

The Objectives of Penalties

Change
behaviour

Remove gain
from non-
compliance

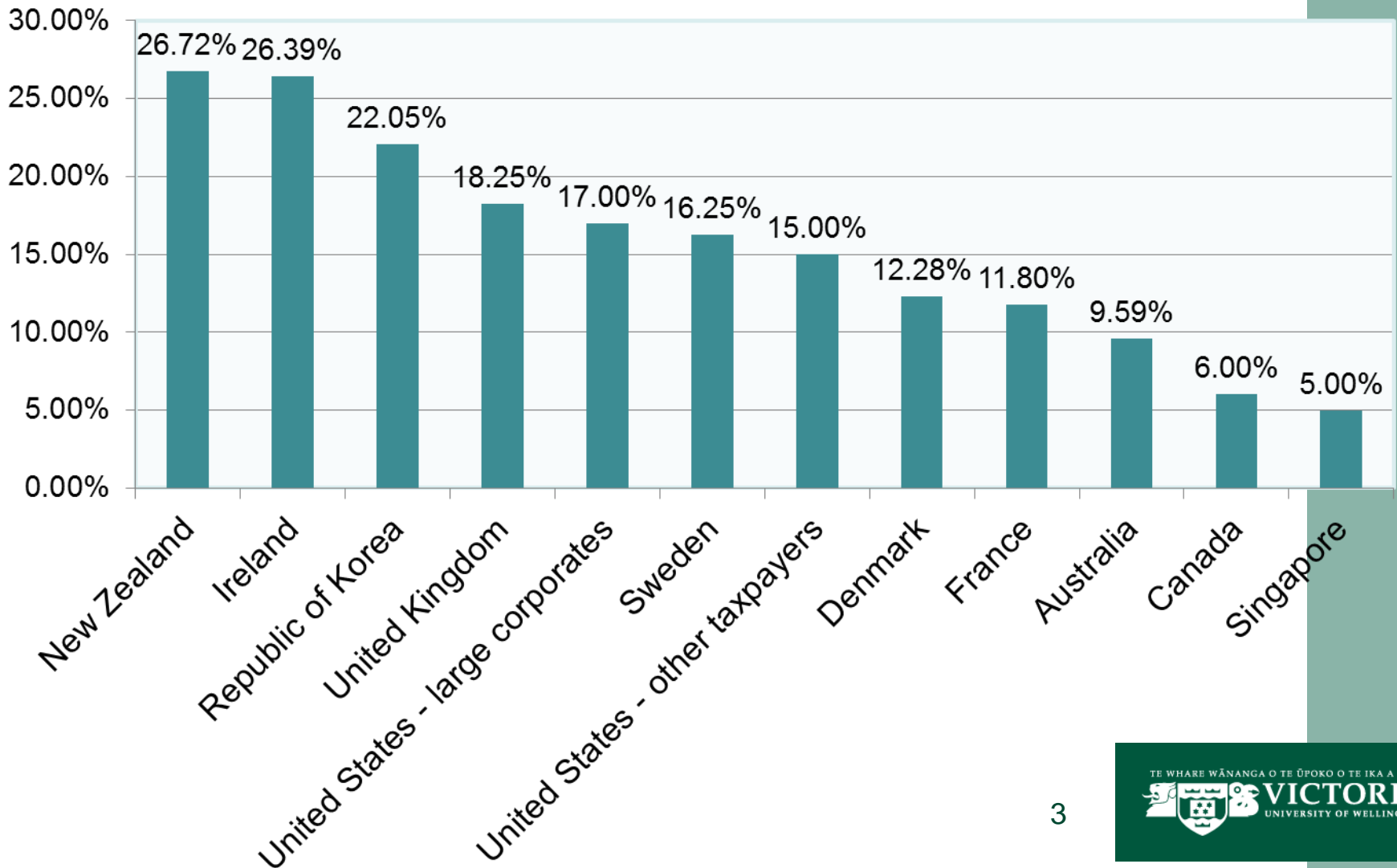
Signal
unacceptable
behaviour

Reassure the
public that non-
compliance is
punished

The Current Penalty System

- Late filing penalties
- Late payment penalties:
 - Initial penalty of 1%
 - Plus 4% on amounts outstanding after 7 days
 - Plus 1% for each month the amount remains unpaid
- Interest: 8.4%
- Combined penalty and interest rate is 26.7% in the first year that a debt is established
- Subsequent years are 21.7%
- Significantly higher than other countries

Combined Annual Penalty and Interest Rate (Year One)



Tax Debt

| | 2011 (\$M) | 2012 (\$M) | 2013 (\$M) |
|------------------------|------------|------------|------------|
| Debt under instalments | \$1,146.6 | \$1,176.3 | \$1,230.2 |
| Other collectable debt | \$2,663.5 | \$2,582.7 | \$2,561.5 |
| Total collectable debt | \$3,810.2 | \$3,759.0 | \$3,791.7 |
| Non-collectable debt | \$1,711.9 | \$2,157.4 | \$2,186.4 |
| Total debt | \$5,522.1 | \$5,916.4 | \$5,978.1 |

48% of total overdue debt in 2013 is penalties and interest

Penalties and Interest Collected

| | 2009/10 | 2010/11 | 2011/12 |
|-------------------------|---------|------------------|--------------|
| | \$M | \$M | \$M |
| Penalties applied | \$343.0 | \$346.2 | \$451.6 |
| Penalties collected | \$110.0 | \$121.9 | \$146.1 |
| Penalties written off | \$198.6 | \$193.0 | \$244.3 |
| Interest applied | \$500.7 | \$263.2 | \$280.9 |
| Interest collected | \$412.1 | \$147.2 | \$158.1 |
| Interest written off | \$104.4 | \$120.1 | \$130.5 |
| % Penalties collected | 32.1% | 35.2% | 32.4% |
| % Penalties written off | 57.9% | 55.7% | 54.1% |
| % Interest collected | 82.3% | 55.9% | 56.3% |
| % interest written off | 20.9% | 45.6% | 46.5% |

Do Harsh Penalties ‘Work’?

- Limited evidence to suggest that more punitive sanctions are more effective
- On time filing: 83%
- On time payments: 86%
- Large write-offs (penalties, interest)
- Core tax write-offs \$924 million (2013)
- Significant levels of debt
- Does the current system meet the previously outlined objectives?