

Tax Ombudsman calls for fairer interest charge relief

The ATO should urgently improve the way it offers relief from interest charges on tax debts for taxpayers trying to do the right thing, Tax Ombudsman Ruth Owen has found in her latest review.

“Interest charges (and the ATO’s increasing refusal to reduce or refund them) is contributing to growth in tax debt, increased financial stress for Australia’s struggling families and small businesses, leading to a loss in confidence in the tax system.”

In her latest report, the Tax Ombudsman highlighted inconsistent decision-making, vague guidance and poor communications were contributing to confusion and unfair outcomes.

“The ATO’s decision-making isn’t meeting community expectations. In particular, it is impacting too harshly on some taxpayers trying to do the right thing in repaying their tax debts,” Ms Owen said.

The Tax Ombudsman welcomed recent changes made by the ATO to address inconsistency in general interest charge (GIC) remission decisions and to improve its guidance to taxpayers and tax practitioners.

“Our recommendations build on the welcome recent improvements made by the ATO as well as encouraging them to test their impact after 12 months,” Ms Owen said.

The ATO has agreed to all the Tax Ombudsman’s recommendations.

Interest free payment plans

“My recommendations encourage the ATO to agree to up-front, interest-free payment plans for eligible taxpayers who enter into and maintain compliant payment plans. The interest does not then accumulate further while taxpayers take reasonable steps to repay their debts; it helps taxpayers get back on track and discharges the tax debt more quickly for the ATO,” Ms Owen said.

Tax law requires interest to be applied and to compound daily, even while taxpayers make repayments under approved plans.

“Interest 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. We have seen many cases where the interest compounds

to levels grossly disproportionate to the principal debt and the taxpayer’s ability to pay,” Ms Owen said.

In 2023, the ATO tightened its approach to remission and in the 24/25 financial year, the Tax Ombudsman received 134 GIC related complaints about the ATO’s approach. The report has highlighted that the change in approach was poorly communicated.

Options to challenge an ATO decision

The Tax Ombudsman found that there were additional grounds under which taxpayers could seek an informal review from the ATO that were not well understood or communicated.

“The ATO’s letters don’t always fully explain how the decision has been made to refuse a GIC remission request, or what options you have if you disagree with the decision. For many, the only formal dispute option is the Federal Court which is a costly proposition especially for those already in debt,” Ms Owen said.

During the review, the ATO extended its reconsideration criteria and will now reconsider decisions where the taxpayer believes an error has been made or when the taxpayer, or their representative, can provide additional supporting information for their application for remission.

To access the Tax Ombudsman’s full report and recommendations, visit our website: [Review: ATO’s management of remission of the general interest charge.](#)

A webinar on the findings of the review will be held at 12:30pm AEDT on Friday, 6 March 2026. [Register to attend.](#)

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Background

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.

Taxpayers with a debt can request a reduction or refund of interest, formally called a ‘remission,’ by asking the ATO and providing supporting information.

The current level of GIC is 10.65%.

Recent years have seen a considerable growth in tax debt. Of the \$55 billion in uncontested tax owed to the Commonwealth Government, 18% is made up of interest applied to the debt.

Between 2019 and 2025, the increase (of 185%) in the balance of GIC owed has outpaced the increase (of 94%) in uncontested tax debt.