



10 October 2025

By email to: consultations@igt.gov.au

Tax Ombudsman review: ATO's management of remission of the general interest charge

The Institute of Public Accountants (IPA) welcomes the opportunity to make a submission in relation to the review: *ATO's management of remission of the general interest charge*.

The IPA is one of the three professional accounting bodies in Australia, representing over 50,000 members and students in Australia and in over 100 countries. Approximately three-quarters of the IPA's members work in or are advisers to small business and small to medium enterprises.

Issues and concerns

Through various feedback channels, we have received feedback from IPA members which reflects widespread discontent in relation to the following general themes:

- Decisions to deny remission requests are commonly considered to be unfair where a taxpayer's — or their tax agent's — unforeseen and unfortunate circumstances (e.g. serious health conditions or the death of a spouse), circumstances which are no fault of the taxpayer's and are not entered into with any intention of avoiding tax payments, are not taken into account.
- Decisions to grant or deny remission requests are inconsistent between taxpayers with similar circumstances. This has been observed between unrelated clients and even between related clients (e.g. spouses) subject to the same circumstances leading to the late payment or non-payment of tax debt.
- Lack of empathy and compassion shown by ATO staff where the circumstances leading to the late payment or non-payment of tax debt are outside the taxpayer's control, reflect unfortunate events in the taxpayer's personal life and were clearly not entered into with a purpose of avoiding tax obligations.
- Lack of transparency and confusion as to what may be required to obtain a remission, given the noted inconsistencies.
- Lack of transparency and communication in relation to the specific reasons for a denied request for remission.

The ATO's approach to GIC remission should be considered in light of the legislative change denying deductibility of GIC which commenced on 1 July 2025. While the policy and legislative position is outside the control of the ATO and the Tax Ombudsman, we encourage you to make recommendations in a context where going forward, unremitted GIC will cost taxpayers significantly more than previously. That is, the amount of unremitted GIC that represents a proportionate consequence for a taxpayer's late tax payment may now differ to what it was prior to 1 July 2025. While deliberate non-compliance or negligence should always be met with appropriate consequences, it has now become even more



imperative for taxpayers and advisers to have confidence that they will be treated fairly and consistently and that if a request for remission is denied the reasons will be transparent and reasonable.

We note that the ATO is concurrently reviewing and updating its principles framework underlying its approach to certain taxpayer concessions, relevantly including interest remission. In addition, over the past year the ATO has also made public its intention to tighten up its debt collection and interest remission approach. There is a well-established ATO practice statement on how the remission discretion will be administered (PSLA 2022/12). Over the years, economic conditions prevailing (COVID, adverse business conditions) has influenced how leniently ATO staff apply this administrative discretion. The IPA supports the principles framework review to establish a more consistent approach and has already provided feedback on the current draft.

We are concerned that the current changes of administrative approach to GIC remission along with the imminent changes arising from the ATO's principles review and your review may result in confusion amongst practitioners and taxpayers. In drafting its recommendations to the ATO, we suggest that the Tax Ombudsman gives consideration to urging the ATO to:

- ensure that the changes are harmonised and complementary
- comprehensively communicate and explain any and all changes to taxpayers and practitioners
- promptly update and expand all ATO website and legal database guidance in relation to interest remission to provide taxpayers and practitioners with transparency and certainty in relation to the current ATO approach, remission criteria and factors to consider
- update the training of all relevant ATO staff to ensure that they are up to date with the latest changes in administrative policy, treat taxpayers and practitioners with appropriate empathy and compassion where appropriate and apply decision-making criteria consistently and fairly
- in cases where remission of GIC is not granted — the ATO should recommend relevant alternatives based on the taxpayer's circumstances, such as no interest payment plans.

Member experiences

To supplement our above points, we have included the following specific anecdotes from our members.

Member 1

Member 1 is increasingly concerned about the ATO's current handling of GIC (and late lodgment penalties).

Members of the public approach Member 1 with multiple years of overdue tax returns and activity statements. These clients want to make good and bring their affairs up to date, but due to experiencing difficult circumstances, they have let it lapse and now struggle with an overwhelming fear of the ATO.



The step to come into the office is probably the biggest hurdle, and once here, Member 1 gets alongside them and encourage and help get lodgments all up to date.

Unfortunately, Member 1 has found that the ATO has been reluctant to remit GIC (and late lodgment penalties) where the amounts are large, even when there are clear exceptional circumstances.

This has created mental health impacts, both for clients and for Member 1 as the agent who must communicate these outcomes. The compounding nature of these penalties over multiple years can be overwhelming for clients, and it has reached the point where Member 1's practice is hesitant to take on clients who are not already up to date with their lodgments.

In the past 18 months in particular, the ATO's strong emphasis on debt recovery has left Member 1 feeling unsupported in their role as a tax agent. At the same time, Member 1 has also seen signs of resourcing pressures in other areas of the ATO — for example, Member 1 currently has tax returns that were lodged over 11 months ago but are still awaiting processing, with the explanation that 'extra time is needed'. Member 1 also received a call back from the ATO at the end of April, 50 weeks after lodging a message about a client's account being hacked, with a fake tax return being lodged.

In addition, with GIC now no longer deductible, the high GIC rate (10.61 per cent per annum for the December 2025 quarter) does not encourage people to get up to date. While we acknowledge that

A more relaxed, balanced and empathetic approach to remission of GIC is needed, particularly where taxpayers are making genuine efforts to re-engage with the system. Member 1 has spoken to five tax agents in the last 15 months who have closed their business because they no longer wish to deal with the ATO. If the current approach continues, Member 1 is of the view that a significant number of small tax agent businesses will be discouraged from assisting taxpayers most in need of help, which will undermine the tax system in the long run.

Member 2

Member 2 had a client, who was the sole director of a small business, who died in March 2024. Member 2 themselves had a horrible year with serious health issues (including hospitalisation and nearing death) and the death of their father. There were many months where Member 2 was unable to work. The client's partner, now a single mother of two young children, was, understandably, trying to deal with the grief of the death of her partner — as well as dealing with closing down the existing contracts with the business.

Member 2's practice attended to most ATO lodgments in December 2024/January 2025. The ATO was paid all of the outstanding liability, except for the GIC. In March 2025, Member 2 requested a remission of the GIC (about \$5,500) and thought this would be 'the easiest remission request ever'.

In the words of Member 2:

But NO! The ATO response was as follows:

Dear [Member 2],



We have made a decision in this matter and our formal response is attached. Your client has an outstanding debit balance. Please arrange payment in full. Reference [xxx].

Thank you for using ATO online services.

'Unbelievable! What a cold answer!'

Member 3

Member 4 requested the remission of GIC for a client who went through a tough time. The ATO denied the remission request.

The client's circumstances:

- Approximately three years ago, the wife of a sole director for a company passed away from cancer. The couple were in their early 30s and had two young children.
- Understandably, the business suffered in the years the wife was receiving cancer treatment as well as for some time after the wife's death due to the husband (sole director) looking after his wife and then grieving the death of his wife. Once the wife passed away, he raised the children as a sole parent as well as ran the business as best he could. Compounding the business difficulties were the COVID-19 years while the wife had cancer.
- In the past one to two years, the director has turned the business around and out of the business profits, the director paid back all the outstanding ATO liabilities, totalling approx. \$300,000 including the GIC, which as far as Member 3 is concerned is a heroic effort considering the circumstances.

Member 3 felt that 'if anyone has circumstances that deserves GIC remission, it is the above director and they were 'shocked' when the ATO denied the request for remission.

Member 3 feels that the ATO has become more adversarial in the past year.

Member 4

Member 4 has noted the following:

- There is no consistency with the ATO's decision making. Member 4 has had clients in similar situations with differing results.
- The guidance with regards to applying for remittance is not clear and not consistent. It does not appear to matter whether they write an essay, explain everything that went wrong in the taxpayer's accounts, use all of the precedent case matter — results appear to differ based on 'which person picked up that file today and whether they had had their coffee that morning'.
- The reasons for refusal also need to be clear and concise — at the moment it's just a no. If you are lucky you get something that will say — well, we can see that for those years the taxpayer really struggled and could potentially be granted a remission, but, for those other years there is no reason so we are just going to say 'no' to the entire amount. In other words, we can see it might be reasonable to grant remission partially but we are not going to. How do they come to that decision and where is the 'fairness' that every taxpayer is entitled to?



- There are many reasons why a taxpayer may get themselves in debt (not all nefarious) and the GIC is making it far worse. Particularly in the case of taxpayers who have serious health issues.

If you have any queries or require further information, please don't hesitate to contact Tony Greco, General Manager, Technical Policy, either at tony.greco@publicaccountants.org.au or mobile: 0419 369 038

Yours sincerely

Tony Greco,
General Manager, Technical Policy
Institute of Public Accountants

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