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## Release from your tax debt

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In certain circumstances, we will remove some or all of an individual's tax debt. We call this 'release' from payment of particular tax liabilities.

We can only assess releasing you from debt in circumstances where you are experiencing serious hardship. We define serious hardship as when payment of your debt would leave you unable to provide food, accommodation, clothing, medical treatment, education or other necessities for yourself, family, or others for whom you are responsible.

We consider applications for release against the criteria outlined in [Practice Statement Law Administration PS LA 2011/17 \(/law/view/document?DocID=PSR/PS201117/NAT/ATO/00001&PiT=99991231235958\)](#) *Debt relief, waiver and write off* which has been summarised in [How is release assessed?](#)

### Who can apply?

You can apply for release if you are:

- an individual (including self-employed persons and sole traders who are no longer trading but have an eligible debt)
- the trustee of the estate of a deceased person, if payment of the debt would cause serious hardship for the dependants of the deceased estate.

Companies, trusts and partnerships can't apply to be released. If your company, trust or partnership has a tax debt and you are having difficulty paying, you can find information at [Businesses with serious financial hardship \(/general/financial-hardship/businesses-with-serious-financial-hardship/\)](#) or you can phone us on **13 11 42** during operating hours ([/about-ato/about-us/contact-us/phone-us/](#)) to discuss your options.

### Which tax debts may be released?

The only tax debts that **can** be considered for release are:

- income tax
- pay as you go (PAYG) income tax instalment
- fringe benefits tax
- fringe benefits tax instalment
- Medicare levy
- Medicare levy surcharge
- withholding tax (section 128B of the *Income Tax Assessment Act 1936*)
- mining withholding tax
- penalties and interest charges associated with these debts.

For a full list of debts that **can** be released, see [PS LA 2011/17 \(/law/view/document?DocID=PSR/PS201117/NAT/ATO/00001&PiT=99991231235958\)](#) *Debt relief, waiver and write off*.

If there is no part of your tax debt that can be released and you are experiencing serious hardship, you can find information on [Individuals with financial difficulties \(/General/Financial-hardship/Individuals-with-serious-financial-hardship/Individuals-with-financial-difficulties/\)](#) or you can phone us on **13 11 42** [during operating hours \(/about-ato/about-us/contact-us/phone-us/\)](#) to discuss your options.

## How is release assessed?

We take into account your household's income and expenditure and assets and liabilities to determine serious hardship. We then consider other factors that may affect your ability to pay.

Your application for release and any supporting documents you supply should provide enough information for us to understand your circumstances. This will help us in determining the type of assistance we can provide.

### **Income and expenditure**

We look at your household's fortnightly income and expenditure to determine if you have the ability to pay all or part of your debt. We may then assist you with arranging a suitable payment plan.

### **Assets and liabilities**

We look at your assets and liabilities to determine whether the income from selling particular assets indicates you could pay all or part of your debt.

Owning assets such as your residential home, motor vehicle, household goods, tools of trade, and savings for necessities may be regarded as normal and reasonable provided they are fair in relation to community standards.

Generally we would consider purchasing an asset while you are aware of your tax debt to be unreasonable.

## Other factors

If we've established that payment of your tax debt would cause you serious hardship, we'll look at other factors within your control that have contributed to your serious hardship.

These factors include:

- have you disposed of funds or assets without providing for tax debts
- if you have other debts, and release from your tax debt will not reduce your hardship
- if hardship is temporary and your circumstances are likely to improve, another solution may be appropriate
- your compliance history
- if you can demonstrate that you have provided for future tax debts.

We will consider other factors contributing to your serious hardship that are outside of your control.

## See also:

- [PS LA 2011/17 \(/law/view/document?DocID=PSR/PS201117/NAT/ATO/00001&PiT=99991231235958\)](#) *Debt relief, waiver and write off*

## Before you apply

Before we can consider your application:

- you must lodge all of your outstanding income tax returns and activity statements as we need to know the total amount you owe

- you must provide up-to-date contact information as we may need to contact you during the process
- if you have an unresolved dispute with us (for example, you have objected to an income tax assessment) it will need to be finalised first
- if you have an unresolved compensation, damages or insurance claim it will need to be finalised first.

If you need more information before applying, phone us on **13 11 42** during operating hours (</about-ato/about-us/contact-us/phone-us/>).

## How to apply for release

Use the [Debt Release Tool](/Calculators-and-tools/Debt-Release-tool/?anchor=DHRT/questions#DHRT/questions) (</Calculators-and-tools/Debt-Release-tool/?anchor=DHRT/questions#DHRT/questions>) to determine if you are eligible to apply for release and to access the application form.

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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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