

Media Release

For immediate issue
September 11 2009

Re-raising written-off tax debts

A Commonwealth report has revealed many taxpayers are not aware their written-off tax debts can be re-raised after as many as 10 years by the Tax Office and which they must settle along with any interest charges applied to the debt.

Released by the Commonwealth and Taxation Ombudsman the report, entitled *Australian Taxation Office Re-Raising Written Off Debts*¹, reveals the ATO re-raised 7,070 income tax debts totalling almost \$105 million in the year ended 30 June 2008 - the highest annual value of re-raised debts the ATO has recorded.

Etax Accountants Director, Scott Griffin, says the report highlights a divide between tax policy and practical understanding by everyday taxpayers.

"While we need such policy to ensure a fair tax system for all this needs to be done in conjunction with proper education and awareness for all taxpayers – especially those with tax debts," he said.

A tax debt write off means the ATO has decided a debt is uneconomical to pursue and will put it on hold until the person's circumstances change and they are in a position to pay the debt.

Re-raising a debt means a previously written off tax debt is now being pursued.

Tax debts that are 'written off' can be re-raised by the ATO if the taxpayer tax refund exceeds \$500 and this is the cut-off figure the ATO looks at when re-raising a tax debt.

"Those who have a tax debt may already be in an unsustainable financial situation and to then suddenly be made aware that they have an outstanding tax debt coupled with the general interest charge can be stressful at best for taxpayers," Mr Griffin said.

According to Mr Griffin, tax debts arise because of a range of reasons such as:

1. Receiving incorrect tax advice;
2. Interpreting the tax legislation incorrectly while self-lodging; and
3. Mistakenly believing that once a return is submitted and a refund issued, that a taxpayer does not have a debt.

The report also states that most taxpayers are not made aware that their tax debt has been written off and the first instance of being aware that they actually have a tax debt occurs when the debt is re-raised and comes attached with a general interest charge.

"Some taxpayers may not have refunds in excess of \$500 for several years and so do not realise that they even have a tax debt along with additional interest that could be payable in the future if their refund exceeds the \$500 mark," Mr Griffin said.

The report also reveals that while the bulk of these debts were written off in the same year, others had been written off as far back as 1986.

- Continued -

¹ [http://www.ombudsman.gov.au/commonwealth/publish.nsf/AttachmentsByTitle/report_2009_04/\\$FILE/online_ATO_Re-Raising_written-off_tax_debts.pdf](http://www.ombudsman.gov.au/commonwealth/publish.nsf/AttachmentsByTitle/report_2009_04/$FILE/online_ATO_Re-Raising_written-off_tax_debts.pdf)

Follow Etax Accountants Pty Ltd on **Facebook** and **My Space**.
NEWS TIPS available on **Twitter** - <http://twitter.com/EtaxAccountants>

Mr Griffin said there are ways in which a taxpayer can reduce the likelihood of a tax debt and recommends the following guidelines:

1. Lodge your tax return on time to avoid a late lodgement penalty.
2. Make sure your employer is aware of any HELP debt.
3. Avoid Medicare surcharge by having private hospital cover if your income exceeds the threshold.
4. Declare all income because if an amended return has to be lodged, it could potentially create a debt some years after it has been lodged.
5. Claim the correct deductions because even if your return is lodged and you receive a refund, the ATO can conduct a random audit in the future to ascertain if you claimed any ineligible deductions.
6. Talk to a professional if you are not confident with tax law.

Mr Griffin also said it was critical that taxpayers engaged with professional advisors in order to get as much information as possible about their tax situation, especially if they were in debt.

"We find that some taxpayers will accept general tax advice for their circumstances simply because their friend received the same advice and do not realise that every person's tax situation is unique to them and deserves proper analysis," he said.

- End -

Contact:

Scott Griffin, Director, Etax Accountants **P:** 07 3457 5100

E: scott@etax.com.au

Annie Sen, Media Manager, Etax Accountants **P:** 07 3457 5100

E: annie@etax.com.au

Etax Accountants Pty Ltd is Australia's largest online accounting firm preparing thousands of tax returns every year. Etax Accountants has been offering online tax services since 1998 and provides a low cost way to do a tax return while still getting professional advice. Etax Accountants is based in Brisbane with clients from all over Australia and overseas. Director Scott Griffin is an MBA graduate from the Harvard Business School and also holds a Bachelor of Law. Scott launched www.etax.com.au with father, Don and brother, Kent over ten years ago.

Join us on Facebook, My Space and Twitter!

Do you have a Facebook, My Space or Twitter account? Why not join us online for news tips and media releases. Our details are:

Facebook

Search for Etax Accountants Pty Ltd.

Twitter

Click here to follow us <http://twitter.com/EtaxAccountants> or search for EtaxAccountants (no space).

My Space

Click on www.myspace.com/481909769 to add us as a friend.