



Tax office goes easy

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Many SMEs are enjoying a new partnership with the ATO as payment obligations are ameliorated.

The Australian Taxation Office is honouring its promise to go easy on businesses unable to meet their tax obligations as a result of the global financial crisis. Accountants cite several cases of general interest charges being reversed over the phone or on the tax office portal, and it has never been easier for a small or medium enterprise to get a payment arrangement with the tax office, Kelly+Partners senior client director Brett Kelly says.

In June, when sentiment was low and the financial crisis was pinching SMEs in particular, tax commissioner Michael D'Ascenzo went to great lengths to show the business community an understanding and cooperative face. The focus was on early intervention strategies to stop businesses slipping into unmanageable debt because of tax bills.

"This will mainly involve flexible payment arrangements, together with remission of penalties and interest where appropriate," D'Ascenzo said at the time. Accountants say he's been true to his word.

"In many instances, the ATO is pro-actively advising us of the interest-free integrated client account arrangements that can be made, and the reversal of prior general interest charges made on these accounts," managing partner Anthony Pickham of AndrewsJakeman Bartlett & Cachia in Wollongong, south of Sydney, says.

"ATO officers have the ability to immediately reverse interest charges up to a limit of \$10,000 over the phone while you wait. Larger refunds must be made in writing, but we have had experience of the ATO reversing the first \$10,000 immediately and allowing the balance to be dealt with via correspondence."

Tax debts are being forgiven based on reasons that in the past would not have sufficed, HLB Mann Judd business services partner Matthew Gardiner says. One client, a recruitment agency that overlooked interest charges on its June 2008 activity statement during a takeover, had a \$6500 interest charge remitted in full, he says.

"In days gone by, the client would have probably gotten 50 per cent remitted — the ATO would meet you halfway. Now they are coming all the way," Gardiner says.

In another case, interest had been accruing on a glass manufacturer's tax bill for two years. The ATO wiped the \$2500 charge completely. "We were surprised given how long the debt had been mounting," he says.

The ATO is also willing to accept longer payment arrangements as long as terms are reasonable and the debt is seen to be reducing. "We got arrangements up that we didn't really have much hope for," Pickham says.

One HLB retail client experienced a sharp drop-off in sales during the economic downturn and ran up \$600,000 worth of GST and pay-as-you-go withholding tax, Gardiner says. The ATO entered into a payment arrangement allowing the company to pay \$20,000 a month until March 2010 and larger repayments after that.

ATO figures show a 6 per cent increase in the number of new payment arrangements in 2008-09, compared with the previous year. The ATO registered a 16 per cent increase in new payment arrangements in the first two months of 2009-10 compared with the same period last year. "If SMEs knew [about the scheme] they probably would use it but they need to be informed and they are probably too scared to ask," Kelly says.

But businesses should not get carried away by the ATO's friendly face, PKF Australia director of taxation Lance Cunningham says. No love is extended to taxpayers aggressive about their tax planning, and those begging for payment arrangements must have a reasonable chance of making the payments.

"If the business is irrecoverable," Cunningham says, "the ATO is lining up with the other creditors to get as much as they can as soon as they can."