



## ***What Happens If I Don't Lodge My Tax Return?***

*Many people might fail to lodge their tax return for numerous reasons. They worked overseas. Their health may have suffered. They were too busy. However, the ATO will always keep track. Even after years it will demand that you lodge your tax return, which may result in fines, penalties, interest, prosecution or even jail time.*

### **Do I need to lodge a return?**

If you have earned more than the tax-free threshold, which is currently \$18,200, you will need to lodge a tax return. If you have earned less than the tax-free threshold, you will still need to lodge a tax return if your employer has taken \$1 or more of tax from your wage.

If you earned below \$18,200 and no tax was deducted from any of your employers, you should still send in a 'Non-Lodgement Advise' to the ATO. This advises the ATO that you don't need to lodge a tax return for that financial year and it will keep your ATO record clean.

### **What happens if I don't lodge my tax return?**

You may be issued with a Failure To Lodge (FTL) penalty, which will be calculated at the rate of one penalty unit for every 28 days after the due date, up to a maximum of five penalty units. The rate for one penalty unit is currently \$210. The maximum you will

incur is \$1,050. The penalty will be applied if there is a refund due or tax is payable. Late interest will also be due if the result was a tax liability.

### **Will I be prosecuted if I don't pay my tax?**

Failure to lodge a tax return is an offence under section 8C of the Taxation Administration Act 1953. The ATO will give you a chance to pay your debt, but the ATO can and will prosecute for failing to lodge your tax return. The maximum penalty which can be applied is \$8,500 or imprisonment for up to 12 months. You will still need to pay your debt after penalties have been applied.

If you have been summoned, it's best to seek the advice of a tax accountant because of the strict consequences of this crime.

### **What if I can't pay my overdue tax?**

The ATO can be reasonable and will help you with a payment plan if you lodge your tax return accurately and honestly. You may also be eligible for remissions on penalties and interest occurred that you may be charged with. These costs may be significant and it's worth speaking to your tax accountant to see if the charges can be reduced due to circumstances.

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## What happens if I get a default assessment?

If you haven't lodged your tax return, particularly for a number of years, the ATO may issue you with a default assessment. This is an estimation of your income based on available data and may not be correct or show an inflated rate. You will be able to appeal your default assessment however you will need to substantiate your claims. You will be at risk of receiving an audit.

## External collection agencies

The ATO uses an external collection agency to collect overdue lodgements. The ATO will notify you or your tax agent before referring your overdue lodgement to their external agency. External collection agencies focus on income tax and activity statement lodgements. This won't affect your credit rating at that stage. If you don't answer to the collection agency, the ATO will proceed with stronger action.

## If I haven't lodged my return, what should I do next?

The first thing is - don't panic. If you do have a late return, it's best to lodge it as soon as possible to avoid interest and penalties. Speak with your ITP tax agent who will be able to determine if you are eligible for remissions. Be aware there is a chance for prosecution for offenses of this nature.

Your ITP tax agent will be able to help you keep on top of correspondence from the ATO and can help prevent serious action being taken. If you are unsure, it's best to speak with an ITP tax agent about what your next steps should be.

*ITP The Income Tax Professionals are accountants who have specialised in tax law. If you have not lodged your tax return, our professionals will help and guide you to keep you safe.*

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*ITP The Income Tax Professionals are more than tax agents. They have been helping Australian individuals and businesses with their business accounting and advice for 50 years and offer a wealth of knowledge. Speak to a Professional today and see how your business can be more profitable.*



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