



ATO Compromise Proposals

When you can settle a tax debt for less (and when you can't)



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Prepared for: Company Directors & Business Owners

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Drowning in ATO debt? You may have a third option

Dear Director,

When someone is drowning in ATO debt, they usually think they've only got two options -- pay it in full (which is often impossible) or go bankrupt (which no one wants).

What most business owners don't realise is that the ATO can accept a compromise -- effectively a negotiated settlement -- under the right circumstances.

This isn't about trying to dodge tax. It's about putting forward a structured, sensible proposal that shows the ATO they're better off taking a reduced amount now rather than chasing a full amount they will never recover.

The approach is supported by ATO Practice Statement PS LA 2011/3 and Chapter 27 (v6) of the ATO's Receivables Management Policy. But the ATO will only consider it if you can tick a few boxes.

Box 1: Your offer must beat the likely bankruptcy return

If you went bankrupt, the ATO might receive only cents in the dollar -- or nothing at all.

Any compromise proposal must clearly show the ATO they're getting a better result by accepting your offer than by chasing you through bankruptcy. Hard numbers, not hopeful arguments.

Box 2: You must be fully compliant with lodgements

The ATO won't negotiate if BAS or returns are outstanding.

Compliance tells the ATO you're serious -- not just trying to offload a debt. Before any proposal goes in, every lodgement needs to be up to date.

Box 3: You must show the business is viable

The ATO needs evidence that:

- The business is sustainable going forward.
- Income is stable or improving.
- The compromise will help the business stay afloat -- not just buy time before another collapse.

Box 4: You must prove genuine hardship

This isn't about being a bit short on cash this quarter. It's about real, documented financial strain that makes full repayment impossible without causing serious hardship.

Personal financials, household commitments, business cashflow, asset position -- all of it needs to line up to support the case.

What the ATO wants to see in a strong proposal

A strong proposal includes:

- Clear, current figures.
- Up-to-date financials -- business and personal.
- Documented evidence of hardship.
- Full lodgement compliance.
- A clean, commercial argument: this is the best return you'll get.

Vague pleas don't move the needle. The ATO is a commercial creditor making a commercial decision.

When a compromise works best

A compromise proposal works best when:

- The debt is large.
- The business is genuinely viable.
- Bankruptcy is a real risk -- not a bluff.
- The ATO would get little to nothing from a bankruptcy outcome.

Get those four right, and a properly structured proposal is absolutely worth pursuing.

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 compromise of tax debt isn't a discount you ask for -- it's a commercial argument you build. The directors who succeed are the ones who walk in with the numbers, the compliance, and the case already done.

— Resolve Business Solutions -- Over 35 Years Helping Australians Through Financial Distress

Next Steps

Director, if you've got a serious ATO debt and you're trying to work out whether a compromise proposal is the right play, we'd rather build the case with you than have you guess at it.

Whenever you're ready, you can:

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

We'd rather walk you through the numbers now than have you put in a proposal that the ATO won't even read.