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If you don't pay

If you don't pay your debts to us on time:

- [interest](#) will accrue on your tax debt
- we'll [use any refunds to reduce your debt](#)
- we'll contact you soon after the due date via either
 - SMS
 - messages in MyGov
 - letters
 - phone
 -
- we may refer selected debts to [external collection agencies](#) for collection on our behalf
- we may take [stronger action](#) against taxpayers who are unwilling to work with us to address their tax debt or repeatedly default on agreed plans.

Make sure you lodge your activity statements and tax returns on time, even if you can't pay by the due date. You'll avoid a penalty for failing to lodge on time and show us that you're aware of your obligations.

See also:

- [Help with paying \(/general/paying-the-ato/help-with-paying/\)](#)

General interest charge

If you don't pay your tax on time, general interest charge (GIC) will be automatically added to what you owe. Your debt will grow each day your debt remains unpaid.

Interest is calculated on a daily compounding basis on the amount outstanding and added to your account periodically.

Interest rates are revised quarterly.

You can generally claim a tax deduction for interest in the year it's incurred.

See also:

- [Rate of interest \(/Rates/General-interest-charge-%28GIC%29-rates/\)](#)

Remission of interest

You can ask for some or all of your interest to be remitted (reduced or cancelled):

- phone us on **13 11 42** during [operating hours \(/about-ato/about-us/contact-us/phone-us/?anchor=Speak#Speak\)](#) (for interest amounts up to \$25,000)
- write to us at **GPO Box 9990** in the capital city of your state/territory

- registered agents can use the [Tax Agent Portal \(https://tap.ato.gov.au/\)](https://tap.ato.gov.au/) or [BAS Agent Portal \(https://basp.ato.gov.au/\)](https://basp.ato.gov.au/) .

Make sure you explain fully why you think it is fair and reasonable for us to reduce or cancel your interest charges, including the circumstances that led to the delay in payment and any steps you've taken to reduce the delay.

If your request is approved, you must include the amount of the remitted interest in your tax return as assessable income in the year in which it was remitted.

See also:

- [Interest and penalties \(/general/Interest-and-penalties/\)](/general/Interest-and-penalties/)

Using tax refunds to pay debt

If you have a tax debt and you're due to receive a refund or credit (for example, from an earlier tax return or activity statement), we're required by law to use the refund or credit to reduce your debt.

We're also required to pay your tax refund to other Australian Government agencies if you have a debt with them. For example, if you have an overdue child support payment, part or all of your tax refund will be paid to the Department of Human Services.

Once all your debts have been cleared, we'll refund any remaining credit to you.

We'll notify you in writing if we use your refund to pay a debt.

If you need the refund payment to avoid serious hardship, we may be able to pay it to you instead.

See also:

- Individuals and businesses can phone our business infoline on **13 28 66** during [operating hours \(/about-ato/about-us/contact-us/phone-us/?anchor=Speak#Speak\)](/about-ato/about-us/contact-us/phone-us/?anchor=Speak#Speak).
- Registered agents can use the portal mail on the [Tax Agent Portal \(https://tap.ato.gov.au/\)](https://tap.ato.gov.au/) or [BAS Agent Portal \(https://basp.ato.gov.au/\)](https://basp.ato.gov.au/) .
- [Financial hardship \(/General/Financial-hardship/\)](/General/Financial-hardship/)

External debt collection agencies

We refer some debts to external debt collection agencies for collection on our behalf.

External debt collection agencies we use.

Debt collection agency	Phone
Dun & Bradstreet (Australia) Pty Ltd	1300 315 994 (Individuals) 1300 559 148 (Business)
Collection House	1300 590 048 (Individuals) 1300 590 049 (Business)
Probe Group Pty Ltd	1300 307 861
Recoveriescorp	1300 131 296

The following agency can deliver debt collection notices in person on our behalf:

- Probe Group Pty Ltd, (03) 9508 4671

Which debts are referred and how does it affect you?

External debt collection agencies focus on routine income tax and activity statement debts (excluding disputed debts). The value of debts we refer ranges from a few hundred dollars up to as much as \$100,000. Referral to an external debt collection agency doesn't affect your credit rating.

Disputed debt

We don't refer debts to agencies when they are being formally disputed. If you formally dispute your debt after it has been referred to an agency, the debt will be returned to us for action.

See also:

- [Dispute or object to an ATO decision \(/general/dispute-or-object-to-an-ato-decision/\)](/general/dispute-or-object-to-an-ato-decision/)

How do we work with agencies?

When we work with agencies:

- we don't 'sell' the debt – it always remains payable to us
- the agencies aren't paid commissions – they are paid on a fee-for-service basis
- we work closely with agencies to make sure they provide a professional service and their negotiations with you should be of the highest quality
- we require agency staff to apply the same guidelines as ATO staff in making their decisions about payment of your debt or remission of interest.

Your privacy and security

Our contracts with the external debt collection agencies require them to meet all government privacy and security requirements.

How does an agency contact you?

If your debt is referred to an agency for collection, they'll notify you in writing before phoning you or your authorised contact.

Letters issued by an external collection agency will include:

- their company name and contact details
- an ATO payment slip showing your [payment reference number \(/general/paying-the-ato/how-to-pay/other-payment-details/?anchor=PaymentreferencenumberPRN&anchor=PaymentreferencenumberPRN#PaymentreferencenumberPRN\)](/general/paying-the-ato/how-to-pay/other-payment-details/?anchor=PaymentreferencenumberPRN&anchor=PaymentreferencenumberPRN#PaymentreferencenumberPRN) (PRN), for payment:
 - at Australia Post
 - ▮ by mail to **Locked Bag 1936, ALBURY, NSW 1936**
 - ▮ by BPay – **biller code 75556**
 -

After the agency has notified you in writing, they will phone you (or your authorised contact) to negotiate payment of your debt. When an agency contacts you, they'll work with you to reach agreement on how you can pay your debt.

If the agency is unable to contact you (or your authorised contact) by phone, they will leave a message.

If agreement can't be reached about paying your debt

If the debt collection agency can't reach an agreement with you about paying your debt, your debt will be returned to the ATO for further action. We may need to take stronger action to collect your debt, such as:

- issuing a garnishee notice
- director penalty notices
- starting insolvency proceedings.

Even after we've started stronger recovery action, we remain willing to work with you to help you resolve your debt.

If you're not satisfied, visit our [complaints page \(/about-ato/about-us/contact-us/complaints.-compliments-and-suggestions/complaints/\)](/about-ato/about-us/contact-us/complaints.-compliments-and-suggestions/complaints/) for information about how we can work together to sort out any problems you may have.

Proof of identity

When establishing contact, debt collection agency staff must determine they have contacted either you, or an authorised person, before disclosing they are from a collection agency. You will be asked to provide certain details to establish proof of identity before agency staff can proceed.

Think it's a scam?

How do I verify legitimate contact?

- If you're contacted by an agency on behalf of the ATO and you're not sure they are legitimate, you can check that you are being asked to pay:
 - by BPay using the **ATO biller code 75556**
 - using a method listed under our [How to pay \(/general/paying-the-ato/how-to-pay/\)](/general/paying-the-ato/how-to-pay/) options.
 -
- call the debt collection agency direct on the numbers listed above to verify
- call us on **1800 008 540** to verify the contact.

See also:

- [Verify or report a scam \(/General/Online-services/Identity-security/Verify-or-report-a-scam/\)](/General/Online-services/Identity-security/Verify-or-report-a-scam/)

Stronger action

We're committed to supporting taxpayers who want to do the right thing, and preventing those who don't pay from gaining an unfair financial advantage. We will use stronger action when people:

- are unwilling to work with us
- repeatedly default on agreed plans
- don't have the capacity to pay and don't take steps to resolve their situation
- have been subject to an audit where deliberate avoidance was detected and payment avoidance is continuing
- appear to be engaging in phoenix activities (that is, using liquidation to avoid financial obligations without risking assets and with the intention of resuming business operations through a new entity).

Initially, stronger action includes:

- [Garnishee notices](#)
- [Director penalty notice](#)

In some cases we may take legal action to recover outstanding tax and super debts. The action we take depends on whether the debt is owed by an individual (or sole trader), partnership, trust, superannuation fund or company, and may include:

- [Claim or summons](#)
- [Bankruptcy notice](#)
- [Creditor's petition](#)
- [Statutory demand](#)
- [Wind-up action](#)

Garnishee notices

We can issue a garnishee notice to a person or business that holds money for you, or may hold money for you in the future. The garnishee notice requires them to pay your money directly to us to reduce your debt. We'll send a copy of the notice to you.

For individuals, we may issue a garnishee notice to:

- your employer or contractor
- banks, financial institutions and building societies where you have accounts
- people who owe money to you from the sale of real estate, such as purchasers, real estate agents and solicitors.

For businesses, we may issue a garnishee notice to your financial institution, trade debtors and suppliers of merchant card facilities.

Director penalty notice

Directors can incur penalties equal to their company's unpaid PAYG withholding liabilities or superannuation guarantee charge. We may issue a director penalty notice to enable us to start legal proceedings to recover the penalty. Even without issuing a notice, we can collect the penalty by other means, such as withholding a tax refund.

Claim or summons

If you don't work with us to address your debt, we may file a claim or summons with the relevant court of your state or territory. Once the court has recognised that the debt is owed, we may execute on the judgment debt in a number of ways, including by filing and serving a bankruptcy notice.

If judgment debt interest is also imposed, this amount is not tax deductible.

Bankruptcy notice

If you receive a bankruptcy notice, you need to either pay your debt or make a payment plan with us within 21 days. If you're unable to do this, we may file a creditor's petition to make you bankrupt. Bankruptcy is a legal declaration that a person is unable to pay their debts. When a person is declared bankrupt, nearly all of their assets are placed with a bankruptcy trustee and then sold to pay the person's debts.

We won't seek to bankrupt you if it is clear you're able to pay your debt in a reasonable time. If you're facing bankruptcy action but believe you can pay your debts, you should provide us with clear evidence of your ability to pay.

You can go into bankruptcy voluntarily by filing a debtor's petition with the [Australian Financial Security Authority](https://www.afsa.gov.au/) (<https://www.afsa.gov.au/>).

Creditor's petition

A creditor's petition is essentially an application to the Federal Court or Federal Magistrates Court for a sequestration order to declare you bankrupt. Anyone you owe money to, including us, can file a creditor's petition if you have committed an 'act of bankruptcy' (such as failing to comply with a bankruptcy notice) within the preceding six months.

If the sequestration order is given, you will become bankrupt and a trustee will be appointed to manage your estate. This usually involves the sale of the bulk of your assets to pay your creditors, including us.

The court will not issue the order if you can demonstrate you're able to immediately pay all of your debts.

Statutory demand

We can issue a statutory demand for payment to a company that has not paid its tax debts. A statutory demand requires the company to pay the entire debt or enter into a payment plan with us within 21 days.

If a company doesn't comply with the statutory demand, we may use the non-payment as evidence that the company is insolvent and apply to the Federal Court to wind up the company.

Wind-up action

When a court orders a company to be wound up, an official liquidator is appointed to sell the company's assets and distribute the resulting funds to the company's creditors.

We'll take action to wind up a company if it has failed to pay its debts and we have not been able to make a suitable payment plan. These circumstances may indicate that the company is insolvent and there could be a risk to us (and possibly to other creditors) that the debt will not be paid if the company is allowed to continue trading.

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Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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