt rose (in 2009-10) and will need to be a focus area as the economy recovers."

Nigel Plowman, partner in Perth-based accounting firm McKinley Plowman, said the law changes and the hardline approach by the ATO

could give business owners a "rude shock". "We've noticed about a 20 per cent increase in requests to clear ATO debts over the past six weeks," Mr Plowman said.

"My concern is that it's quite a dramatic shift without a lot of warning for small businesses."

One business owner in the construction sector said he had managed to stabilise his outstanding \$70,000 tax debt accumulated during the GFC, but was caught off guard when the ATO started "harassing" him in February this year.

"They wanted me to enter into an

arrangement for no longer than 12 months which was going to put me under too much financial pressure," he said.

The owner said the ATO gave him two options: clear half the debt immediately and enter a payment arrangement, or get a loan, which was not an option for him given tighter lending rules.

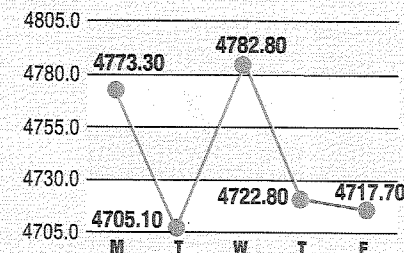
He said it was a different ATO to the one he dealt with about four years ago, when he was able to negotiate a two-year payment arrangement for a \$15,000 tax debt.

Mr Plowman said small business owners needed to be aware that defaulting on an ATO payment arrangement would result in the tax debt no longer being interest free, and could cause it to be called in immediately.

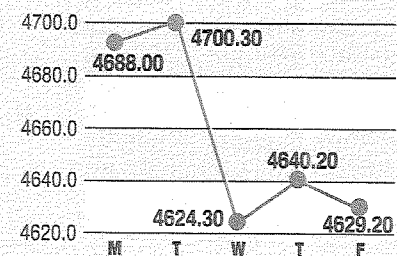
"My advice is to keep a good finger on the pulse of your business, understand your budgets, and be prepared to get your accountant involved where there are negotiations with the ATO," Mr Plowman said.

### MARKET SNAPSHOT

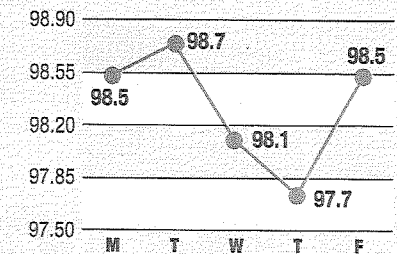
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