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ATO Debt Pressure Triggers Spike in Helpline Calls

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Financial counsellors are urging the Australian Taxation Office (ATO) to provide greater flexibility for individuals and small businesses facing mounting tax debts, amid a surge in calls to national debt support services.

Recent ATO data shows that small businesses are responsible for more than 65% of the total \$55.9 billion in tax debt, amounting to \$36.6 billion. Most of this debt is undisputed, but financial counsellors warn that the ATO's more assertive recovery tactics are placing Australians under severe financial strain.

Tax Ombudsman Ruth Owen expressed concern about the ATO's increasingly firm approach to debt collection. "My concern is how they use the powers they've got to strengthen their approach to debt collection," she said in a recent interview.

The ATO maintains that it is not applying "heavy-handed" methods, stating, "We expect taxpayers to fulfil their legal obligations to lodge and pay tax bills in full and on time."

Despite this, calls to the Small Business Debt Helpline have risen sharply. In June 2025 alone, the service handled 559 cases, up 31% from the same month last year. A majority 64% were related to ATO debts. The National Debt Helpline, also run by Financial Counselling Australia, recorded over 168,000 contacts in the past financial year, up from 162,376 the year before.

Rebekah Sarkoezy, the organisation's policy director, noted that callers are often unable to access affordable repayment options. "People are desperately wanting to pay their tax debts... but they're not able to access payment plans that they can afford," she said.

In some cases, small businesses have turned to predatory lenders or restructured operations to avoid insolvency. The situation is more complicated for victims of fraud or financial abuse, who are sometimes left responsible for debts they didn't knowingly incur.

Annette Tasker, a supervisor at the UNSW Tax Clinic, said such cases are often met with inflexible responses from the ATO. "They have no sympathy whatsoever," she said. "Taxpayers should be treated consistently, regardless of whether they have legal representation or not."

As of May 31, over 631,000 payment plans were in place covering \$11.1 billion in debts. The ATO noted it may waive interest charges in certain hardship cases, but an investigation is underway into how consistently these waivers are applied.

The ATO reported that overall debt growth has slowed to 2.3% over the past year, compared to 4.7% in the previous year. However, concerns remain about the effects of interest charges, often 10% annually, on already strained households and businesses.