FINSTEAD

A GUIDE FOR AUSTRALIAN BUSINESS OWNERS

ATO debt in 2026

What it costs, what the ATO can do, and your options.

11.51%
General interest charge a year, October to December 2026.

$35.9b
Small business collectable debt at 2024-25, 66.1% of the total.

64,342
Director penalty notices the ATO issued in 2024-25.

Every figure comes from the ATO or the Auditor-General and is listed at the back. Figures as at 2 November 2026. General information only.

BEFORE YOU START

What this guide is

It explains how the ATO charges interest on tax debt, what the ATO can do to recover it, and the options business owners have. It is general information about how the system works. It is not financial, credit, tax or legal advice, and it takes no account of your circumstances. Your accountant or registered tax agent knows your position. This guide does not.

Rates change. The general interest charge is reset every quarter. This guide shows the October to December 2026 rate as at 2 November 2026. Check the current figure on the ATO website before you rely on it.

1. WHY ATO DEBT COSTS MORE THAN IT USED TO

Why ATO debt costs more than it used to

For years, interest the ATO charged on a late tax debt was a deductible business expense. For interest incurred on or after 1 July 2025 it is not. Under the Treasury Laws Amendment (Tax Incentives and Integrity) Act 2025, neither the general interest charge (GIC) nor the shortfall interest charge (SIC) can be claimed as a deduction.

So the cost of carrying a tax debt rose without the rate moving at all. Two details matter more than the headline.

- **It is not grandfathered.** It applies to interest incurred from 1 July 2025, even if the underlying debt relates to an earlier year. A debt from 2022 that is still accruing interest today is accruing non-deductible interest.
- **Earlier interest is unaffected.** Interest incurred before 1 July 2025 remains deductible for 2024-25 and earlier income years.

What the change is worth in cash

Take a company with a $50,000 tax debt held for a year. At this quarter's rate it accrues about $6,098 of GIC. Here is what it cost after tax before the change, and what it costs now.

COMPANY TAX RATE	COST BEFORE 1 JULY 2025	COST NOW	DIFFERENCE
25%	$4,574	$6,098	+33%
30%	$4,269	$6,098	+43%

An illustration at the current rate held constant for a year. For a sole trader or partner the deduction was worth their own marginal rate, so the difference is not the same.

> **The rate did not move. The deduction disappeared.**

2. WHAT THE INTEREST ADDS UP TO

What the interest adds up to

The ATO charges 11.51% a year for the October to December 2026 quarter, applied as a daily rate of 0.03153425% that compounds daily. It was 11.43% for July to September 2026 and 10.96% for April to June 2026.

Because it compounds daily, interest is charged on interest already added, not only on the original debt. Here is what it adds over twelve months.

DEBT	INTEREST IN 12 MONTHS	ADDED ON DAY ONE
$20,000	$2,439	$6.31
$50,000	$6,098	$15.77
$100,000	$12,197	$31.53

The same $50,000 debt, left for longer

AFTER 1 YEAR	AFTER 2 YEARS	AFTER 3 YEARS
$6,098	**$12,940**	**$20,617**
Balance $56,098	Balance $62,940	Balance $70,617

Illustrations at the current rate held constant and compounded daily over a 365 day year. Not a forecast, because the rate resets every quarter.

The ATO can remit GIC in some circumstances. The rules for remission have not changed, but the ATO assesses each request carefully and there is no guarantee. Your tax agent can make the request.

3. WHAT THE ATO DID LAST YEAR

What the ATO did last year

The Auditor-General reviewed how the ATO manages small business collectable debt (Report No. 45 of 2025-26). These are collection actions the ATO actually took in 2024-25, not powers held in reserve. The counts cover all taxpayers, not only small business.

64,342

Director penalty notices

Can make a company director personally liable for certain unpaid amounts, such as PAYG withholding and super guarantee charge.

15,199

Garnishee notices

Direct a third party that holds money for you, or owes you money, such as your bank or a customer, to pay it to the ATO.

29,049

Intent to disclose notices

A written warning that the ATO may report your business tax debt to credit reporting bureaus.

24,533

Debts disclosed to credit bureaus

Business tax debts the ATO actually reported.

For scale, small business owed the ATO $35.9 billion of its $54.2 billion in collectable debt at 2024-25. That is 66.1% of the total, and up $19.4 billion (118%)

since 2018-19. The Auditor-General rated the ATO's management of that debt as partly effective. That is a finding about the ATO's own processes, not about any individual business.

4. WHEN A TAX DEBT CAN REACH YOUR CREDIT FILE

When a tax debt can reach your credit file

It is not automatic, and the size of the debt alone does not trigger it. The ATO may report a business tax debt to credit reporting bureaus only if all four of these apply.

1. The business has an Australian Business Number and is not an excluded entity. Deductible gift recipients, complying super funds, registered charities and government entities are excluded.
2. It has one or more tax debts, and at least $100,000 of it is overdue by more than 90 days.
3. It is not effectively engaging with the ATO to manage the debt.
4. It has no active Tax Ombudsman complaint about the ATO's intention to report the debt.

> **Condition 3 is the one most often missed. The ATO treats a payment plan you are complying with, an application for release, an active objection, or an active review or appeal as effective engagement.**

Before reporting, the ATO sends a written notice. From receiving it you have 28 days to act. If you pay the debt in full or start effectively engaging, you no longer meet the criteria and the ATO asks for the information to be removed from your credit report.

Meeting the criteria does not guarantee disclosure. The ATO may decide not to report in exceptional circumstances outside your control, such as a serious illness or a natural disaster. Cash flow problems and financial hardship are not generally treated as exceptional circumstances.

Your options, side by side

None of these is automatically best. Which fits depends on your cash flow, your trading history and what the debt is costing you.

OPTION	WHAT IT DOES	WHAT TO KNOW
Pay in full	Stops the interest and ends recovery action.	Needs the cash. Paying sooner always reduces total interest.
ATO payment plan	Spreads the debt over instalments and keeps you out of recovery action while you comply.	GIC generally keeps accruing but falls as the balance falls. If the plan defaults the full overdue balance can become payable immediately. New debts must be paid on time or placed on a separate plan.
ATO interest-free plan	Lets some small businesses pay overdue activity statement amounts over 12 months with the interest remitted.	You may be eligible if turnover is under $2 million, the amounts are $50,000 or less, overdue for up to 12 months, you can show viability, and your lodgement history is clean. Activity statement amounts only.
Ask for GIC remission	Asks the ATO to cancel some or all of the interest.	Assessed case by case. No guarantee.
Refinance with a lender	A lender pays the ATO in full and you repay the lender.	Has its own rate, fees and conditions, which can be higher or lower than the GIC. Subject to lender approval and does not suit every business.
Do nothing	Nothing.	Interest keeps compounding, it is not deductible, and the recovery actions in section 3 stay available.

Three questions to answer first

1. How long would it realistically take to clear the debt out of trading income, not out of one good month?
2. Over that period, what does each route cost in total, including fees, not just at the headline rate?
3. What happens to the business when the next BAS falls due part way through?

How an ATO refinance works

Finstead is a commercial finance broker, not a lender. We arrange a facility from our lender panel that pays the ATO in full, so the debt moves from the ATO to a lender. It usually runs in four steps.

1. **Get the exact figure.** Your ATO payout figure, by debt type, from your ATO online services account or your tax agent.
2. **Assemble the file.** Recent financials, BAS and bank statements, and details of any security.
3. **Match to lenders.** Only some lenders fund ATO positions, and they differ on security, trading history and speed. Finstead takes the file to those whose criteria fit.
4. **Settle.** The lender pays the ATO directly. You repay the lender instead.

Where it can make sense

- The debt is large and the interest is compounding
- A payment plan has lapsed or been refused
- Recovery action is under way or threatened
- The business can service a new facility from trading income

Where it may not

- The business cannot meet repayments on the new facility
- An interest-free ATO plan already fits the debt
- The new facility needs security you cannot or will not provide
- The total cost, with fees, is higher than the alternative

The ATO itself says to get advice from a registered tax agent before using third-party finance to pay a tax debt. We agree. Speak to your accountant first.

Recent ATO debt refinances arranged by Finstead

HOSPITALITY · NSW

A$2M-2.5M

Arranged a private credit refinance to clear the ATO debt in two weeks.

The business had defaulted on its ATO payment plan and was facing a Director Penalty Notice (DPN) and garnishee notices.

TRANSPORT · SA

A$500k-600k

Arranged an unsecured refinance to clear the ATO debt in six days.

The ATO refused a new payment plan when the latest BAS was lodged, leaving the business without a way to stay on top of the debt.

Anonymised, amounts shown as bands. Past results do not guarantee future outcomes. Every case is assessed on its own facts.

7. ONE DATE TO BE AWARE OF

One date to be aware of

30 June 2027

On 9 October 2026 the ATO confirmed it will keep accepting credit card payments for tax until 30 June 2027. After that, taxpayers wanting to pay by card will need a third-party payment provider, which charges its own fees. If a payment plan is linked to a credit card, plan a new payment method before the first instalment after that date.

8. WHAT TO HAVE READY

What to have ready

- Your ABN, entity type and whether you are registered for GST
- How much is overdue, and for how long
- Whether you have had an intent to disclose notice or a director penalty notice, and when
- Three to six months of business bank statements
- The total owed, by type: BAS, PAYG withholding, super guarantee charge, income tax
- Whether you have a payment plan and whether it is current
- The last two years of financials and your latest BAS lodgements
- What the business can actually pay each month out of trading income

9. WHERE EVERY FIGURE COMES FROM

Where every figure comes from

ATO, General interest charge rates
11.51% a year and 0.03153425% a day for October to December 2026; 11.43% for July to September 2026; 10.96% for April to June 2026.
https://www.ato.gov.au/tax-rates-and-codes/general-interest-charge-rates

ATO, Denying deductions for ATO interest charges
Treasury Laws Amendment (Tax Incentives and Integrity) Act 2025: GIC and SIC incurred on or after 1 July 2025 are not deductible.
https://www.ato.gov.au/about-ato/new-legislation/in-detail/businesses/deny-deductions-for-ato-interest-charges

ATO, Reminder on interest deductibility changes from 1 July
Pay on time, payment plans, remission and seeking tax advice before using third-party finance.
https://www.ato.gov.au/media-centre/ato-reminder-on-interest-deductibility-changes-from-1-July

ATO, Disclosure of business tax debts
The criteria for reporting to credit reporting bureaus and the 28 day notice.
https://www.ato.gov.au/disclosurebusinesstaxdebt

ATO, Payment plans
How payment plans work, interest while on a plan and the effect of defaulting.
https://www.ato.gov.au/general/paying-the-ato/help-with-paying/payment-plans/

ATO, Interest-free payment plans for overdue activity statement amounts
Eligibility for small businesses and how remission of interest works.
https://www.ato.gov.au/individuals-and-families/paying-the-ato/help-with-paying/payment-plans/alternative-payment-plans

ATO, Credit card transition period extended to 30 June 2027

Announced 9 October 2026.
https://www.ato.gov.au/media-centre/ato-extends-transition-period-for-taxpayers-using-credit-cards-until-30-june-2027

ANAO, Auditor-General Report No. 45 of 2025-26
Small business collectable debt and the ATO's 2024-25 collection actions (paragraph 1.18).
https://www.anao.gov.au/sites/default/files/2026-06/Auditor-General_Report_2025-26_45.pdf

Figures checked against these sources on 2 November 2026. Where a number is an illustration rather than a published figure, the page says so. Finstead Capital Pty Ltd, ABN 51 638 390 182, Australian Credit Licence 530764. Finstead is a broker, not a lender, and does not provide tax, legal or financial advice. Any finance is subject to lender approval, eligibility criteria and the lender's own terms, interest and fees. Nothing in this guide is a recommendation to take out finance, enter a payment plan or do anything else with your tax debt. Speak to your accountant or registered tax agent about your own position.

TALK TO FINSTEAD

Want to know what your business could qualify for?

A short conversation, no cost and no obligation. We scope your options before anything formal happens.

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