

Briefing note

Reference BN2026/234

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To Revenue Advisor, Minister of Revenue – Angela Graham
Private Secretary, Minister of Revenue – Melissa Zhen

From Chris Gillion, Strategic Advisor

Subject **Uncollectable tax debt and writing off tax debt**

Purpose

- 1 The purpose of this briefing note is to explain how tax debt is defined and written off. The specific matters addressed are:
 - What tax debt is uncollectable?
 - What is tax debt that is uneconomic to pursue?
 - How and why does Inland Revenue write off tax debt?
 - What impact does writing off tax debt have on the debt book?
- 2 This briefing note should be read alongside BN2026/229 Penalties and Interest on Tax Debt.

Uncollectable tax debt

- 3 Tax debt on 31 May was \$9.7 billion. Inland Revenue classifies \$3.7 billion of that tax debt as currently uncollectable. Uncollectable tax debt includes debt in liquidation or in bankruptcy, debt under current legal proceedings, debt in dispute or audit and provisional tax where no return has been filed to confirm the true tax position but the final tax payment due date has passed (see Appendix 1 for a full breakdown of uncollectable tax debt).
- 4 Uncollectable debt does not remain static. Debt can move between collectable and uncollectable as circumstances change. For example, tax debt in dispute may be uncollectable until after the dispute has concluded, at which point it becomes collectable again. A single taxpayer's debt may be classified as uncollectable for more than one reason at the same time. For example, a taxpayer may be subject to active audit and also owe provisional tax where no return has been filed. These features of uncollectable tax debt mean that it cannot be written off at any one time.

Tax debt that is "uneconomic to pursue"

- 5 The Australian Taxation Office (ATO) has recently introduced a distinct reporting category for "**non-pursued uneconomical debt**". The ATO is unable to write off tax debt regardless of age except in very narrow circumstances, such as hardship. Instead, the ATO classifies tax debt that is unlikely to be collected as non-pursued uneconomical debt rather than write the debt off immediately, so it remains on the tax debt book.

- 6 The ATO reported A\$6.2 billion in this category as part of its 2024-25 debt book, about 6% of its total debt book of A\$101.4 billion.
- 7 In contrast, Inland Revenue does not maintain a separate measure of uneconomical-to-pursue debt. Debt identified as uneconomical to pursue is typically assessed against write-off relief criteria and, where appropriate, written off immediately once identified, rather than retained as a separately reported debt category. It does not show up as a separate category in the tax debt book.

Writing off tax debt

- 8 Inland Revenue can only write off tax debt in certain circumstances, the main ones being:
- Liquidation has been finalised and the Official Assignee or liquidator confirms there are no further funds available.
 - Bankruptcy has been finalised and the Official Assignee confirms there are no further funds available.
 - Taxpayers in hardship.
 - Taxpayers deceased and their estate leaves tax debt.
 - A Commissioner discretion to collect the highest net revenue practicable within the law (Tax Administration Act 1994); and
 - A Commissioner discretion to write off unpaid tax if further collection effort would be an inefficient use of the Commissioner's resources (Tax Administration Act 1994).
- 9 These last two provisions allow the Commissioner to immediately write off tax debt that is **uneconomic to pursue** because the costs of collection are very high relative to the likelihood of repayment. In the last year (up to 31 May 2026) Inland Revenue wrote off \$341 million under this provision. The ATO does not have comparable provisions.
- 10 The following table shows debt written off over the past five years.

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 (as of 31 May)
All write-offs in the year ending 30 June (excluding Covid-19 remissions)	\$695m	\$512m	\$523m	\$694m	\$805m	\$969.2m
Balance of tax and entitlements debt on 30 June	\$4.4b	\$4.8b	\$5.8b	\$8.0b	\$9.3b	\$9.7b
Increases in debt because of debt definition changes	-	-	-	\$867m	\$163m	-
% of write-offs compared to debt at year end ¹	16%	11%	9%	9%	9%	10%

¹ During COVID and the period immediately after write-offs reduced while tax debt increased which accounts for the relatively higher percentage of write-offs to tax debt.

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Chris Gillion

Strategic Advisor

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Appendix 1 Uncollectable debt types at of 31 May 2026

Debt type	Description	Balance	%
Liquidation finalised	Company is in Liquidation; awaiting final Liquidators or Official Assignees report to establish any distributions payable to IR, prior to write-off.	\$1,800.7m	48.9%
Liquidation in progress	Liquidation proceedings are underway, so active recovery exists until resolution or liquidation achieved.	\$406.6m	11.0%
Bankruptcy finalised	Customer is in Bankruptcy; awaiting final report from Official Assignee to establish any distributions payable to IR, prior to write-off.	\$230.5m	6.3%
Bankruptcy in progress	Bankruptcy proceedings are underway, so active recovery exists until resolution or liquidation achieved.	\$230.3m	6.3%
Other insolvency	Customer initiated process in place (e.g. receivership or voluntary administration).	\$44.1m	1.2%
Customer deceased	The customer is deceased and recovery depends on the outcome of estate administration.	\$16.0m	0.4%
Under dispute	The debt is subject to a formal dispute, and recovery is on hold pending determination.	\$370.2m	10.1%
In audit	The debt is under active audit review, and the final liability is not yet confirmed	\$200.1m	5.4%
Uncrystallised Provisional tax	Income tax return has not been filed, and final liability has not been established, and is past the final income tax due date (7 Feb or 7 Apr).	\$312.5m	8.5%
Other uncollectable	Other reasons (e.g. temporary block on billing cycle while review/adjustments occur).	\$72.1m	2.0%
Total		\$3,683.1m	100%