



# Lenders Do Not Like Tax Debt!

The ATO announced in March of this year they have resumed the collection of tax debt after the suspension brought about by the pandemic.

If your business has not met the debt obligations in respect of PAYG withholding, Superannuation Guarantee Charges and GST, you may have received your letter recently.

With a focus on making directors aware of their financial obligations and responsibilities, the ATO will be taking action if you do not engage with them.

Not only that, but they are also prepared to start reporting your defaults to credit reporting agencies.

We understand that businesses struggle at various times with cash flow. And we get it – the last bill you want to pay is to the Taxation Office!

Keep in mind however, that the ATO debt can greatly affect your credit rating and future borrowing capacity. This will ultimately affect your capacity to borrow to grow and expand your business. So please seek help.

## There are two issues if you have a tax debt.

1. You will struggle to obtain finance to grow your business if you need to expand, renovate, hire more staff or order more stock. **Banks just don't like tax debt.**

2. The ATO is the strongest and most powerful unsecured creditor in the country. They will come and wind up your business to claim what's owed to them. The rest of your creditors just have to get in line. Their take on the matter is that if you can't afford to pay your tax bill, then your business is not viable.

## So, what do you do?

If you have an immediate need to obtain finance, then STEP ONE is to refinance your tax debt before you apply for finance. The tax debt will be switched to a secured or unsecured business loan on your balance sheet. This will make your finance application more favourable to lenders.

## As your finance specialist we may be able to:

- refinance this debt into a secured or unsecured business loan, or
- source an invoice funding facility for you.

You can read about these in our article '**There are many reasons a business may need to access finance**'. Contact us for a copy.

By restructuring this debt, we may also be able to help you with other areas of your business to free up your cash flow. That's our specialty.



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Remember – the interest you pay on these facilities (something we obviously need to help you reduce) is also tax deductible.

## What happens if you don't pay your tax debt?

### If you don't pay the amount on time:

- **Interest will be charged on your unpaid amounts.**  
Your debt will grow each day and remains unpaid. Interest is calculated on a daily compounding basis on the outstanding amount and added periodically.
- **The ATO will be in regular contact** with you either through SMS, messages in myGov, letters or phone calls. This can be very annoying!
- **Your future refunds or credits will be used to repay the money you owe.**  
The ATO is required by law to use the refund or credit to reduce your debt.

## Options to deal with your tax debt

### If your need to obtain finance is not so immediate:

#### 1. Determine your capacity to repay

The first thing we ask is that you calculate how much you can actually afford to repay on a weekly or monthly basis.

Having this information will make it easier for you to set up a simple budget and enable better conversations about your finances.

#### 2. Contact the Taxation Office

If you are having financial difficulties, contact the Australian Taxation Office as soon as you can. The ATO has people dedicated to help those who are experiencing financial difficulties. You will be able to speak to a staff member who can help you manage your tax debt.

### The ATO will provide you with a range of options available depending on your situation. They may:

- be able to arrange longer term repayments
- agree to temporarily stop charging interest, and
- perhaps consider waiving any fines.

Working with the ATO is one option, however as a business owner there are other options available you may not be aware of or have previously not considered.

## Don't hold your business back because of this debt!

If you are feeling overwhelmed and need more help with managing your business finance and expenses, talking with a professional finance broker is a great way to realise your options.

We will not judge you for your current situation. We are here to listen, understand and give you practical advice to help you get back on track.

## Feel free to reach out for a confidential and personal chat.

Contact us to read  
**'There Are Many Reasons a Business May Need to Access Finance'**

