Media release

12 September 2025

Tax Ombudsman

Tax debt interest under investigation

A review of how the ATO manages the interest on unpaid tax debt is underway, with the community encouraged to have their say.

The Tax Ombudsman is especially interested in looking at where taxpayers seek to have their interest charges reduced or removed (remitted) from their account when seeking to pay their tax debts.

The General Interest Charge (GIC) is interest that accrues on a taxpayer's outstanding debt with the ATO. The law allows the ATO to remit GIC where certain criteria are met.

The Tax Ombudsman, Ruth Owen, said the remission of debt interest charges was a hot topic, with her office receiving 134 complaints last financial year about the ATO's approach.

"We've heard complaints about a general lack of consistency and transparency in the ATO's approach to interest charges. Tax professionals and taxpayers have told us that it seems to be a matter of potluck as to who gets their interest reduced or remitted and who has to pay in full."

Ms Owen said the ATO has publicly stated its intention to take a stricter approach to debt collection and interest charge remission, and the effects of this shift had been widely reported by the tax community.

"We know the ATO has reduced the number of cases in which it agrees reduction or remission and I think that requires further investigation as to why and what is fair and reasonable, when taking the taxpayer's circumstances into account," Ms Owen said.

"With the current interest charge rate at around 11% for unpaid debts, for some taxpayers the interest itself can very quickly become larger than the original debt. Without a reduction or remission in the interest, many taxpayers face growing debts that are beyond their means to pay back, even when they want to meet their obligations.

"Taxpayers have an obligation to pay their tax bills, and we know most people are trying to do the right thing, but there are certain circumstances where we think the ATO could take a more compassionate approach to debt collection.

"There may be a range of factors that impact a taxpayer's ability to pay their debt on time and our current economic environment is contributing to financial stress in many households."

Unlike many other decisions from the ATO, a decision to refuse to remit or reduce the GIC cannot be reviewed by the tribunal, making the Federal Court the only formal review forum, which can be beyond the means or capacity of many taxpayers.

Further exacerbating the matter, from 1 July 2025, the GIC is no longer tax deductible, significantly increasing the cost of repayment for small business and taxpayers already under financial pressure.

“Although the GIC is an important element of the tax system, to ensure that those who deliberately avoid paying tax are not given an unfair advantage, it should not punish those trying to do the right thing,” Ms Owen said.

“This issue can affect the livelihood of small businesses and taxpayers already doing it tough – I encourage anyone that’s been impacted by an interest charge remission decision to contribute to our review and help us to thoroughly investigate the matter.”

The Tax Ombudsman’s review will examine:

- whether ATO policy, communications and guidance to staff and the public [about how it considers GIC remission requests] are clear
- the reason behind the ATO’s recent decision to tighten up its remission of GIC and the intended outcomes
- whether remission decisions are fair and reasonable and are made consistently for taxpayers in like circumstances, regardless of whether they are represented or unrepresented, and individual circumstances are taken into account
- whether taxpayers are given adequate reasons not to remit their GIC
- whether there are opportunities to improve GIC remission systems and processes in light of the growing cost of impact on taxpayers.

Submissions and case studies are encouraged from individuals, tax professionals, community organisations, industry groups and other interested parties. Examples of where the ATO has done well, and also those that highlight areas for improvement, are welcome.

Submissions are open until 5pm (AEDT) Friday, 10 October 2025.

People can also complete a short survey and participate in a series of webinars:

- for tax professionals: 12 noon – 1pm (AEST) Thursday, 25 September or 2– 3pm (AEST), Thursday, 2 October
- for individuals and businesses: 12 noon – 1pm (AEST) Friday, 3 October.

Visit our website to access the review Terms of Reference and for more information on how to participate, including webinar registration links.

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