19 December 2025

Mr Andrew Mills
Acting Chair
Board of Taxation
C/- The Treasury
Langton Crescent
PARKES ACT 2600

via email to: taxboard@taxboard.gov.au

Dear Mr Mills

Red Tape Reduction Review

Thank you for the opportunity to follow up my active participation in the Board of Taxation's 14 November 2025 consultation with small business stakeholders with a submission on the Board of Taxation's Red Tape Reduction Review. We strongly support the review's objective of identifying ways to simplify business tax law and administration, thereby reducing unnecessary regulatory burden—commonly referred to as 'red tape'—without compromising the integrity, fairness, or efficiency of the system, or the amount of tax collected.

For Australia's small businesses, complying with tax administration requirements can be particularly challenging and come with a greater proportionate cost and risks compared to larger businesses. These smaller businesses often operate without dedicated governance, compliance, or human resources teams, and may lack sophisticated systems to manage regulatory complexity and obligations. As a result, the responsibility for compliance typically falls on the business owner, who is often forced to complete complex paperwork late at night after a full day of running the business—sacrificing personal time and wellbeing.

Moreover, the risk of tax compliance misstep can translate to personal consequences and responsibilities at an accelerated rate compared to larger business entities, with the majority of small businesses being unincorporated. We have long advocated for measures that reduce this administrative burden while maintaining overall tax revenue.

I am reassured by the clear guidance that it was not necessary to repeat the points raised at the 14 November 2025 consultation in response to the chair's challenge to present only the 'top 3' opportunities for red-tape reduction as these have been well captured. So, I will not repeat the case I hope I adequately advance for:

- Streamlining and better synchronisation of various ATO (and State Revenue Office) lodgement, reporting and payment program
- Specific and particular focus on simplification and right-sizing duties, obligations and support with compliance for the micro-business sector and 'unintentional' entrepreneur ABN holder
- Improve the clarity and predictability of PAYGI obligations; and
- Initiate a down payment on 'tell us once' ambitions by extending the expanded information sharing powers/tailor tax secrecy duties being sought by the ATO for law-enforcement

purposes with other agencies to include sharing changes of business and taxpayer details available to the ATO (as often the first-to-know) with other economic regulators.

In response to the chair's invitation for my further contribution as the roundtable discussions progressed, I also spoke in favour of:

- not abolishing the Small Business Superannuation Clearing House as obligations and compliance costs increase with expanded pre-filling opportunities;
- more genuine support and collaboration with tax advisers and external support providers including ASBFEO and tax clinics;
- an annual positive affirmation of a small businesses meeting tax obligations where within benchmarks and in the absence of ATO concern so they can focus on other worries;
- external delivery and promotion of the valuable ATO support resources to increase small business use; and
- development of a genuine trauma-informed economic coercion response including debt forgiveness mechanism like those successfully implemented by other tax jurisdiction.

Beyond these roundtable contributions and advanced in previous submissions, we have proposed policy changes such as introducing early-stage incentives through tax discounts or offset schemes to help businesses retain more of their initial earnings for reinvestment when it is most needed. However, we acknowledge that such proposals fall outside the scope of this review. Accordingly, this submission focuses on practical suggestions aimed at reducing unnecessary regulatory burden.

ATO's management of remission of the general interest charge

In our submission to the Tax Ombudsman's review of the ATO's management of remission of the general interest charge (GIC), we indicated our support for the Ombudsman's view the GIC should not operate as a punitive measure against taxpayers making genuine efforts to meet their obligations. We also expressed concern the ATO's stricter approach to debt collection and interest charge remissions risks placing additional pressure on small businesses already experiencing financial distress. This concern is underscored by the report in the *Australian Financial Review* on 19 September 2025, that remission approvals fell from 88% in 2023–24 to 76% in 2024–25.[1]

To better support small business owners facing vulnerability and financial hardship, it is important for the ATO to carefully consider the circumstances which contribute to a taxpayer's debt. The Australian Securities and Investments Commission's 2023 letter to CEOs of Australian lenders encourages lenders to genuinely assess individual circumstances and work towards sustainable solutions. The benchmark set out in this letter is useful for assessing vulnerability.[2]

It should also be recognised that many small businesses operate with limited cash flow and administrative resources, making it difficult for them to understand the criteria for GIC remission.

[1] Australian Financial Review (AFR), *ATO's interest waiver policy leaves tax advisers incredulous*, AFR, 17 September 2025.

[2] Australian Securities and Investments Commission (ASIC), *Supporting consumers experiencing financial hardship*, ASIC, 30 August 2023, viewed 1 October 2025

To assist small business owners and their tax agents, we recommend the ATO publish comprehensive, easily accessible guidelines clearly outlining the criteria considered reasonable for remission. In addition, an independent review mechanism for remission decisions could be established, with defined escalation pathways and timeframes.

ATO's approach to taxpayer relief provisions

In our submission regarding the ATO's approach to 'Taxpayer relief provisions', we expressed support for the ATO's commitment to improve both the clarity of their policies and how they are applied. However, we remain concerned with the lack of transparency and consistency in how the taxpayer relief provisions are applied. For example, our small business stakeholders report they, and their advisers, often receive differing advice depending on which ATO representative they speak to. Not only can outcomes be unpredictable but relevant guidance is also often difficult to locate.

More specifically, in reference to the proposed guiding principles on taxpayer relief provisions, we concur with Financial Counselling Australia's concerns that these principles appear to be primarily about 'protecting the system from abuse', rather than a trauma-informed, person-centred approach. As initially drafted, the principles risk creating additional barriers for small businesses already under financial and operational strain. They also appear to conflict with the draft ATO Vulnerability Framework because they require taxpayers to take certain actions in order to be eligible for concessions, whereas the Vulnerability Framework recognises that experiencing vulnerability may impact a taxpayer's ability to engage in actions the ATO deems necessary for accessing relief.

We understand the ATO is refining the proposed principles based on stakeholder feedback and therefore recommend they:

1) consider adopting the Inspector-General of Taxation and Taxation Ombudsman's 9 principles of good tax administration in place of the proposed principles
2) publish detailed, practical guidance and decision-making criteria for all forms of taxpayer relief
3) clarify, regardless of who makes the request, the same criteria and considerations will be applied when considering a request for taxpayer relief.

Tax Practitioners Board's proposed integrity guidelines

In our submission to the Tax Practitioners Board's proposed position on the application of section 10 of the *Tax Agent Services (Code of Professional Conduct) Determination 2024*, we noted many tax practitioners are themselves small businesses. Consequently, we are concerned that not only could the proposed Integrity Guidelines disproportionately burden small businesses and sole traders, but increased compliance obligations could reduce competition and efficiency, thus favouring larger firms with greater resources.

Our recommendations to the Board were based on the fact that, unlike large organisations, small businesses lack the extensive administrative teams and legal resources to comply with overly burdensome regulations:

- Guidelines should recognise that small business face unique challenges and offer practical and actionable guidance. Furthermore, any changes to previously issued guidance should clarify whether there are additional requirements and outline what is new and what is different. To make guidelines more easily digestible by a time poor audience, there should be greater use of case studies and/or worked examples.
- Given the varied roles of small business tax practitioners, the Board should split its guidance into two distinct streams relating to: 1) the preparation and lodgement of tax returns, and 2) the provision of tax advice.
- To assist small business tax practitioners with complex issues and keep them informed of regulatory updates, a dedicated helpline and a notification system should be established to alert practitioners when relevant guidance is updated.

Other proposals to reduce red tape

There are further opportunities to improve tax administration for micro businesses with revenues less than $100,000. Streamlining reporting for low-turnover businesses could reduce complexity and improve compliance. Leveraging banking feeds, similar to processes for individual taxpayers where data is prepopulated into personal tax returns, may simplify reporting for micro businesses.

Moreover, it is worth reviewing the method for calculating PAYG instalments for small businesses, to ensure greater transparency, certainty and responsiveness to fluctuations in business income, particularly during extraordinary events such as natural disasters.

If you require any further information, please do not hesitate to contact the Advocacy team via email at advocacy@asbfeo.gov.au.

Yours sincerely

The Hon Bruce Billson

Australian Small Business and Family Enterprise Ombudsman