



In the interest of fairness

A review into the ATO's management of remission of general interest charge

Tax 
Ombudsman

March 2026

© Commonwealth of Australia 2026

This publication is available for your use under a Creative Commons Attribution 4.0 International licence, with the exception of the Tax Ombudsman, photographs, images, third party materials, materials protected by a trademark, signatures and where otherwise stated. The full licence terms are available from <https://creativecommons.org/licenses/by/4.0/legalcode>.



Use of Tax Ombudsman material under a Creative Commons Attribution 4.0 International licence requires you to attribute the work. The attribution must not in any way that suggest that the Tax Ombudsman endorses you or your use of the work.

Attribution

The Tax Ombudsman's preference is that you attribute this publication (and any material sourced from it) using the following wording:

Source: The Australian Government Tax Ombudsman under a Creative Commons Attribution 4.0 International Licence.

Where any material has been modified, or new material has been derived from those supplied by the Tax Ombudsman, we request that the attribution make this clear. For example:

Based on materials from the Australian Government Tax Ombudsman.



The Tax Ombudsman acknowledges the Traditional Owners and Custodians of country throughout Australia and their continuing connection to land, sea and community. We pay our respects to them and their Elders past, present and emerging.

Artwork used with permission from Kayannie Denigan, Luritja artist

Table of contents

What are general interest charges?	3
Key data	4
Ten things to know from this report	5
Why we undertook this review	7
List of recommendations	11
1. The history and evolution of GIC	13
2. ATO's administration of GIC remission	23
3. Inconsistent decision-making	34
4. Communicating decisions and review rights	43
Appendix A: Australian Taxation Office response	49
Appendix B: Section 8AAG of the <i>Taxation Administration Act 1953</i>	54
Appendix C: Key GIC remission data	56

What are general interest charges?

General interest charges (GIC) are imposed when taxes are not paid on time. They are effectively a charge for borrowing money (in the form of unpaid taxes) that would have otherwise been spent on the community.



Interest charges incentivise people to pay on time and compensate the community for the cost of late payment.



Interest charges level the playing field, so people who pay late don't benefit compared to those who pay on time.



The Australian Taxation Office (ATO) can decide to remit (i.e. refund or reduce) interest charges under certain circumstances, in full or in part.

The ATO can remit GIC in the following circumstances:

1. where the delay was not caused by the taxpayer;
2. where the delay was caused by the taxpayer and it is fair and reasonable to remit;
3. where there are special circumstances; and
4. where it is 'otherwise appropriate' to remit.

Key data

Over the last 7 financial years from 2019 to 2025,



The unpaid GIC balance increased by **185%**

This is almost double the rise in uncontested tax debt of **94%**



The amount of GIC imposed increased by **123%**

However, the amount of GIC remissions has only increased by **90%**



The proportion of GIC to total collectible debt has increased from 13% to **18%**

More recently,



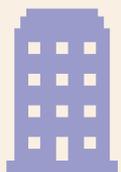
126,000

GIC remission requests were received by the ATO in the 2025 FY, of which **96,000** were granted.



The number of GIC remission requests increased by 2% in the last year, but the number of refusals increased by

100%



84% of GIC remission requests were granted for large businesses in 2025 FY, compared to 75% - 77% for individuals, micro businesses, and small and medium enterprises.



Approximately

0.6%

of taxpayers sought GIC remission in 2024.

See Appendix C for more details.

Ten things to know from this report

1. Between 2019 and 2025, the increase in the balance of GIC owed to the ATO (185%) has outpaced the increase in uncontested tax debt (94%). Of the \$55 billion uncontested tax owed, 18% is made up of GIC (up from 13% in 2019). See Appendix C.
2. In late 2023, the ATO tightened its approach to remitting interest charges from its previously more generous approach, without clear communication to the community. This left taxpayers and tax practitioners confused and frustrated. See pages 19-22.
3. Last year, large businesses had more of their GIC remission requests approved, compared to individuals or small businesses. Although they made fewer requests, this creates a perception that the rules are applied more stringently for those who can least afford it. See page 39.
4. Interest compounds daily, even while taxpayers make repayments under approved plans. This can make small debts grow to unaffordable levels very quickly and, for some taxpayers, the interest can become greater than the original debt, making full repayment near impossible. See pages 29-30.
5. One of the main concerns raised in this review is inconsistency of the ATO's GIC remission decisions. This is due, in large, to the ATO's guidance to taxpayers and its staff which has been too vague. This has led to unfair outcomes with some genuine and deserving applications rejected and others that should rightly be declined being approved. See page 40.
6. The law requires GIC to be applied to any overdue tax. The ATO does not have the power to stop GIC from accruing, but it can decide when to remit it, if circumstances warrant. However, the ATO's recent considerations of remission requests have not always met community expectations. For example, our case studies show that, in some cases, GIC has compounded to amounts grossly disproportionate to the underlying debt, raising concerns about whether remission decisions are being made fairly. See pages 27-30.



One of the main concerns raised in this review is inconsistency of the ATO's GIC remission decisions.



7. Once the ATO makes a decision on GIC remission, taxpayers cannot seek a 'merit review' through the Administrative Review Tribunal or the courts. Prior to this review, the ATO would only consider a new GIC remission request if a taxpayer could provide new or additional information to support their request. However, now the ATO may also reconsider its GIC remission decision when taxpayers or their representatives submit a request detailing circumstances where they think the ATO has made an error. This is not well known. See pages 45-46.
8. GIC is intended to encourage taxpayers to pay on time, but this is only achieved if the GIC rate is higher than other sources of credit. When it is lower than other credit, it may actually incentivise non-payment. See pages 14 & 21.
9. The ATO's GIC remission decision letters are often generic, unhelpful and (in some cases) lack empathy. These letters often lack detail, do not explain how decisions were made and whether evidence was missing or incomplete, and do not outline what options the taxpayer has. See pages 46-47.
10. The ATO has made recent improvements to its administration of GIC remission, which we strongly support. This includes: the creation of a dedicated function to make remission decisions (reducing inconsistency); publishing improved guidance including examples of how the decision-making criteria will apply; a standardised application form; and extending the circumstances in which it will reconsider its remission decisions. These changes address many of the findings of our review. See page 21.

Why we undertook this review

Our tax system relies on voluntary compliance. Taxpayers are expected to lodge returns and pay on time, and almost 90% of us do. When tax is paid late, the law imposes a GIC, much like interest on a bank loan or credit card. GIC prevents late paying taxpayers from gaining an unfair advantage compared to those who pay on time and compensates the government and community for the loss of access to those funds.

Factors such as illness, bereavement, natural disasters and other personal circumstances can sometimes cause taxpayers to miss deadlines. The law gives the ATO broad discretion to remit GIC (meaning to reduce or remove from a taxpayer's account) where circumstances justify it, with each case assessed based on its particular facts. However, confidence in the ATO's approach to GIC remission has recently declined.

The ATO earned goodwill during the COVID-19 period (2020-23) through a softer approach to debt collection. Post-COVID-19, the ATO rightly adopted a firmer stance on debt recovery, recognising the importance of tax collection to the public purse. At the same time, the ATO changed its position on GIC remission, resulting in fewer applications being agreed. For example, the number of approved GIC remission requests has reduced by 12 percentage points in the last year alone. This shift was poorly communicated to the broader community, catching taxpayers and tax professionals off guard and confused.

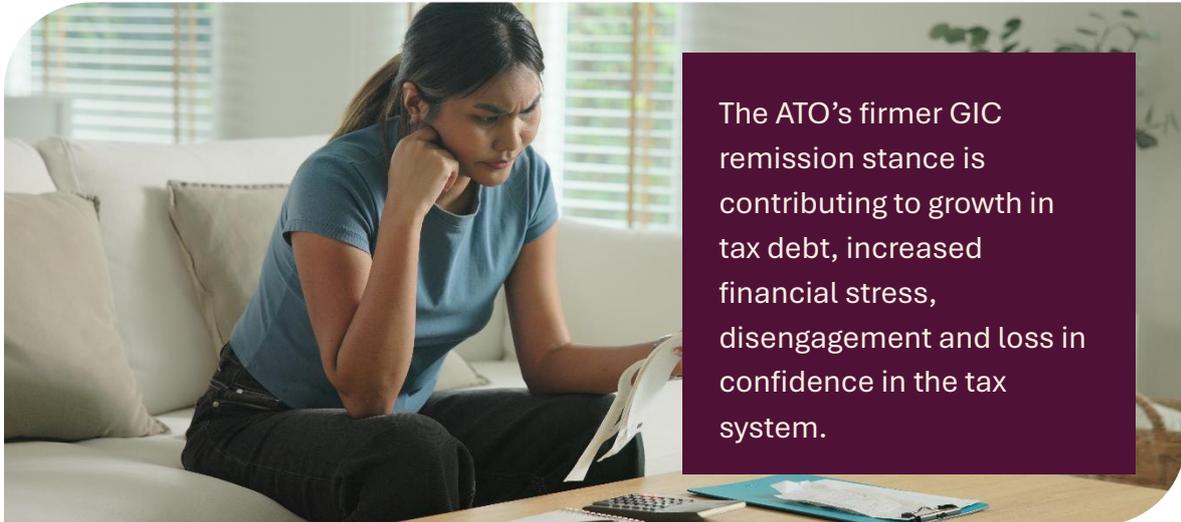


Taxpayers and tax professionals have reported confusion about how and when GIC is remitted, citing inconsistent decisions and a lack of transparency in the decision-making process. In the current economic climate, where cost of living pressures and pressures on small business are causing financial distress, we have also seen many examples of the imposition and compounding of the GIC making it near impossible for some taxpayers to repay their tax debts, even when they have been able and willing to repay the principal debt. While the imposition and compounding are set by law and are outside the ATO's control, the refusal to remit GIC is contributing to a growth in tax debt, increased financial distress in the economy (notably for small businesses) and increased disengagement from and confidence in the fairness of the tax system.

These issues are exacerbated because remission decisions cannot be reviewed through the usual objection or Administrative Review Tribunal processes. The only formal option

to challenge a refusal to remit interest is through the Federal Court, which is costly and not likely to be affordable for most taxpayers already in debt. From 1 July 2025, GIC also became no longer tax deductible, meaning future refusals may have a greater financial impact on taxpayers.

Fair, transparent, and consistent ATO decisions are now more critical than ever.



The ATO's firmer GIC remission stance is contributing to growth in tax debt, increased financial stress, disengagement and loss in confidence in the tax system.

The ATO's Redefining Concessions Project

In May 2025, the ATO commenced its own review into its concessions framework to identify opportunities to improve the way it approaches tax lodgement deferrals, payment plans and penalty and interest remission. The purpose of its review was to ensure that the concessions framework is sustainable and supported those genuinely in need. The ATO conducted extensive consultation as part of its review.

In our review we worked with the ATO to minimise duplication and to ensure our work complemented the ATO's by providing an external, independent perspective, informed by the voice of taxpayers, their representatives and the community.

Our findings have been consistent with the ATO's observations and we support the actions it has taken and propose to take as a result of its review. Our review and recommendations seek to build on these actions, with additional areas for improvement and to seek confirmation that they address the root causes.

The scope of our review

This review draws on concerns raised through complaint investigations and stakeholder consultations about the ATO's decision-making and approach to GIC remission.

Our review questions whether the ATO's approach to GIC remission is aligned with the policy intent, meets what is fair and reasonable as a matter of good tax administration and whether it supports taxpayer engagement with the system.

To inform our findings, we examined Parliamentary records and legislation, the ATO's internal policy documents, guidance to its staff and communications to the community on GIC remission.

Our review did not examine shortfall interest charge (SIC) or administrative penalties.



Structure of our report

Our report is structured as follows:

- **Chapter 1** examines the evolution of the policy intent of the GIC regime and the ATO's 2023 posture change to its approach to remitting GIC.
- **Chapter 2** explores whether ATO's administration of GIC remission is in line with the policy intent and how far it considers the individual circumstances of taxpayers seeking GIC remission.
- **Chapter 3** examines the ATO's decision-making processes on GIC remission, including how it can improve the consistency of its decision-making.
- **Chapter 4** considers the ATO's communication of GIC remission decisions and the review pathways available to taxpayers.

The ATO's response to this review is in Appendix A of this report.

How we undertook this review

At the commencement of our review, we released a survey to gather information from taxpayers and their representatives about their experiences with GIC remission. We received a total of 277 survey responses which provided rich data and insights into the issues that the community were facing. We also received oral and written submissions

which further deepened our understanding. We conducted a series of consultations with taxpayers, their representatives, professional associations, and the ATO. These sessions provided a valuable forum to discuss the issues faced by the community.

As part of our methodology, we conducted a site visit to an ATO office, where we observed staff processing GIC remission requests. This provided direct insight into how decisions are made and communicated.

What happens after the review ends

After the completion of this review, the ATO will develop an implementation plan detailing how and when it will implement each of the recommendations that it has agreed to. Every quarter the ATO provides us with a progress update on implementation, and we review any slippage or changes in plans. We will publish the ATO's key milestones for delivery and its implementation progress in our Annual Report and on our website. On completion, we will also seek to ensure that the actions taken reflect the original intent of the recommendations.

Acknowledgement

We would like to thank all those who have generously shared their time, expertise and insights with us. This includes many individual taxpayers and their representatives as well as all the tax professional bodies. We also thank all the ATO officers who have been involved in this review for their time, assistance and professional engagement.



List of recommendations

Recommendation 1

The ATO to conduct a post-implementation review of the changes implemented in relation to GIC remission in late 2025 and early 2026, within 12 months of their completion. This includes the introduction of a centralised function for decision-making, a standard application form, and website updates, including revised guidance and published examples of how the criteria for remission are applied.

Recommendation 2

The ATO:

- a) build on its plans for a new centralised penalty and interest function with updated guidance and training to improve how its officers consider the specific circumstances of each case;
- b) explore greater use of partial remission (meaning remission for a part period or partially reducing the amount payable), and publish the factors it may consider when deciding partial remissions; and
- c) explore options for upfront agreement of full or partial GIC remission for a specific period (including the future period of a payment plan) for taxpayers repaying their debts.

Recommendation 3

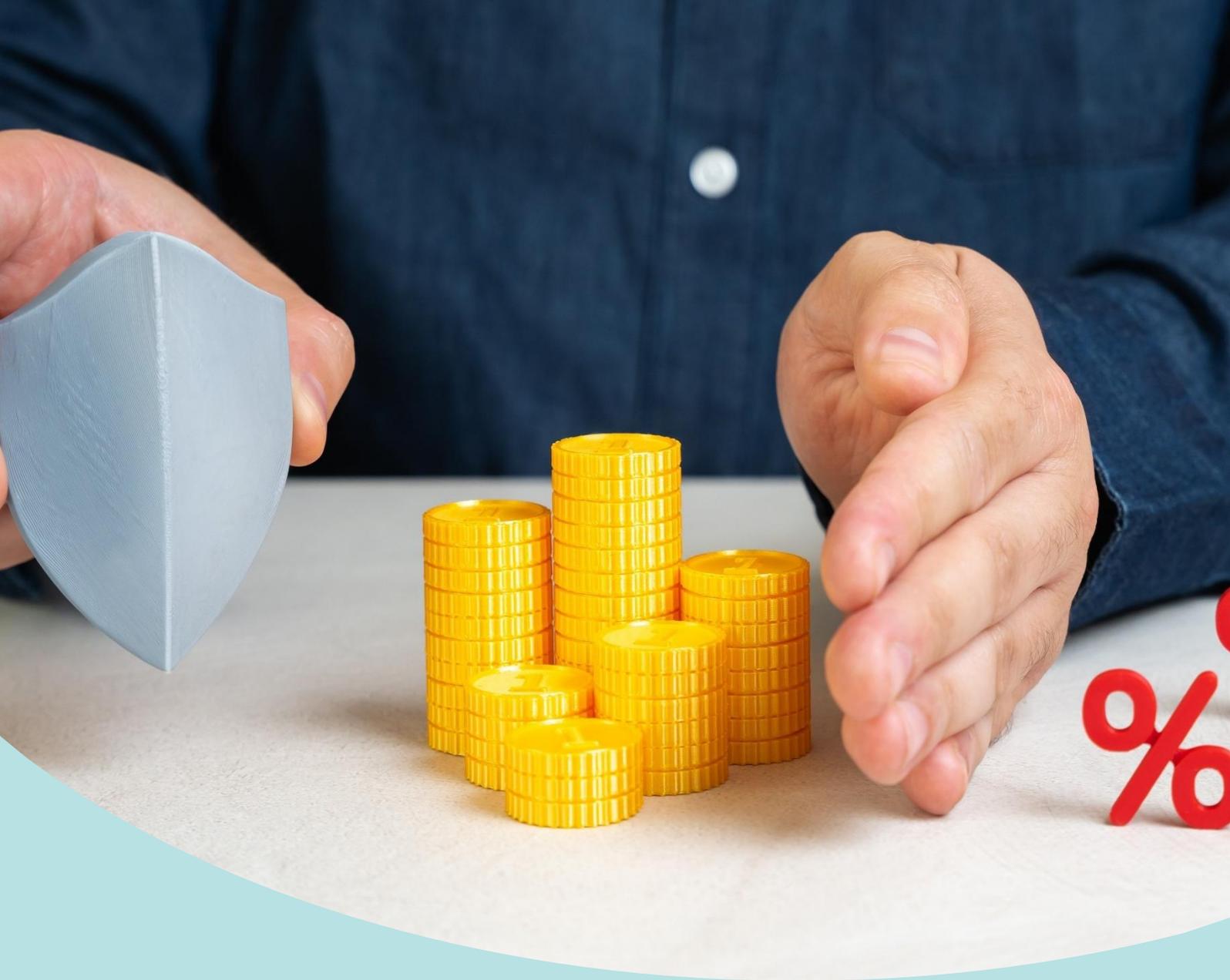
The ATO build on its improvements in addressing inconsistency in decision-making by:

- a) conducting regular calibration sessions on complex GIC remission applications;
- b) providing better clarity in its internal guidelines on when officers are expected to request further information; and
- c) updating internal guidelines such that officers are prompted to consider if special circumstances, including serious hardship or serious vulnerability, apply at the earliest stage possible.

Recommendation 4

The ATO:

- a) improve the level of detail in its letters that refuse GIC remission or agree to only partial remission, to explain how its decisions were reached;
- b) update its standard paragraphs, templates, guidance, and training to ensure decision letters are tailored to better acknowledge the taxpayer's lived experience and personal circumstances; and
- c) improve clarity and visibility of options for reconsideration and review of GIC remission decisions, including updating its letter templates and internal staff guidance.



1. The history and evolution of GIC

The history and evolution of GIC

Community feedback suggests that the ATO’s shift to a stricter approach to GIC remission was abrupt and not clearly communicated. This chapter examines the policy intent of GIC and remission, the reasons that gave rise to the reset of the ATO’s posture and how this reset was communicated to the community.

What we found

The history and policy intent of GIC and GIC remission

GIC is imposed by law when tax is paid late. The ATO’s role is to collect the GIC. The ATO has no power to stop GIC accruing but it does have discretion in deciding whether remission should be granted in part or in full.

The chronology overleaf outlines the evolution of the policy governing the imposition and remission of interest like charges and GIC by Parliament, as reflected in the law over time. This history shows a progression from a broad discretion to remit taxes that functioned like interest for late or unpaid tax, to remission that was available in very exceptional circumstances. Currently, the Commissioner has broader discretion to remit to the extent of considering “if it is appropriate to do so”.

Currently, GIC is composed of a base rate (currently 3.65% for January-March 2026), and a fixed uplift rate (7%). The Explanatory Memorandum (EM) to the *Taxation Laws Amendment Bill (No.5) 1998* does not provide a single consolidated explanation for the uplift. However, subsequent explanatory material, such as those accompanying the *Improvements to Self Assessment Bill 2005*, state that GIC is “set at a high rate (compared with indicator rates for commercial borrowing) to encourage prompt payment of tax liabilities.”

Unsecured personal loan	Unsecured business overdraft	Unpaid tax (ATO debt)
Application required	Application required	Not applicable
Loans up to \$50,000*	Limit up to \$250,000	No limit
~16%* (variable)	From ~14.05%*	10.65%

*Information current as of 30 January 2026, obtained from the Commonwealth Bank of Australia (CBA), and limits and rates depend on customer risk profile. CBA rates have been used as a comparison, but the rates are similar to the other big 4 banks.

Evolution of policy intent for GIC imposition and remission.

1935

Explanatory Memorandum (EM) to the *Income Tax Assessment Bill*

No separate interest charge existed. Instead, an 'additional' tax was imposed for unpaid tax. This charge was 'penal' in nature.

Broad remission discretion - "The Commissioner may in any case, for reasons which he thinks sufficient... remit the additional tax..."

1982

EM to the *Income Tax Assessment Amendment (Additional Tax) Bill*

No changes to interest imposition.

As part of a package of measures addressing evaded company tax, the 1982 amendments increased the 'additional tax' and significantly limited the Commissioner's power to remit that additional tax to certain specified circumstances:

"...remission will only be permitted in special circumstances, such as adverse business or other factors beyond the control of the taxpayer..."

1992

EM to the *Taxation Laws Amendment Bill (No. 5)*

Interest and penalties were separated for the first time.

The intent for interest was to compensate the community for the cost of funds being unavailable for public purposes. Imposition was mandatory and formula-driven, the initial imposition is objective.

This is in contrast to the penalty provision where the intent is to deter non-compliance, and the imposition is subjective and behaviour based.

Wording appears to be tightened, to specifically state that GIC remission will be more limited than penalty remission:

"...remitted in very exceptional cases, given that it represents compensation to the Revenue for the time value of money for the period that the Revenue has been denied use of the funds."

1998

EM to the *Taxation Laws Amendment Bill (No. 5)*

GIC was introduced to:

- replace existing late payment penalty provisions, with a tax deductible GIC on outstanding tax debts
- abolish complex and punitive culpability elements that applied for the late payment of some taxes
- simplify tax accounting and collection arrangements for the ATO.

GIC remission is allowed for exceptional circumstances: "Where a taxpayer becomes liable for the GIC due to extraordinary events, the Commissioner is able to exercise his discretion under new section 8AAG of the TAA53 to remit all or part of that GIC."

2000

EM to the *A New Tax System (Tax Administration) Bill (No. 2)*

Intent of GIC imposition unchanged.

Amendments were made so that the Commissioner could remit GIC in circumstances where it was "otherwise appropriate to do so." This allowed the Commissioner to remit "in a wide range of circumstances" and gave him a "broader discretion to remit GIC than under the current provision."

2025

EM to the *Treasury Laws Amendment (Tax Incentives and Integrity) Bill*

GIC is no longer tax deductible.

This measure is unrelated to interest imposition, but it reinforces that the intent of GIC is to "encourage taxpayers to pay their taxes on time."

This measure was introduced to cease deductibility of GIC, but it reinforces that the Commissioner has the discretion to "remit the interest charges where it is fair and reasonable to do so, taking into consideration the circumstances which led to the delayed payment of tax liabilities..."

Source: Table created by the Tax Ombudsman from information extracted from various EMs to Bills, as listed.

ATO's options to remit GIC

Taxpayers can seek a remission of GIC at any time. The onus is usually on the taxpayer to make an application, however the ATO can initiate a remission in some circumstances such as a natural disaster. GIC remission can take several forms. The table below summarises these options.

Approaches to GIC remission		
Type	Description	Process
Full	Remission of GIC in full for the entire period covered by the taxpayer's request.	From January 2026, new GIC remission requests need to be submitted in writing on a standard application form. Individuals also have the option to apply by phone.
Partial (period-based)	Remission of GIC for only part of the period referenced in the request or as the ATO determines.	Taxpayers can apply for a specific period. The ATO can also consider a different applicable period.
Partial (amount-based)	Partial remission of GIC resulting in a reduction of the GIC amount to take into consideration an effectively lower rate.	Is considered as part of the ATO's decision-making process.
50/50 Arrangement (Not available to all taxpayers, see PSLA 2011/4 for eligibility requirements)	An agreement that allows an eligible taxpayer to reduce GIC exposure by paying all undisputed debts and at least 50% of the disputed amount, in return for remission of 50% of the applicable GIC on the remaining debts in dispute.	Application is made in writing.
Interest-free payment plan (see ATO website titled 'payment plans' for eligibility)	Eligible small businesses can pay overdue activity statement debts in 12 monthly direct debit instalments, with all GIC fully remitted for the period.	Depending on the debt amount, applications can be made in writing or by phone. A phone request is required to update an existing payment plan to interest free.

In relation to the overall taxpayer population and the number of payment plans agreed each year, the number of taxpayers seeking GIC remission is very small at less than 1%.

Posture shift

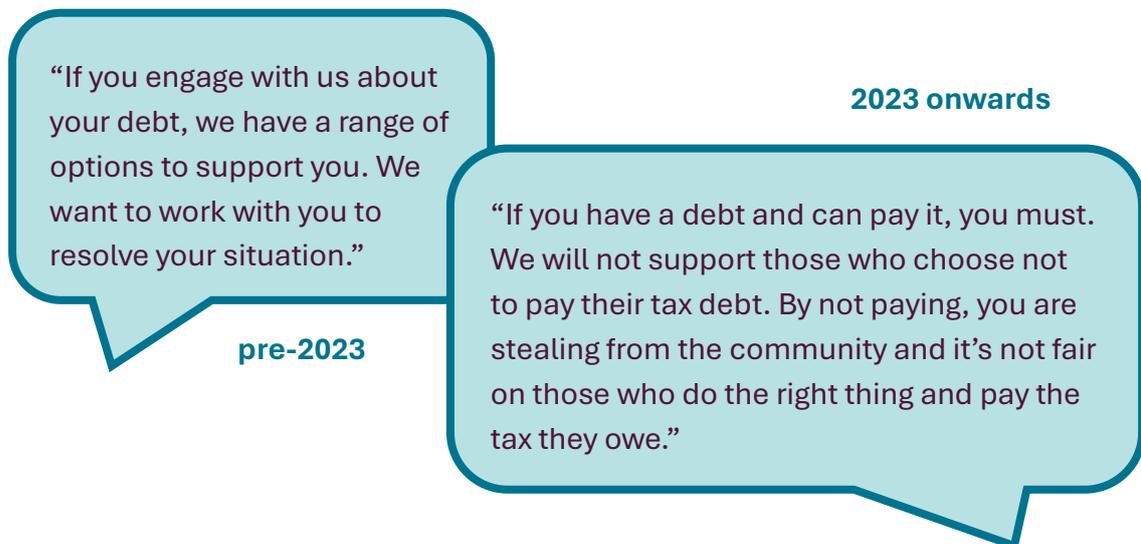
The ATO has set a historical benchmark of at least 88% of all tax liabilities to be paid on time and that has been consistently met in recent years. However, small declines in payment compliance can have significant impacts on revenue collection and can signal community behavioural or attitudinal shifts. The ATO is required to take action where it perceives shifts in community attitudes to compliance, to avoid deterioration in its collection rates.

During the period of the COVID-19 pandemic, the ATO took a supportive approach to debt recovery, including remitting GIC, while it focused on supporting taxpayers. Internal and external messaging at the time, as set out in internal ATO documentation, was one of 'help and assist', offering support to taxpayers to address their tax obligations. As a result, and as a consequence of the economic impacts of public health measures, on time payment compliance reduced from 89.9% (in 2018-19) to 88% (in 2020-21).

Since 2022 (post COVID-19), the ATO saw a deterioration of timeliness in payments. The ATO observed some small businesses increasingly delay their tax payments to manage cash flow, relying on interest being tax deductible or remission being agreed at no/low cost.

As the country moved out of the pandemic period, the ATO needed to take action to revert to its normal mode on collection and compliance. In June 2023, the ATO launched a program of work to shift its internal posture to 'pay now' and 'pay in full'.

According to ATO's internal documentation from 2023, its public messaging shifted as follows:



According to the same documentation, this shift was due to:

- the rapid growth in collectable debt from \$26.5 billion in FY19 to \$50.2 billion by FY23, the latter of which included \$6.4 billion in GIC. Small businesses made up the biggest share (67%) of this debt.
- the deteriorating payment behaviour which the ATO observed, particularly among some small businesses who were reported to only pay what they could comfortably pay, even if they had the capacity to pay the full amount.
- the ATO considered that too many taxpayers were not paying on time and were relying on the remission (and tax deductibility) of interest as a de facto approach to their tax.

This posture change sought to challenge shifting community behaviours where tax payment was not being prioritised and to improve targeted support and focus on those who genuinely need it. This meant a shift from approving the vast majority of remission requests to limiting GIC remissions to cases with exceptional circumstances and to taxpayers who proactively engage with the ATO. The outcome was a drop in the percentage of applications approved for GIC remission (depending on the taxpayer segment) from 85-90% to 75-85%. While most applications for remission have been agreed even after the posture shift, the reduction has had consequences for many taxpayers.

The changes to the ATO's overall shift in its posture to debt collection and interest remission came at a time of increased financial pressures within the economy. The cost of living and cost of doing business significantly increased in the post-pandemic years, with individuals and families struggling with day-to-day costs and small businesses struggling with cash flow.

In July 2025, GIC became non-deductible which means a reduction in approved remissions will have a direct impact on taxpayers and small businesses in particular moving forward.

The GIC as a payment incentive.

The legislation to remove the tax deductibility of GIC stated that the measure is to “enhance incentives for all entities to ... pay on time, and level the playing field for individuals and businesses who already do so” and to “assist in lowering the amount of collectable debt owed to the ATO.” Allowing deductions for interest charges such as GIC was seen as undermining the objective of GIC.

Communications

The ATO publicly shared its post-COVID-19 debt collection posture at The Tax Institute's (TTI) Tax Summit on 7 September 2023 in a keynote speech (also published online), by the ATO's Deputy Commissioner of Lodge and Pay. The only direct reference to GIC remissions was as follows:

ATO Deputy Commissioner speech: September 2023

"...Those who pay late or do not pay and do not proactively engage with us will have interest and penalties apply to their debts. We do not want clients to rely on remissions and will consider them only in very limited circumstances..."



From October 2023, the ATO launched a broader media strategy as part of its firmer approach, emphasising the ATO's return to business-as-usual debt collection, the importance of paying tax and super on time, and the consequences for non-compliance (e.g. director penalty notices, garnishees, disclosure to credit bureaus). There were no explicit communications or signals to the community of an intent to change its approach to GIC remissions.

Our observations

The intent of Parliament in applying and remitting interest is clear in seeking to level the playing field between taxpayers paying on time and those who pay late, as well as to compensate the community.

It is wrong for any taxpayer to assume they can pay their taxes late without consequence. It is also inappropriate for taxpayers to say they will meet their principal tax obligations but will not pay the interest, where they can afford to do so, as this undermines the integrity of the tax system and does not fulfil the need for a level playing field. Having said this, exceptional circumstances such as people experiencing vulnerability would be an exception to this.

It is also wrong for the ATO not to use its discretion in a fair and reasonable way in circumstances that would meet Parliament’s intent and community expectations. Parliament has given the ATO broad discretion to recognise there will always be legitimate circumstances in which taxpayers are delayed in their payments. The goal for the ATO is to re-engage those taxpayers and get them back on track with their obligations.

We consider the recent posture shift from the ATO to be understandable and rational given the increased collectable debt and deteriorating payment behaviour during and post the pandemic. The shift aligns with the:

- policy intent of GIC, which is to prevent late payers gaining an advantage and discourage unpaid tax from becoming cheap finance; and
- rationale for the uplift factor, which reinforces deterrence by setting GIC above commercial borrowing rates (even though in practice it remains lower than typical unsecured lending rates).

The ATO’s posture shift has been blunt and not without consequences. Signalling to its staff that late payment is not fair and equivalent to “stealing from the community” may have created a mindset change in its officers, which may have led to some valid applications being denied (see case examples in Chapter 2).

We expect to see the application of the tightening on individual taxpayers to be reasonable too, taking into account the circumstances of each case.

The changes to GIC remission did not happen in isolation. The combination of factors, namely the reduction in remission and rising cost-of-living pressures that left many viable businesses struggling, created a highly challenging environment for taxpayers. The ATO’s decision-making does not appear to take this context into account even though the legislation allows it to do so.

Since then, the actual number of requests for remission has not risen and remains a very small proportion of the taxpaying community. The majority of the GIC remission requests seen by our office in recent years have merit and deserve to be considered on

GIC remission decisions are perceived as economically driven.

“There is a widespread perception that the changes in the ATO’s approach to GIC and SIC remission are based on prevailing economic or other factors. For example, being more generous during the COVID-19 pandemic, and subsequently tightening the rules as conditions return to normal. Such flexibility is not itself a problem but there is a lack of transparency as to when and how this is occurring.”

– A submission to the review

a case-by-case basis — without any assumption of the right number to receive remission.

We have seen multiple examples of taxpayers trying to engage with the ATO to repay overdue tax, with good reasons to seek a remission of interest, be denied the remission and be unable to repay the full debt. For some, the outcome was bankruptcy or insolvency when a more fair and reasonable approach could have been found and through which the ATO would have been able to collect the tax due. For others, it has led to the compounding of GIC to amounts greater than the original debt, which creates further challenges for taxpayers who are seeking to engage with their tax obligations. Even where taxpayers agree repayment through a payment plan, the law requires interest to be applied and to compound, and the debt grows even when the overdue tax has been repaid.

Conversely, for taxpayers who can pay but choose not to, the current interest rate may be too low to deter them from using the ATO as a cheap source of credit. ATO's commissioned findings outlined in Chapter 2 suggests that granting GIC remissions is not an effective tool for this cohort. Other compliance measures need to apply.

The ATO's recent posture shift has significantly tightened GIC remission discretion, reducing approvals and, we believe, created unintended consequences for taxpayers. Given the ATO's commitment to improving taxpayer relief provisions through its recent improvements (described below), it should conduct a post-implementation review to examine whether the changes improved consistency of decision-making and that the new practices appropriately recognise legitimate circumstances in which taxpayers are delayed in their payments. Publishing the results will promote transparency, build trust, and allow the ATO to identify whether further refinements are needed to balance legislative intent with fairness.

ATO improvements:

At the same time as our review was underway, the ATO made several changes aimed at improving GIC remission requests. This includes the introduction of a centralised function with dedicated teams focused on GIC remission decision-making, a standard application form, and website updates including examples of the types of cases which might meet the criteria for remission. We are supportive of these changes, which have been widely welcomed to date.

Communications

The ATO signalled its shift in posture clearly to its staff but did not provide the same clear warning signals to the community, which meant the rise in refused remission requests came as a surprise to the community and the tax profession.

From our review of the public messaging provided by the ATO, we were not able to find messaging that sufficiently signalled that the ATO would be taking a stricter internal approach to GIC remissions.

Instead, public messaging focused on stronger recovery actions. The clearest communication on the shift on remission was at the TTI Tax Summit, which had a very limited audience. Understandably, taxpayers and agents report feeling caught off guard.

It is notable that the ATO's administrative approach to remission is set out in *Law Administration Practice Statement PS LA 2011/12 – Remission of General Interest Charge* (Practice Statement), has not been updated since 2015.

Without clear communication about what changed and why, and when remission will be considered, stricter remission practices risk being perceived as punitive rather than fair, and that perception can undermine engagement and trust in the system.

If the ATO is able to communicate how it proposes to apply its discretion, the number and types of requests for GIC remission may respond to those signals.

Rationale for change

While the principle behind GIC remission is that it should apply in exceptional circumstances to protect the fairness of the tax system, the way this principle is being interpreted in practice raises important questions. By conducting a post-implementation review on the ATO's recent updates and publishing the outcomes, the ATO can better demonstrate how it is achieving the legislative intent of GIC whilst balancing the community's expectations.

Recommendation 1

The ATO to conduct a post-implementation review of the changes implemented in relation to GIC remission in late 2025 and early 2026, within 12 months of their completion. This includes the introduction of a centralised function for decision-making, a standard application form, and website updates, including revised guidance and published examples of how the criteria for remission are applied.



2. ATO's administration of GIC remission

ATO's administration of GIC remission

We have heard from taxpayers and tax professionals that the ATO does not always adequately and fairly consider individual circumstances when deciding whether it would be fair and reasonable to remit GIC. Accordingly, this chapter explores whether the ATO's current practices reflect the policy intent of encouraging compliance while balancing fairness.

What we found

The ATO's goal is to collect tax and maintain voluntary compliance.

Legal basis for remission

The law gives the ATO broad discretion to remit GIC. Under section 8AAG of the *Taxation Administration Act 1953*, the Commissioner can remit GIC based on 4 grounds:

1. where the delay was not caused by the taxpayer;
2. where the delay was caused by the taxpayer and it is fair and reasonable to remit;
3. where there are special circumstances;
4. where it is 'otherwise appropriate' to remit.

The text of the statutory provision is set out in **Appendix B**.

ATO guidance and practice

The Practice Statement is published on the ATO's website and was last updated with significant revisions in November 2015. This practice statement provides guidance to ATO staff and transparency to taxpayers on how the Commissioner's powers of discretion will be applied. Taxpayers can rely on this guidance to understand how remission decisions are made. The document in its current iteration draws attention to the test of "fair and reasonable", meaning considering whether an ordinary and reasonable member of the community who pay their taxes on time would see the circumstances as fair and reasonable to remit.

Despite this, we have received a number of complaints and case studies where the taxpayer had a legitimate claim to apply for GIC remission under one of the 4 legislative grounds, but the application was refused by the ATO.

GIC imposition and remission

The law requires that GIC is imposed on unpaid tax debt and provides broad discretionary powers to the ATO in how to consider and remit GIC, at any time either before or after the tax is repaid. The ATO has the discretion to remit GIC in a way that effectively reverses its impact for a specified period, such as during a compliant payment plan. However, currently these interest-free payment arrangements are only offered to eligible small businesses under certain conditions. When such an agreement is in place, GIC imposed during the plan period is automatically remitted. Our survey found that only 7% of taxpayers and 17% tax professionals understand the requirements for an interest-free payment plan.



No such option to have interest suspended or remitted during a payment plan is available for other types of taxpayers although the need for such an option was repeatedly raised with us during consultation.

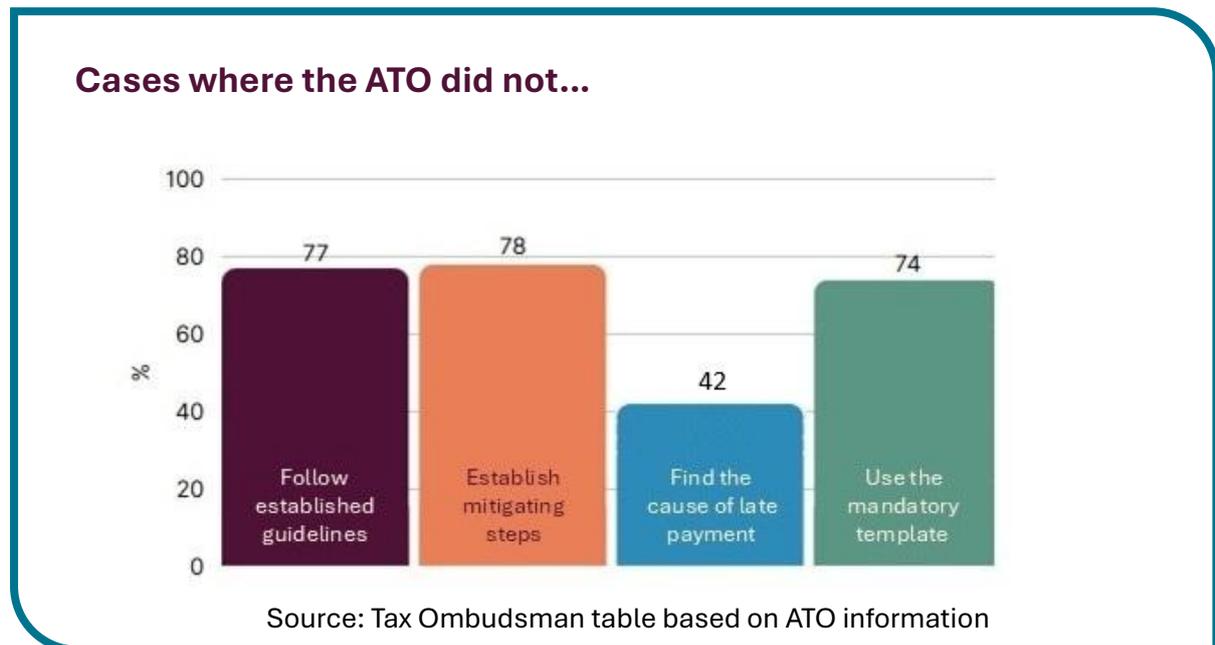
The ATO can enter agreement-based remissions, including upfront and for ongoing arrangements. This is confirmed in Legislative Instrument (LI) 2023/27 and its explanatory statement. The remission decisions may become legally effective once specified conditions are satisfied. The LI also makes clear that the ATO can remit interest where it is appropriate to do so to encourage ongoing compliance with tax laws and acknowledges that a range of strategies are adopted to achieve this, with remission being one of them. However, the ATO's Practice Statement does not address upfront agreements for ongoing GIC remission and we have heard from taxpayers that the ATO is not currently agreeing to remission before the debt is fully paid.

2024 ATO review of GIC remission

In 2024, the ATO conducted a review of how its guidelines on GIC remission were followed by its officers when handling phone-based requests. It found that most of its officers faced difficulties in correctly applying GIC remission policies:

- 77% of decisions were not compliant with internal guidelines and procedures
- 42% of decisions had not considered the cause of the delay in payment

While this data does not mean the decisions were wrong, it does suggest that the ATO's officers found the internal guidance hard to follow.



In addition, an earlier review in 2023 found that 95% of approved interest-free payment plans did not meet the eligibility criteria.

Does the ATO's administration of GIC achieve the behaviour it is designed to encourage?

ATO commissioned research in 2014 and 2017 to examine how GIC impacted taxpayer behaviour. Some of the key findings include:

- taxpayers respond to clear messaging about the cost of GIC and to social norms around compliance;
- awareness of GIC can motivate businesses to pay on time to avoid extra costs and long-term debt;
- businesses with no prior tax debt see GIC as a strong motivator; many said they were more likely to pay promptly after learning about penalties and GIC rates; and
- businesses already in debt are less influenced by GIC, as cash flow pressures dominate; for them, capacity to pay matters more than interest charges.

Many taxpayers and tax professionals highlighted in our consultation that they consider the GIC rate as punitive, particularly since it is no longer deductible as of 1 July 2025. Examples were provided to us where taxpayers expressed their view that GIC discouraged them from re-engaging with the ATO to resolve tax debts.

Case studies

The following case studies come from our consultation with external stakeholders and from complaints raised with us. They are not intended to be representative of all GIC remission applications. But they do highlight cases of procedural unfairness in tax administration. They demonstrate how failing to consider individual circumstances can lead to unfair outcomes that are not in line with the policy intent.

In the case study below, the ATO's policy was applied inflexibly, failing to exercise the broad discretionary power intended by legislation to ensure fairness and for individual taxpayers' circumstances be considered in decision-making.

Case study 1: Failure to consider individual circumstances

In 2023, a tax agent requested GIC remission for a client, citing the client's mental health challenges due to pregnancy-related complications. The initial ATO officer supported remission but lacked approval authority so it was escalated to a senior officer. The senior officer denied the remission.

The senior officer appeared to only focus on the circumstances of the business, overlooking the personal health-related complications beyond the taxpayer's control. Despite the agent's reference to health matters, the ATO did not follow up to request the missing medical evidence before making the decision.

Once we drew the ATO's attention to the above issues, the remission request was approved.

We have also observed instances where the ATO's officers may have interpreted 'special circumstances' for GIC remission too narrowly. This is evident in the case study below, where remission was refused for late lodgement, despite payment being made on time. By not remitting the GIC, it gives the impression that the GIC is serving a role intended for the penalties regime. Refusing remission in such cases is neither fair nor reasonable, as timely payment was made and there was no loss to the government or community.

Case study 2: Using GIC as a late lodgement penalty

A taxpayer sold a property, and the buyer paid GST (on behalf of the taxpayer) to the ATO on time. However, because the taxpayer lodged their Business Activity Statement (BAS) late, the ATO treated the GST as unpaid and charged over \$400,000 in GIC. This occurred despite the Commissioner having held the payment in consolidated revenue. We contested the ATO's views.

The taxpayer gained no financial benefit from the delayed lodgement and the Commonwealth was not denied access to the funds, yet the ATO maintained that GIC arose by operation of the law (around when 'payment' arises) and should not be remitted. The ATO acknowledged that GIC in this context did not compensate for loss of access to the funds. This case conflates late lodgement with late payment and contradicts the ATO's messaging that taxpayers should pay early when unsure of the exact amount due. Refusing remission where payment was effectively made on time undermines confidence in the fairness of tax administration and risks discouraging engagement.

Compounding effect creates disproportionate hardship

The ATO's shift in GIC remission posture, combined with limited communication about this change, has resulted in many taxpayers experiencing significantly heavier debt burdens, with interest often overtaking the principal debt. This creates an additional layer of difficulty for taxpayers when trying to re-engage with the tax system.

The following case demonstrates the compounding effects of GIC and highlights the importance of applying remission where circumstances warrant fairness.



Case study 3: GIC more than the original tax debt

A taxpayer left Australia in 2004 when a visa renewal was denied and engaged an agent to lodge final returns. The agent failed to do so but the taxpayer was unaware of that. The failure to lodge surfaced in 2023 when the ATO declined a foreign clearance certificate. The taxpayer lodged the 2005 return in April 2024 and paid the \$41,000 principal debt. However, GIC had compounded for nearly 20 years, reaching over \$275,000 — more than six times the original debt.

The ATO initially refused remission, citing lack of exceptional circumstances. The ATO suggested that the taxpayer should have followed up with the agent, but the taxpayer was overseas and unaware of an outstanding lodgement.

We advised the ATO that the taxpayer's situation was subject to special circumstances as they were not allowed to stay in Australia, which was beyond their control. The taxpayer had good compliance history, had acted in good faith by appointing an agent and promptly paid once aware of the situation.

Once we drew the ATO's attention to the unfairness and the special circumstances that led to the late payment, the ATO remitted the GIC in full.

For taxpayers trying to re-engage but unable to pay in full, escalating GIC makes catching up nearly impossible, discouraging compliance. Case study 5 highlights how the compounding effect of GIC creates practical barriers for taxpayers trying to re-engage, despite their willingness to pay.

Case study 4: GIC an obstacle to payment plan

A taxpayer in financial hardship owed nearly \$176,000 in tax and super liabilities. Due to seasonal income from their tree-logging business and ongoing treatment for a rare cancer, they could only afford \$4,000 per month over a five-year period. This made them ineligible for an interest-free payment plan, which requires full payment within 12 months. The ATO agreed to a general 36-month payment plan. However, with GIC continuing to accrue, it would have been impossible for them to comply with the arrangement.

When GIC accrual outpaces repayments, taxpayers lose hope of ever clearing their debt, which discourages compliance and exacerbates hardship.

In a very specific set of circumstances, we have heard from incarcerated taxpayers that practical constraints can significantly limit their ability to manage tax affairs, leading to growing debts. These include restricted phone access, limited or no internet availability, and an inability to complete two factor authentication, which may prevent access to online tax accounts. Difficulties receiving or responding to correspondence, and accessing financial records while in custody, are also commonly reported. GIC will accrue on a tax debt while a taxpayer is incarcerated. Even though these taxpayers do not have full control of their tax affairs, we have seen cases in which GIC remission is refused. This has significant impacts on their ability to start a new life after release. We will be undertaking a further investigation into the barriers faced by incarcerated taxpayers outside of this review.

Taxpayers experiencing all forms of vulnerability face the greatest challenge. Those seeking remission due to illness, natural disasters, or other vulnerabilities are often least equipped to navigate complex processes, engage early or advocate for themselves. A fair and reasonable approach is essential to prevent disproportionate hardship.

Our observations

The Commissioner has broad discretion to remit GIC under the legislation, and the exercise of that discretion should be supported by decision-making processes and outcomes that are fair and reasonable as a matter of good tax administration. Policy intent and fairness must remain central to how remission decisions are approached.

Policy intent and fairness must remain central

Tax must be paid when it is due, and GIC exists to deter late payment and compensate for lost public funds. Delaying payment should not be used as a means to manage cashflows or family budgets. However, because GIC is imposed automatically by law and does not take individual circumstances into account, the full amount can create unfair or disproportionate hardship. That is why the legislation gives the ATO discretion to remit GIC, in full or in part, where appropriate. While the latest EM (which informs Parliament's decisions) and ATO's Practice Statement emphasise that decisions should be fair and reasonable, our review found that this standard is not always applied appropriately.

The complaints and case studies we reviewed show that the ATO has not consistently met community expectations or applied what would be considered fair and reasonable as a matter of good tax administration when denying GIC remission. Although only a small proportion of taxpayers seek remission, these examples suggest that as the ATO tightens its approach, decisions often fail to consider personal circumstances or the cause of delay. This disproportionately affects small businesses, the main drivers of rising tax debt. ATO's publicly stated position is that taxpayers who have fallen into arrears should engage early but early engagement does not stop the interest accruing. In many cases, this can often result in the interest owed becoming larger than the original principal tax debt. Inflexible remission practices exacerbate hardship rather than encourage compliance creating a cycle of financial stress, disengagement, and insolvency. In many cases, these outcomes could have been avoided through a fair and reasonable application of the GIC remission discretion.



Accordingly, as part of establishing the ATO's centralised penalty and interest function, it is important that it ensures supporting guidance, processes and training clearly and consistently direct officers to identify and assess the specific circumstances of each individual case.

Agreeing to remission upfront for taxpayers trying to engage

Feedback we received from the community indicates that many taxpayers are able to pay their tax debt, or agree to payment plans, if GIC stops accruing and/or the existing GIC is remitted. They suggested that remitting GIC in full or part could enable debt repayment and increase compliance.

Payment plans provide nearly 1.3 million taxpayers with a way to pay back tax debts in a manageable way, while also keeping up with current obligations. The ATO generally looks to secure a payment plan within 18-24 months and during that time, GIC

GIC can make headway impossible

"When clients are on a payment plan for genuine reasons, the GIC makes it impossible for some of them to make any headway on the debt. I have a client with tongue cancer, kidney failure and mental health issues - who is being charged GIC which they say can't be remitted until we get to the end of the payments. If they remitted the GIC the accounts would probably nearly be cleared based on how long it's been going."

- A submission to the review

continues to accrue. Depending on the size of the debt, the compounding accrual can be larger than the monthly payments. This can lead to the payment plan defaulting even though the principal tax debt was paid off.

We consider it is in the interests of the fairness of the tax system to assist taxpayers where the application of interest causes tax debts to grow beyond their capacity to pay where they are actively trying to repay their tax owed, especially if they have experienced factors outside of their control impacting their ability to pay. Some of the case studies (along with others our office has reviewed) demonstrate how GIC can compound to levels grossly disproportionate to the principal debt, including debts put on hold due to being uneconomical to pursue. We believe this outcome goes beyond the policy intent of repaying the community for lost access to the funds or levelling the playing field for those who pay on time.

Although GIC is imposed by law and the ATO cannot control its accrual, we believe that the ATO should, where appropriate, agree to GIC remission up-front (for a specified period) for taxpayers experiencing vulnerability or hardship who meet the criteria and

enter into and maintain compliant payment plans. This might be for the full or part of the interest owed and should include the option to agree to future remission for the period of repayment (if compliance is maintained). This approach would effectively extend the existing interest-free payment plan settings (currently restricted to small businesses) to other taxpayers experiencing vulnerability or hardship, ensuring GIC does not accumulate while taxpayers take reasonable steps to repay. This would discharge debts more quickly and get taxpayers back to ongoing compliance. Such an approach could be governed by updates to the ATO's Practice Statement, with published eligibility and safeguards to preserve fairness to compliant taxpayers.

Denying GIC remission can feel unfair:

“Why is our GIC not remitted if we stick to a payment plan, and the payments are made before the next BAS is due?”

- A submission to the review

Fairness should guide good administration

Fairness to those who pay on time and to compensate the community is critical. As outlined in chapter 1, the uplift is there to encourage prompt payment of tax liabilities. In this context, the ATO should consider how partial remissions can be applied more flexibly to support engagement and voluntary compliance. For example, reducing the amount payable in appropriate cases while reserving full remission for exceptional circumstances. By making better use of partial remissions, the ATO will be able to support and enable taxpayers who genuinely engage to do so without undue hardship. This will be a step in the right direction to strike a balance between fairness and protecting community revenue. Administratively, the ATO should continue to use

tailored engagement strategies in driving compliance and re-engagement for this cohort.

During our review, many taxpayers and tax professionals also raised broader concerns about how the GIC regime impacts engagement with the tax system. These concerns relate to policy settings that extend beyond the ATO's administrative powers. A policy review could be valuable, similar to the 2004 review undertaken before introducing SIC in the 'report on aspects of income tax self assessment'. Such a review could examine the combined impact of GIC and penalties on chronic or habitual debtors and canvass alternative approaches to drive compliance and encourage engagement. Any changes flowing from such a review would be a matter for Government to consider and is outside of the ATO's remit.

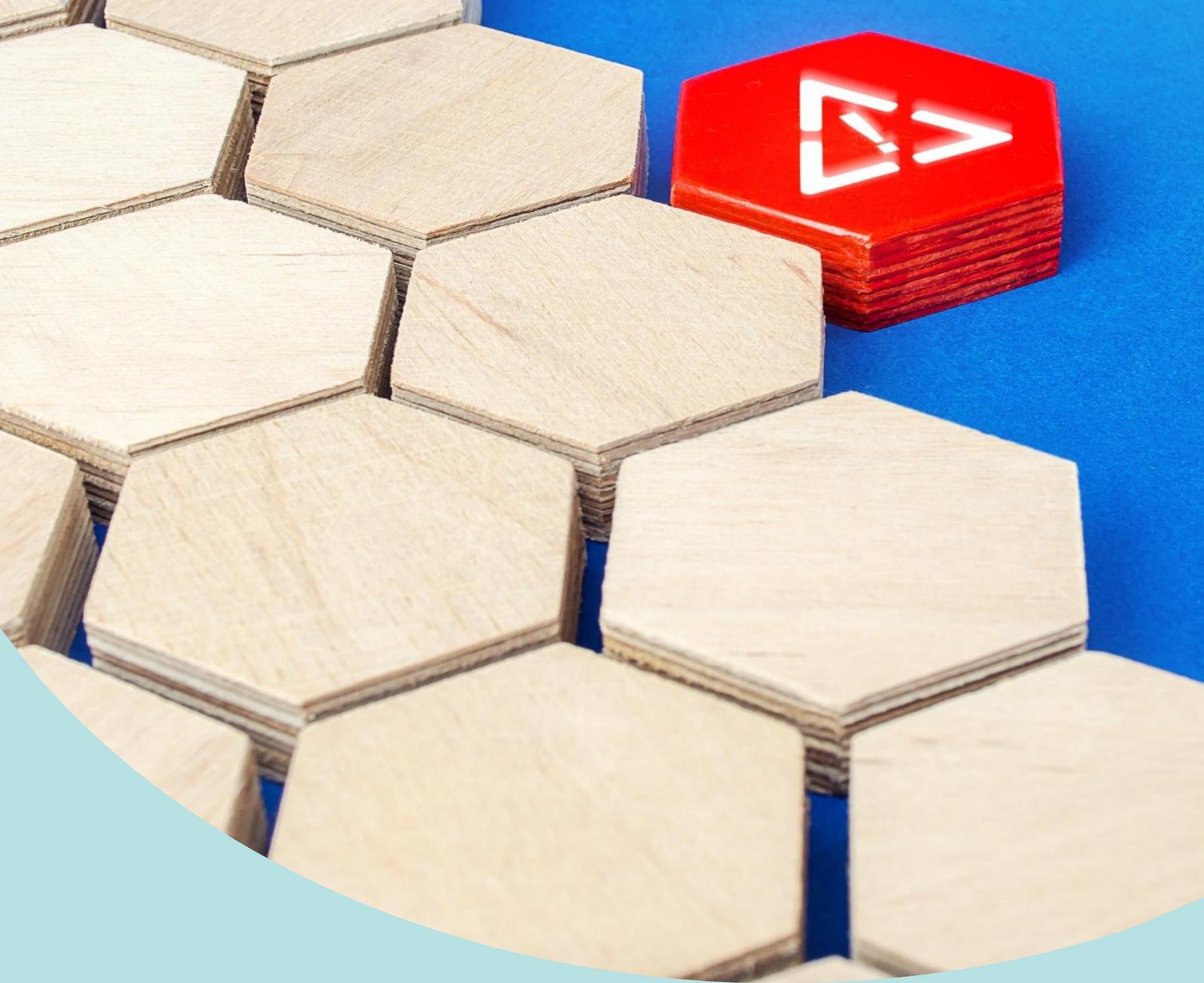
Rationale for change

Explicit and embedded direction within the ATO's decision-making processes requiring officers to consider the specific circumstances of each case is essential to ensuring that decisions are fair, reasonable, and aligned with policy intent. This is also necessary to avoid extreme outcomes which would not be in line with community or Parliamentary expectations.

Recommendation 2

The ATO:

- a. build on their plans for a new centralised penalty and interest function with updated guidance and training to improve how their officers consider the specific circumstances of each case;
- b. explore greater use of partial remission (meaning remission for a part period or partially reducing the amount payable), and publish the factors it may consider when deciding partial remissions; and
- c. explore options for upfront agreement of full or partial GIC remission for a specific period (including the future period of a payment plan) for taxpayers repaying their debts.



3. Inconsistent decision-making

Inconsistent decision-making

The biggest issue raised with us during consultation was the inconsistency in GIC remission decisions made by the ATO. Very similar cases often appeared to receive different outcomes. This chapter examines the ATO's decision-making process to identify the causes of this issue, which has eroded public confidence in the fairness of the system and how its plans for a new concessions framework will address this issue.

What we found

GIC remission requests can be made any time. Once received by the ATO, requests are queued and automatically assigned to an officer with the appropriate skills, usually at the APS 2 or APS 3 level. This means a large number of officers are considering requests for remission. These officers follow internal guidelines and are supported by their supervisors and technical specialists.

The ATO system does not automatically detect requests from associated entities, and there are no system indicators to help officers identify related cases.

We have also found that if a GIC remission is granted in error, the ATO generally do not reverse it, which can contribute to perceptions of inconsistency when similar requests are later refused.

Remission decisions are inconsistent.

"We submitted three identical GIC remission requests for a client and two related entities. ... While two requests were granted, the other request involving the larger amount was denied in full."

- A submission to the review

ATO's guidance

Since the law does not clearly define key terms relevant to assessing a taxpayer's circumstances against the remission grounds, the ATO offers various guidelines for its officers in addition to its Practice Statement. The current guidance is vague and not well followed. The ATO has recognised this and are already working on improving them.

Our survey found that 81% of taxpayers and 67% of tax professionals familiar with the GIC Practice Statement consider it confusing and unhelpful. They specifically requested additional examples to be provided in the guidance.

We also found that the guidance for staff on how to make decisions on remissions based on ‘special circumstances’ appears much later in the internal guidance and does not form part of the grounds for remission and can be easily missed.

Lack of guidance on what information is required

Internally, the ATO’s 2024 review found that officers did not understand the information required to make a decision. The ATO has since made changes to improve this. Officers are now required to request more information if a remission request lacks sufficient information to make a decision. However, the current procedures do not explain the minimum information required or what to do if information provided in the GIC remission request is inconsistent with ATO held information.

At the commencement of this review, the ATO’s public guidance did not clearly outline the information required to support GIC remission requests. It provided limited detail on the decision-making criteria and did not specify what evidence matters. This can lead to ongoing correspondence if the taxpayer or their representative provides insufficient detail to inform a decision and creates delays while the ATO seeks that information (or worse, makes a decision without it).

In addition, many taxpayers and their representatives are unaware of the depth of financial information the ATO already holds about them and how this influences its assessment of GIC remission requests. The following case study illustrates this.

Case study 5: The ATO uses all known financial information about the applicant

A representative approached us seeking GIC remission for a client who cited COVID-related special circumstances as the reason for not paying their capital gains tax for the sale of a property. However, what the representative did not know, but what the ATO later disclosed, was that during the period the client cited special circumstances, the client had purchased multiple properties (amongst other factors, such as failing to engage with the ATO). The remission was rightly refused.

Had the taxpayer been aware of the extent of financial data available to the ATO and the factors that the ATO considers to make remission decisions, they may have re-considered their claim or self-selected out of the remission process.

Our review identified several factors the ATO consistently considers in GIC remission decisions, set out below, yet these are not clearly communicated to the public.

GIC remission considerations	
Is it fair and reasonable?	
Compliance history	<ul style="list-style-type: none"> • If you have a history of not making payments by the due date or late lodgements • If you have asked for GIC remissions in the past • Are all your lodgements up to date?
Capacity to pay	<ul style="list-style-type: none"> • What was your annual income in recent years? • If you have luxury assets or investments
Mitigating steps	
Mitigating steps	<ul style="list-style-type: none"> • If you tried to seek alternative financing • If you have maintained ongoing dialogue with the ATO
Other	
Taxpayer circumstances vs agent circumstances	<ul style="list-style-type: none"> • A taxpayer is generally bound by the acts of their authorised representative, such as registered agents. • GIC does not have safe harbour* provisions. • This means, under general law of agency – the actions of the agent/representative are taken to be the actions of the taxpayer.
<p>* Safe harbour provisions protect taxpayers from certain penalties if they gave timely, complete information and their registered tax agent erred.</p>	

Source: Tax Ombudsman table based on ATO information

Differences by application method

In our consultation, it was apparent that it is common practice for tax professionals to call the ATO multiple times until they find someone willing to grant remission. They highlighted to us that the ATO’s decision-making was so inconsistent that they were unsure of how each officer was making their decisions and therefore would seek a second, third or fourth opinion.

An ATO review in 2024 found a stark difference in approval rates between application channels.

- 76% of written GIC remission requests were approved
- 92% of phone requests were approved.

The ATO review also highlighted that staff administering GIC remissions by phone were generally not following internal guidance or procedures. This suggests a high degree of non-compliance, due to unclear guidance or feeling pressured to agree while on the phone to a taxpayer or representative.

Perceived bias against agents

Some tax professionals stated that they believed the ATO is more likely to approve GIC remission requests submitted directly by taxpayers rather than by their representatives. Under the recent tightening up of remission, some agents have changed their practice to ask their clients to seek their own remission decisions. Agents shared their experience with us which suggested their clients had fared better in having their requests approved.

Procedure: We found no published or internal ATO guidance instructing officers to treat GIC remission requests differently based on who submits them. Whether a request comes from a taxpayer or a tax agent does not affect the process.

Data: Data is not available to determine whether the ATO treats GIC remission requests differently based on who submits them as remission requests do not log who submits them. Comparing represented and unrepresented taxpayers can be misleading, as agents do not always submit requests on behalf of their clients. To address this, we analysed requests submitted via Online Services for Agents (OSfA) and Online services for business (OSB).

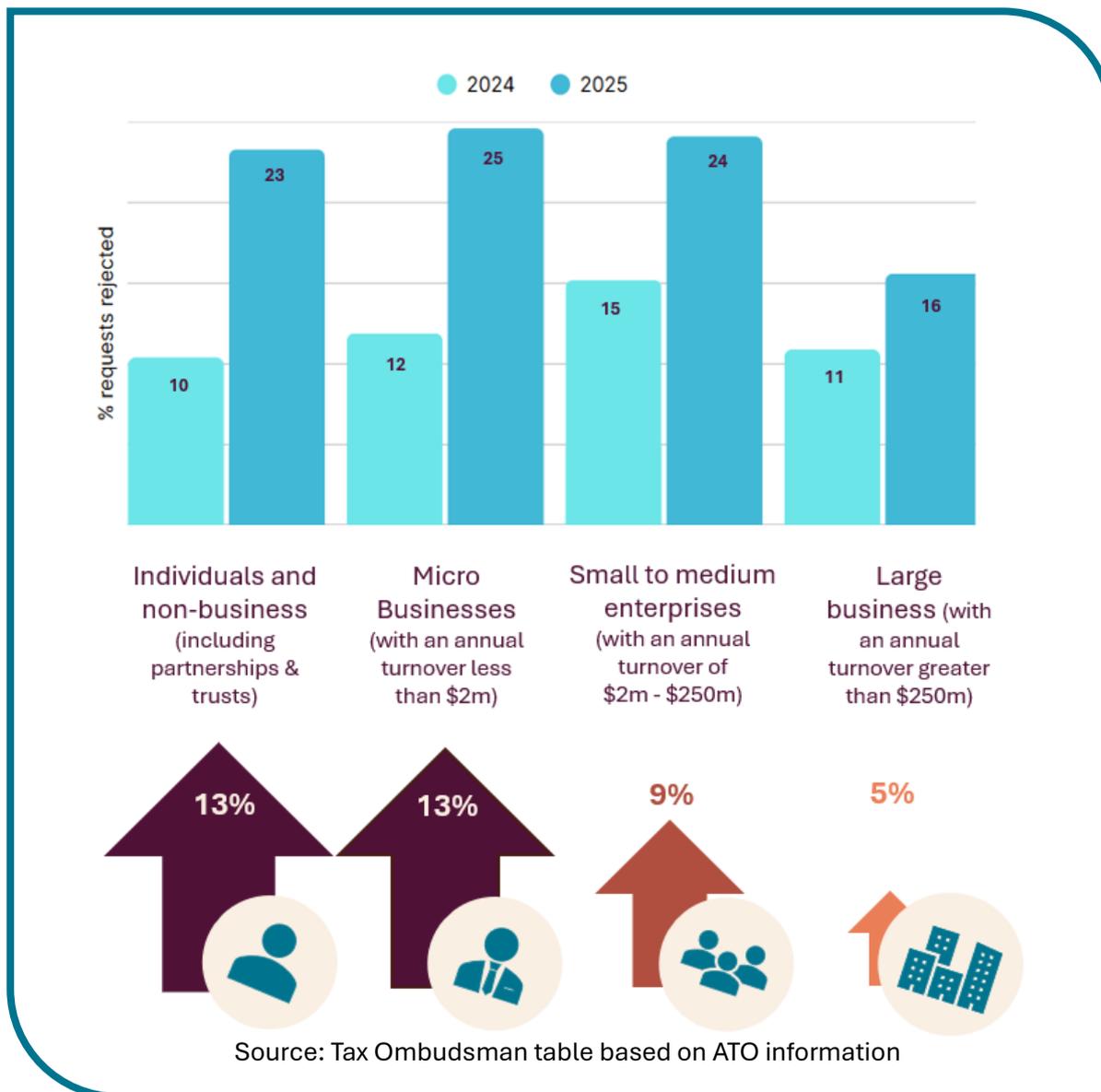
	OSfA	OSB
2024	84%	84%
2025	70%	71%

Source: Tax Ombudsman table based on ATO information

The data shows that the GIC approval rates are similar between tax professionals and businesses.

Perceived favourable treatment for large corporations

Taxpayers and tax professionals have raised concerns that the ATO applies a more stringent approach to GIC remission requests from small businesses and individuals. Below is a table showing the percentage of successful GIC remission requests by market segment for both the 2024 and 2025 financial years.



The data indicates that GIC remission requests across these 4 market segments had similar approval rates in 2024. However, in 2025, approval rates declined sharply for all segments except large enterprises.

We also reviewed tax settlement data covering 6 financial years to 30 June 2025 across different market segments. We found that the proportion of interest being reduced for each segment varied year to year but with no clear trend between segments.

Our observations

Inconsistent decision-making

Inconsistent decision-making is one of the main concerns raised by taxpayers and tax professionals in relation to GIC remission. While GIC remission is a discretionary power held by the ATO rather than a taxpayer entitlement, it should not be applied so broadly that different decisions are reached for taxpayers in similar circumstances. Perceived consistency in decision-making is critical for public confidence in the tax system. Variations in decisions often occur because junior officers interpret vague guidance and policies differently, especially in complex cases.

Centralised function established:

During the course of the review, the ATO established a centralised function to process GIC remission requests. Requests above \$2,500 will not be approved over the phone but escalated to the centralised function.

Tailored Support Hub launched:

The ATO launched the Tailored Support Hub in November 2025 to ensure fairness in how its officers engage with taxpayers experiencing vulnerability.

The centralised function and the Tailored Support Hub will enhance consistency, provide holistic support and provide better support to taxpayers experiencing vulnerability.

Online resources updated:

During the course of the review, the ATO updated its online guidance on GIC remission, including additional practical examples and clearer information about the factors it considers when making remission decisions.

We welcome the refreshed online resources as they will benefit both the public and ATO officers. While guidance cannot cover every scenario, the ATO should continue to strengthen consistency by regularly updating online examples and holding regular calibration sessions within its new centralised function, where officers share complex cases and agree on approaches aligned with community standards.

These measures will promote fair and transparent use of discretion and improve confidence in outcomes. The ATO should continue to monitor officers' compliance with its administrative policies and internal guidelines and ensure practices remain consistent and do not deviate over time.

Special circumstances

ATO officers may miss the grounds for GIC remission under “special circumstances” due to the positioning of the criterion at the end of its internal guidelines. This creates a risk of missing opportunities to offer other types of relief for taxpayers experiencing vulnerability who often need support beyond GIC remission. The ATO should further strengthen its support through its Tailored Support Hub by updating internal guidelines to prompt officers to first consider whether special circumstances, including serious vulnerability, apply at the earliest stage possible.

Method of application

We understand that some tax agents prefer phone requests because they see it as the fastest way to resolve issues for their clients. However, evidence suggests that the ATO’s officers may feel pressured to approve requests over the phone to avoid confrontation, overlooking established procedures. This is unfair to taxpayers who submit written requests or pay taxes on time. It is encouraging that the ATO is now moving away from phone-based GIC decisions to reduce the risk of inconsistency and have recently introduced standardised GIC remission forms which prompts taxpayers or their representatives to provide the necessary information. We also welcome the ATO’s plans for improving transparency and understanding of the way requests for GIC remission are considered.

Online resources updated:

During the course of this review, the ATO introduced standard GIC remission application forms to assist taxpayers in providing the information required to support their requests. This will standardise the input to decision-making on GIC remission. Alongside a centralised function to make the decisions this is likely to reduce inconsistency.

Information requirements

The lack of internal guidance on information requirements can result in reasonable requests being denied. It may also cause back-and-forth correspondence between the ATO and taxpayer to gather further information, leading to further delays. During these delays, the interest continues to grow. Accordingly, the ATO should include more detailed internal guidance on when officers are expected to request further information, particularly where taxpayer-supplied information conflicts with ATO-held data and attachments are clearly missing, to support procedural fairness.

We are pleased see that the ATO has created and updated its webpages to provide clearer guidance on requesting GIC remission and the information it considers for individuals. These improvements will help taxpayers and tax professionals to assess their eligibility and prepare stronger requests.

Perceived differences in the ATO's treatment

There is no evidence that GIC remission requests from taxpayers or agents are treated more favourably. Taxpayers may appear more successful simply because they are better placed to explain their own circumstances, whereas agents sometimes struggle to answer follow up questions — something we observed in a phone conversation between an ATO officer and a tax agent.

ATO data shows that GIC remission requests from large corporations were more likely to be approved, especially in the 2025 financial year. The higher approval rate may reflect the complexity of their debts, the quality of their well-resourced applications and the intricate nature of their operations and legal structures. However, we recognise that this is an area of concern and ongoing monitoring is needed to determine if this becomes a trend.

Rationale for change

Perceptions of consistency are a key driver of public confidence in the fairness of the tax system. While use of discretion is always going to lead to some variation, inconsistency in outcomes needs to be addressed.

Recommendation 3

The ATO build on their improvements in addressing inconsistency in decision-making by:

- a. conducting regular calibration sessions on complex GIC remission applications;
- b. providing better clarity in its internal guidelines on when officers are expected to request further information; and
- c. updating internal guidelines such that officers are prompted to consider if special circumstances, including serious hardship or serious vulnerability, apply at the earliest stage as possible.



4. Communicating decisions and review rights

Communicating decisions and review rights

We have heard concerns that the ATO's letters refusing GIC remission are too generic and lack sufficient detail, making decisions hard to understand and challenge. The difficulties in accessing an internal review of the ATO's decision creates further challenges for taxpayers and their representatives. The majority of those we consulted were not aware of the existence of their review rights. This chapter examines these issues and explores ways to improve transparency and procedural fairness in the GIC remission process to re-establish confidence in the ATO's approach.

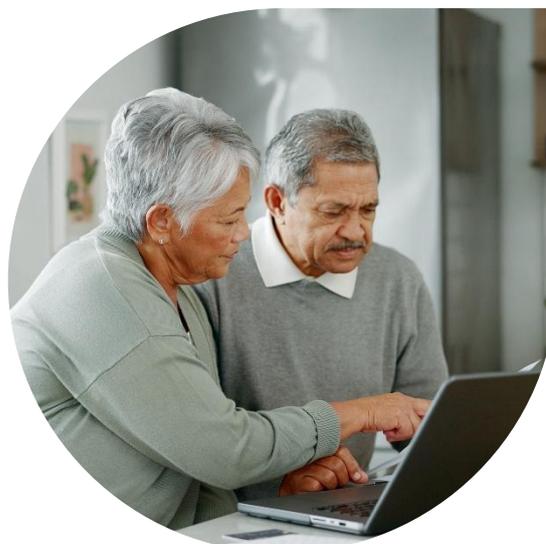
What we found

Communicating GIC review decisions

The ATO's procedures require that all refusals and partial remission decisions be communicated in writing using a decision letter template. Officers may use standard paragraphs covering common scenarios but are advised to tailor them to the taxpayer's circumstances. In practice, however, many rely heavily on these standard paragraphs.

Taxpayers have complained that letters appeared to be written by the ATO using artificial intelligence (AI). Our investigations found that AI was not being used to write the letters but the heavy reliance on cut and pasted template responses made it appear so.

A review of 20 GIC remission cases found that while some internal case notes showed detailed consideration, the corresponding decision letters often lacked sufficient explanation. In most cases, the letters did not clearly convey how the ATO had assessed the request or reached its decision.



Case study 6: Internal notes and decision letter lacked sufficient detail

In mid-2025, a business director applied for GIC remission, citing serious health issues since mid-2022, including a stroke, heart surgery, and ongoing rehabilitation. Supporting medical documentation was provided.

ATO internal notes indicated partial remission was granted for the period 1 December 2022 to 1 December 2023 but gave no rationale for the timeframe or calculation.

The decision letter used template wording and briefly acknowledged the taxpayer's health issues. However, it failed to explain how the remission amount or period was determined, show how legislative and guidance criteria were applied, or convey empathy and an understanding of the taxpayer's circumstances.

Review pathways for GIC remission decisions

Stakeholders have raised concerns that, in law, there is no formal merits review process for GIC remission decisions, such as objection rights. This means, taxpayers cannot have the ATO decision reviewed by the Administrative Review Tribunal. The only formal option is an external judicial review through the Federal Court, which is costly and complex. It is limited to assessing whether the ATO's decision was legal (i.e. breaches of natural justice, procedural failures, lack of jurisdiction, error of law, or improper exercise of power) rather than the merits of its decision and whether the decision was correct.

Reconsideration conditions extended:

Taxpayers who disagree with the ATO's GIC remission decision can lodge a new request if they believe the ATO has made an error in deciding the request, or if there is a new key piece of information.

Prior to the commencement of this review, the ATO could only consider a new GIC remission request if a taxpayer can provide new or additional information to support their request. However, during the course of this review, the ATO updated its website to extend the conditions under which it will reconsider a decision not to remit when the taxpayer disagrees with that decision. Administratively, the ATO may now reconsider its GIC remission decision when taxpayers submit a request detailing circumstances

where they think the ATO has made an error, or where there is new information or evidence that supports their request. There is no limit on the number of GIC remission requests that a single taxpayer can make.

Accordingly, taxpayers may challenge the ATO's remission decisions through these options:

1. submitting a new remission request detailing circumstances where they think the ATO has made an error, or where there is new information or evidence;
2. lodging a complaint, which may prompt a review of the original decision;
3. lodging a complaint with the Tax Ombudsman. After the ATO has reviewed its decision, we may conduct an independent investigation. However, if the ATO does not agree with our findings, we cannot overturn or substitute its decision.
4. seek judicial review through the Federal Court or Federal Circuit and Family Court, which only examines procedural fairness.

The ATO's decision letter currently highlights the Federal Court as the primary avenue for challenging decisions. It does not clearly state that taxpayers can request the ATO to reconsider its decision where the taxpayer can detail where the ATO has made an error, or if the taxpayer has additional information. It also omits any reference to complaint options within the ATO or our office.

Our observations

Need for clearer decision letters

Our review of 20 cases confirmed that while internal notes at times showed detailed analysis had taken place of each case on its merits, this was rarely reflected in the letters to the taxpayer. A key issue is the reliance on standard paragraphs that are not tailored to the specific facts of each case. During observations of ATO staff, some expressed reluctance to modify the template wording, viewing them as the approved language. A lack of tailoring gives the impression to the taxpayer that their circumstances were not considered.

As a result, decision letters often lack sufficient detail to guide taxpayers on what additional information might support a review. This is particularly problematic, as the ATO's informal review process is only triggered if new information is provided.

Explanations are lacking or absent.

"The ATO generally responds with standard remarks...When asked for further detail regarding their decision, they refuse to engage."

- A submission to the review

Given that the ATO's data may be outdated and not fully reflect a taxpayer's financial context, it is critical for letters to explain reasoning clearly. Transparency helps taxpayers respond with additional information or correct inaccuracies.

To improve transparency, confidence in the system, and support fairer outcomes, the ATO should enhance its decision letters by clearly explaining:

- how the facts provided by the taxpayer were considered, rather than simply listing the facts as provided by the taxpayer
- how the criteria prescribed in legislation and guidance were applied to those facts rather than just listing out the criteria
- in partial remission cases, how the remission period or amount was determined
- and acknowledge the taxpayer's lived experience and personal circumstances by tailoring standard paragraphs and templates.

These improvements could be supported by updates to training materials, guidance, and quality assurance processes. While more detailed letters may increase processing times, reduced back-and-forth correspondence between the ATO and taxpayer could result in time saved.

Informal review options

Our office continues to see complaints where the ATO did not sufficiently consider a taxpayer's circumstances, even when no new information would have been needed. In practice, the ATO offers informal internal review rights. However, these informal options are not well known to the public, nor are they clearly set out in the ATO's GIC remission decision letters.

The ATO is addressing this by revising its website on the criteria under which it would consider a new GIC remission request. To support this positive change, the ATO should revise its templates to clearly present all reconsideration and complaint options upfront. This includes the ability to lodge a new request where they can detail the ATO's error or provide additional information as well as the ATO and Ombudsman's complaint pathways. The ATO should also ensure its internal guidance for GIC remission clearly set out how taxpayers can access these reconsideration options, and the necessary level of information and evidence to support the request.

Review options are limited and vague.

"We could not object against the decision – we had a right of review to the Federal Court which seemed excessive. I ended up lodging a complaint with the ATO about the entire process, and the GIC was eventually remitted without seeking a right of review ... However, this could have been avoided..."

- A submission to the review

Despite the ATO implementing an administrative solution to allow taxpayers an informal reconsideration option, there is a lack of formal legislative merits-based review rights for GIC remissions. In our view, the grounds for GIC remission require qualitative judgments about conduct, effort and fairness rather than a mechanical calculation, similar to the penalty regime. While the law is meant to be applied objectively, we have observed subjectivity in the way some GIC remission refusal decisions are made. This subjectivity makes the absence of a merits-based review process a serious concern for procedural fairness. Any amendment of legislation to allow for formal external review rights would be a matter for Government to consider and is outside of the ATO's remit.

Better external review options are needed.

“Establish a more accessible and cost-effective avenue of review for ATO GIC remission decisions, rather than the current limit to Federal Court proceedings.”

- A submission to the review

Rationale for change

Clearer, more detailed GIC remission decision letters are essential to explain how facts are assessed and criteria applied, improving transparency and procedural fairness. Introducing an internal administrative review mechanism, even informally, would give taxpayers a genuine way to challenge decisions on fairness, demonstrate the ATO's commitment to accountability and strengthen decision-making over time.

Recommendation 4

The ATO:

- a. improve the level of detail in its letters that refuse GIC remission or agree to only partial remission, to explain how its decisions were reached;
- b. update its standard paragraphs, templates, guidance, and training to ensure decision letters are tailored to better acknowledge the taxpayer's lived experience and personal circumstances; and
- c. improve clarity and visibility of the options for reconsideration and review of GIC remission decisions, including updating its letter templates and internal staff guidance.

**Appendix A: Australian
Taxation Office response**



Ruth Owen
Tax Ombudsman
GPO Box 551
Sydney NSW 2001

Dear Ruth

Thank you for the opportunity to provide comments on the Tax Ombudsman's final draft report on *The ATO's management of remission of general interest charge*, which was shared with us on 5 February 2025.

The ATO's primary role is to administer the tax system in accordance with the law. The General Interest Charge (GIC) is an important instrument in ensuring taxpayers are incentivised to pay on time. However, we balance our role in collecting tax for the benefit of the community with the appropriate flexibility in circumstances where taxpayers experience serious vulnerability. Providing support in these circumstances is necessary to enable continued and willing participation in the tax. As you have noted in your report, it is also important to ensure that our decisions do not inadvertently create an unfair, competitive advantage for taxpayers who are able but choose not to meet their lodgment and payment obligations in full and on time.

Our recently released *Vulnerability Framework* outlines our commitment to supporting people experiencing vulnerability and responds to a number of the concerns identified in your report. In addition, the process changes to GIC remission announced on 22 January 2026 are aligned with your recommendations and represent a meaningful step toward addressing the opportunities for improvement that have been identified.

We note that requests for GIC remission remain low relative to the number of accounts to which GIC is applied under the law. Similarly, when considered in the context of the overall approval rate, the number of requests where remission has been granted is high – in the order of 75-85%, and amounted to \$2.5 billion being remitted in 2024-25. While this does not detract from the lived experiences described in the case studies, we consider these to be individual examples and not reflective of the system more broadly. Similarly, we expect the rate to vary across markets. In the large market we see less requests for a number of reasons, including that these are generally more sophisticated taxpayers who are highly advised. We also have a slightly higher remission approval rate due to applications being of a high quality, well evidenced and aligned closely to the requirements of the law.

We agree with all of the recommendations in the report and note that they align with work already underway to further improve the administration of the Commissioner's discretion to remit GIC. These actions will also complement our broader review of taxpayer relief provisions, the outcomes of which we intend to publish shortly.

Our detailed response to the recommendations is attached.

We would like to thank your team, as well as the stakeholders who contributed to this review, for their constructive engagement and the professional and collaborative approach taken throughout the process.

Regards

David Allen
Second Commissioner of Taxation – Frontline Operations

19 February 2026



ATO response

ATO's management of remission of the general interest charge review

Recommendation	ATO response
Chapter 1 - The ATO's approach to GIC	
<p>1 The ATO to conduct a post-implementation review of the changes implemented in relation to GIC remission in late 2025 and early 2026, within 12 months of their completion. This includes the introduction of a centralised function for decision-making, a standard application form, and website updates, including revised guidance and published examples of how the criteria for remission are applied.</p>	<p>Agree</p> <p>The ATO is committed to continuing to make sustainable improvements to its administration of GIC.</p> <p>As part of our broader review into taxpayer relief provisions, the outcomes of which will be communicated publicly in 2026, the ATO anticipates a rolling sequence of additional changes and improvements across interest and FTL penalty remission, payment and lodgment deferrals and payment plans that will build on the interim changes already made.</p> <p>The ATO is committed to publishing areas of improvement and plans to address them as part of this process.</p>
Chapter 2 - ATO's administration of the policy intent	
<p>2a The ATO build on its plans for a new centralised penalty and interest function with updated guidance and training to improve how its officers consider the specific circumstances of each case.</p>	<p>Agree</p> <p>The ATO agrees with this recommendation and has already begun to roll out updated training materials and guidance for staff as part of interim GIC remission process changes announced in January 2026.</p> <p>The ATO notes that there is a fine balance between clear, prescriptive guidance that delivers consistent outcomes, and sufficient flexibility to enable broader discretion to be applied when it is appropriate to do so.</p>

Recommendation	ATO response
<p>2b The ATO explore greater use of partial remission (meaning remission for a part period or partially reducing the amount payable), and publish the factors it may consider when deciding partial remissions.</p>	<p>Agree</p> <p>The ATO agrees with this recommendation to explore greater use of partial remission and publish guidance on the factors that may be relevant when considering the appropriateness of such a decision.</p>
<p>2c The ATO explore options for upfront agreement of full or partial GIC remission for a specific period (including the future period of a payment plan) for taxpayers repaying their debts.</p>	<p>Agree</p> <p>The ATO agrees to explore the boundaries of the Commissioner’s administrative powers to determine if there are any opportunities to extend our discretion within the existing legislative framework.</p>
<p>Chapter 3 - Inconsistent decision making</p>	
<p>3a The ATO build on its improvements in addressing inconsistency in decision-making by conducting regular calibration sessions on complex GIC remission applications.</p>	<p>Agree</p> <p>The ATO agrees with this recommendation and will build on the calibration sessions already undertaken and extend them to a broader audience.</p>
<p>3b The ATO build on its improvements in addressing inconsistency in decision-making by providing better clarity in its internal guidelines on when officers are expected to request further information.</p>	<p>Agree</p> <p>The ATO agrees with this recommendation and will build on the updated guidance on ato.gov.au around the evidence required as part of an application by providing greater clarity to staff on when they should request further information from the applicant or their representative.</p>
<p>3c The ATO build on its improvements in addressing inconsistency in decision-making by updating internal guidelines such that officers are prompted to consider if special circumstances, including serious hardship or serious vulnerability, apply at the earliest stage possible.</p>	<p>Agree</p> <p>The ATO agrees to this recommendation to improve guidance to staff to better identify taxpayers experiencing vulnerability to enable their applications to be directed to staff who are best equipped to assist with more complex circumstances.</p>

Recommendation**ATO response****Chapter 4 - Communicating decisions and review rights**

4a	The ATO improve the level of detail in its letters that refuse GIC remission or agree only partial remission, to explain how its decisions were reached.	Agree The ATO agrees with this recommendation and will work with staff to improve the content of letters outlining GIC remission request outcomes.
4b	The ATO update its standard paragraphs, templates, guidance, and training to ensure decision letters are tailored to better acknowledge the taxpayer's lived experience and personal circumstances.	Agree The ATO agrees with this recommendation and will work with staff to improve the content of letters outlining GIC remission request outcomes.
4c	The ATO improve clarity and visibility of the options for reconsideration and review of GIC remission decisions, including updating its letter templates and internal staff guidance.	Agree The ATO agrees with this recommendation and will improve letter templates and internal staff guidance materials to provide greater clarity of available resolution pathways.

**Appendix B: Section
8AAG of the Taxation
Administration Act 1953**

Taxation Administration Act 1953

Section 8AAG

Remission of the charge

- (1) The Commissioner may remit all or a part of the charge payable by a person.
- (2) However, if a person is liable to pay the charge because an amount remains unpaid after the time by which it is due to be paid, the Commissioner may only remit all or a part of the charge in the circumstances set out in subsection (3), (4) or (5).
- (3) The Commissioner may remit all or a part of the charge referred to in subsection (2) if the Commissioner is satisfied that:
 - (a) the circumstances that contributed to the delay in payment were not due to, or caused directly or indirectly by, an act or omission of the person; and
 - (b) the person has taken reasonable action to mitigate, or mitigate the effects of, those circumstances.
- (4) The Commissioner may remit all or a part of the charge referred to in subsection (2) if the Commissioner is satisfied that:
 - (a) the circumstances that contributed to the delay in payment were due to, or caused directly or indirectly by, an act or omission of the person; and
 - (b) the person has taken reasonable action to mitigate, or mitigate the effects of, those circumstances; and
 - (c) having regard to the nature of those circumstances, it would be fair and reasonable to remit all or a part of the charge.
- (5) The Commissioner may remit all or a part of the charge referred to in subsection (2) if the Commissioner is satisfied that:
 - (a) there are special circumstances because of which it would be fair and reasonable to remit all or a part of the charge; or
 - (b) it is otherwise appropriate to do so.

Source: The Federal Register of Legislation



Appendix C: Key GIC remission data

Key GIC remission data

Table 1: GIC impositions and remissions between 2018 and 2025

Financial year	GIC imposition (\$b)	GIC remission (\$b)
2018	\$4.78	\$1.93
2019	\$4.23	\$1.35
2020	\$1.82	\$0.64
2021	\$4.65	\$2.18
2022	\$5.14	\$1.84
2023	\$6.06	\$2.35
2024	\$9.18	\$2.08
2025	\$9.43	\$2.56

Source: ATO supplied data

Note: Figures do not match the data published in the annual report. The annual report figures combine GIC and SIC and exclude interest that is imposed and remitted on the same day.

Table 2: Volume and outcome of GIC remission requests

Financial year	2024	2025
Number of income tax returns lodged by all entities	19.7 million	Not yet available
Total established payment plans	1.13 million	1.29 million
GIC remission requests	124,000	126,000

GIC remission requests granted	109,000	96,000
GIC remission requests refused	15,000	30,000
% of requests granted	88%	76%

Source: Tax Ombudsman table based on ATO supplied data

Note: Data is based on number of unique clients

Table 3: Number of GIC remissions requested and granted by market segment in 2025

Market segment	Requests	Requests granted	Requests granted (%)
Individual and non-business	19,082	14,631	77%
Micro business	72,564	54,738	75%
Small to medium enterprises	30,344	23,031	76%
Large business	2,023	1,707	84%

Source: Tax Ombudsman table based on ATO supplied data

Note: Data is based on the number of unique clients and manual entries, which may contain errors. The data has not been assured by the ATO for public release and should be treated as indicative only.

Table 4: Proportion of liabilities paid on time by value

Financial year	2019	2020	2021	2022	2023	2024	2025
Result	89.9%	88.7%	88.0%	87.8%	89.9%	89.6%	89.4%

Source: Tax Ombudsman table based on ATO annual reports

Note: ATO payment target: 88.0%. A liability is deemed to be paid on time if received within 7 days of the due date.

Table 5: Composition of ATO’s collectable debt

Financial year	Principal debt (\$b)	GIC balance (\$b)	Total collectable debt (\$b)
2019	\$22.5	\$3.4	\$26.2
2020	\$29.8	\$3.7	\$34.4
2021	\$33.6	\$4.5	\$39.4
2022	\$38.6	\$5.4	\$45.8
2023	\$42.6	\$6.4	\$50.9
2024	\$43.6	\$8.2	\$53.7
2025	\$43.6	\$9.7	\$55.3

Source: Tax Ombudsman table based on ATO annual reports

Note:

- Data excludes credits from collectable debt.
- 2019 data includes AS, IT, SGC; excludes FBT, First Home Saver, MRRT, PRRT, Superannuation, Excise, unassigned.
- 2020–2021 data excludes Excise.
- 2024 onwards data uses a revised calculation based on effective payment date (not processing date) for more accurate liability timing; includes real-time payments.
- Debt age is unknown.

taxombudsman.gov.au

