ATO Repayment Arrangements

The real risks behind the easy fix

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Prepared for: Company Directors & Business Owners
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Why an ATO payment plan isn't always the safe option

Dear Director,

Most business owners assume that setting up a repayment plan with the ATO is the safe, sensible way to manage tax debt. Sometimes it is. But not always.

The reality is that a repayment arrangement can create just as many problems as it solves -- especially if the business is already tight on cashflow or the directors aren't across their personal exposure.

We see this every week: good people backed into a corner, agreeing to payments that look doable on paper but fall apart the second wages, super, or suppliers put pressure back on the business.

Before you lock in any deal with the ATO, there are a few hard truths worth knowing.

The ATO isn't a regular creditor

The ATO drives most outcomes in small business insolvency. In nearly every restructure or liquidation we coordinate, the ATO is either the largest or second-largest creditor.

During COVID, they effectively became Australia's biggest lender by quietly allowing deferred payments and soft enforcement. They're now collecting again -- and they're not mucking around. Director Penalty Notices are being issued aggressively. Payment plans are being reviewed. Businesses with overdue BAS, PAYG, and super are squarely in their sights.

When you enter into a repayment arrangement, you're not just negotiating with a creditor. You're dealing with the single biggest stakeholder in your solvency.

What an ATO repayment arrangement actually is

An ATO repayment arrangement is a negotiated payment plan that allows a company to pay tax arrears over time rather than in one hit. It generally includes:

- Tailored instalments based on current cashflow.
- A requirement to lodge all returns on time.
- Continuing interest (unless you negotiate otherwise).
- A strict expectation that you stay compliant going forward.

It sounds simple. The devil is in the details.

The hidden risks nobody tells you

1. A repayment plan does NOT change the fact the debt is overdue.
Entering into a plan doesn't pause the debt -- it's the ATO choosing not to enforce, for now. If you default, heavier consequences can follow very quickly.

2. It can be seen as an admission the company may be insolvent.
If you're only agreeing to a plan because the company can't meet its debts as they fall due, that's a red flag. Liquidators will look straight at it.

3. Payments made under the plan can be clawed back.
If the business goes into liquidation within six months, the ATO can be forced to refund those payments to the liquidator as preferential payments. The director can personally end up liable for the shortfall once the ATO is clawed back.

4. Defaulting puts the director in the firing line.
If you miss payments or fall behind on BAS or super, the ATO can issue a Director Penalty Notice. That notice effectively turns company debt into your personal debt. Once that happens, your time and options are very limited.

Only enter a payment plan if you're sure you can stick to it

A repayment arrangement is only sensible if:

- Cashflow is stable.
- BAS and super are currently being paid.
- You can realistically complete the plan.
- The business is viable going forward.

If not, it's better to call it what it is: a sign the business needs a proper restructure or a different approach.

We'd rather see a business enter a formal Small Business Restructure with a controlled compromise than bleed cash and risk the director's personal position through a plan they can't maintain.

There are other options

A repayment plan is not your only escape route. Depending on the circumstances, you may get a better outcome through:

- Small Business Restructuring (SBR).
- Voluntary Administration.
- A negotiated compromise.
- Liquidation with minimal personal impact.

The right option depends on the true state of the business -- not just the debt.

The Nature of Our Role

Resolve provides administrative support, coordination, and acts as your point of contact. We are not licensed to provide financial, legal, or investment advice -- where that's needed for your matter, we coordinate the right specialist practitioners (accountants, solicitors, registered liquidators, trustees) around you.

That way you get the experience and firepower of a full team -- with us holding the whole picture together so nothing falls through the cracks.

> *A payment plan that looks doable on paper and a payment plan that actually holds up under real cashflow pressure are two very different things. The job up front is to be honest about which one you've got.*
>
> — Resolve Business Solutions -- Over 35 Years Helping Australians Through Financial Distress

Next Steps

Director, if you're staring at tax debt or drowning under payment plans you can't keep up with, you're not alone. This is what we deal with every day.

A simple conversation can save you months of stress and help you avoid decisions that bite you later.

Whenever you're ready, you can:

- Reply to this email
- Call us directly on 0499 499 899
- Email us at advisor@resolve.net.au

No pressure, no judgement -- just a clear read on where you stand.