

Case studies

*Names and genders may have been changed for privacy reasons.

Case study 1: “You’re stuck in a spider’s web”

Miriam* is a single mother of 2 children

Miriam was a high-earning businesswoman but, after her marriage ended, her whole life broke down. She has reported financial abuse by ex-husband that is still ongoing and has landed her with multiple debts with government agencies including the ATO and Services Australia. Her assets are frozen by a court order issued on behalf of her ex-husband. These frozen assets also resulted in Miriam and her family being unable to access welfare payments. She became homeless, with no income and 2 small children, and has suffered from major mental health issues as a result.

Miriam described how the financial and emotional issues overwhelmed her to the point that she didn’t have the capacity to help herself or find out what support, if any, was available.

"The support is there but you can't get it. I couldn't even make a phone call - I couldn't pick up the phone. I couldn't open the letters," she told the Inspector-General of Taxation and the Taxation Ombudsman, “and don’t expect me to find or understand the website. I was in no situation to do anything.”

By accident, she found support from financial counsellor at RUAH Community Services but she says: “my experience with the ATO traumatised me more than the original abuse. It was compounded by the way the system works.... like when you're stuck in a spider's web.” For example, The Family Court will not release the assets until Miriam has sought to have the tax interest remitted, but ATO won’t remit the interest because, on paper, she appears to have income and assets to pay off the debt.

Miriam added: “If it wasn’t for the financial counsellor, I wouldn’t be here right now... I would be six feet under.”

The financial counsellor and the Curtin University Tax Clinic have supported Miriam to seek a remittance of the interest accrued while her assets were frozen and a delay in the repayment of the debt. A delay would give her time to get back on her feet and resolve the outstanding legal issues, which should eventually mean gaining access to her frozen assets. She also needed time to rebuild her resilience, after which she would be ready to engage with the ATO to pay the debt. Nonetheless, she remains liable for the debts and the interest that accrued because of financial abuse.

Miriam is very passionate about seeing improvements in the way the ATO, Services Australia, the Child Support Agency and the Family Courts work together and share information between themselves.

“Other organisations took my detailed statement of facts including hardship; why wouldn't ATO?” she asks. “And I can't understand how each agency had to ask for a copy of my injunction. Why couldn't that be shared?”

Miriam has shared her story so that no one else has to go through what she has experienced.

Case study 2: ATO officers don't always understand the situation, or the options available.

Diane* is a financial counsellor supporting a victim-survivor of financial abuse.

Diane contacted the ATO to ask for details of her client's business tax debts, which arose because of financial abuse and coercion. She explained that the client was nominated by their ex-partner to be a director of the business but was not aware of the nomination or involved in the running of that business.

The ATO officer was surprised that the client did not know they were a director. Their surprise suggested that they didn't know how financial abuse can be perpetrated in the tax system and its impacts on victim-survivors.

When Diane explained that it was due to coercive control and financial abuse by the ex-partner, the ATO officer informed her that the client owed more than \$50,000 in GST, PAYG withholding and superannuation guarantee charges, although a director penalty notice had not yet been issued. Diane was advised that the only relief option available was a 24- to 36-month payment plan or bankruptcy. The officer did not explain any other relief options that might have applied, such as a possible longer-term payment plan or remission of interest.

Case study 3: Temporary relief is welcome, but only extends the uncertainty.

Elaine* has outstanding tax debts as a victim-survivor of financial abuse

Elaine contacted the ATO to arrange a payment plan or other type of relief for her tax debt. She told the ATO that she was a victim-survivor of domestic violence, including financial abuse, and was unable to pay her tax debt in full as she was in financial distress.

The ATO officer acknowledged her situation and gave her details of external support services. They also discussed potential tax relief options that might apply in Elaine's situation, such as placing the debt on hold or releasing her from the debt if she was in serious hardship. After Elaine provided her financial information, the officer transferred her to the ATO's hardship area, which assessed her circumstances and placed her debt on hold. However, the debt remains and could be re-raised and offset against a future refund or credit later. The ATO provided Elaine with contact details for the National Debt Helpline.

Case study 4: ATO officers don't always understand or apply their full suite of powers, leading to worse outcomes for taxpayers.

Maria* has outstanding tax debts as a victim-survivor of financial abuse

Maria had a tax debt because her ex-partner's tax agent lodged an unauthorised and fraudulent tax return on her behalf. The ATO told her to amend her tax return if it was not correct.

Maria's financial counsellor contacted the Inspector-General of Taxation and Taxation Ombudsman about the ATO's response. We confirmed that the ATO's advice was correct and provided information about tax clinic services and options such as applying to the ATO for a release of the debt or to the Department of Finance for a waiver of the debt.

Maria and her financial counsellor contacted the ATO again, including the ATO Advocate Help Desk. They questioned why they should seek to waive a debt that was created from fraud and expressed concern that lodging an amendment would be an admission of liability. The ATO explained that lodging an amendment was not an admission of liability and provided information about seeking a debt waiver from the Department of Finance.

The ATO can release taxpayers from debts if certain criteria for serious hardship are met but, although it did discuss debt waiver by the Department of Finance, it did not consider whether they could release Maria from her debt themselves.

Case study 5: Information-sharing works, but slowly, and victims bear the cost of delays

Sam* is a recipient of child support payments

Sam tipped off the ATO that their ex-spouse had not lodged their tax returns. The ATO applied its usual lodgement enforcement actions and sent a ‘re-engagement letter’ to the ex-spouse, who failed to comply by lodging their tax returns.

Sam made further tip-offs to the ATO when the tax returns were not lodged, and the ATO sent a further re-engagement letter, a voice message, and a final warning letter to the ex-spouse, who still failed to comply. As the case did not meet the ATO’s parameters to proceed further, it took no further action. Without accurate tax returns, Services Australia and Child Support cannot reliably calculate child support payments, which may have resulted in under- or over-payments.

In the 2024 financial year, the ex-spouse appeared on the ATO’s risk radar for multiple reasons: a high number of outstanding obligations, evidence of income over a certain amount, and a child support referral from Services Australia. The ATO began enforcement actions, including creating a child support case and issuing a default assessment warning letter. This prompted the ex-spouse to lodge all outstanding tax returns.

The new tax information will allow Services Australia and Child Support to recalculate Sam’s payments. If Sam was underpaid, this will be corrected, but the impact of the delay and reduced payments will already have been done. If Sam was overpaid, Services Australia may raise a debt to recover those payments, which Sam will be liable for, reducing future payments as a result.