

Submission to the Tax Ombudsman's Review of ATO's administration of Director Penalty Notices

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About FCVic

FCVic is the peak body and professional association for Victoria's 300 practising financial counsellors. Our organisation was established in 1978 by Victorian financial counsellors to provide sector professionalisation, peer support, and undertake systemic advocacy.

FCVic's vision is '*a fairer and more equitable society with improved community wellbeing and better lives for vulnerable people*'. FCVic develops resources, builds sector capability, and advocates on behalf of financial counsellors and community members on systemic issues that cause and exacerbate poverty and financial hardship. We work with government, banks, utilities, insurers, debt collection agencies and other industries to improve approaches to consumer rights, financial hardship and vulnerability.

About this submission

FCVic welcomes the opportunity to provide a submission to the Tax Ombudsman's review of the ATO's administration of Director Penalty Notices (DPNs).

FCVic recognises the ATO's critical role in collecting tax debt and protecting the revenue needed to fund essential community services.

DPNs are an important compliance tool, but their consequences can be severe and, in some cases, irreversible. Their administration should therefore be assessed not only by recovery outcomes, but by whether the ATO distinguishes deliberate non-compliance from failures of education at the point of business registration, and circumstances involving financial distress, vulnerability, coercion or limited control.

This submission draws on the experiences of generalist and specialist small business financial counsellors supporting people with small business tax debt, disputed or coerced directorships, financial abuse and other forms of vulnerability. It focuses on

communication, early intervention, safeguards, specialist capability and engagement with trusted intermediaries.

We thank the FCVic Small Business Network, especially the specialist small business financial counsellors at Each, for their insights and expertise which informed this submission. We also acknowledge and support the feedback provided to this consultation from our colleagues at Financial Counselling Australia.

Further questions regarding this submission can be directed to Amanda Chan, Advocacy Manager, at achan@fcvic.org.au.

Full list of recommendations

1	Safeguards at company registration	ASIC and the ATO should ensure prospective directors receive clear information about their obligations, potential liabilities and available support before they are registered as a director.
2	Director visibility and direct communication	Director IDs should be linked to individual myGov or ATO accounts so directors can readily identify their directorships and associated obligations.
3	Coordination and early identification of risk	The ATO and ASIC should improve lawful information sharing and reinforce key obligations at critical points throughout the business journey.
4	Information identified during liquidation	Information identified during liquidation that may be relevant to a disputed or coerced directorship should be communicated to affected directors and considered in related DPN matters.
5	Clear pathways for business closure, restructuring and insolvency	The ATO should provide early, accessible information about business-exit, restructuring and insolvency options before liabilities and enforcement escalate.
6	Effective communication before a DPN is issued	The ATO should ensure pre-DPN communications progressively explain the seriousness of non-compliance, potential personal liability and available support options.
7	Clear and actionable DPN communications	DPN communications should clearly explain the liability, available options, relevant deadlines and practical steps required to respond.
8	Accessible and trauma-informed communication	DPN communications should be accessible, trauma-informed and provide safe pathways for raising vulnerability or disputed directorship concerns.
9	Effective delivery and protection	The ATO should use multiple communication channels and provide a mechanism for temporary relief where a

	where notice is received late	DPN was not received by a person experiencing vulnerability.
10	Implement Recommendation 56 of the Parliamentary Joint Committee	The Australian Government should implement Parliamentary Joint Committee Recommendation 56 by extending the DPN response period following disclosure of family or domestic violence, financial abuse or coerced directorship, and provision for further extensions where reasonably required.
11	Information access for former directors	Former directors who receive a DPN should have timely access to sufficient information to understand and respond to the liability.
12	Act on early indicators of financial distress and vulnerability	The ATO should establish an early-intervention framework that responds to indicators of financial distress, vulnerability and disengagement before enforcement escalates.
13	Connect directors with assistance before their options are restricted	Directors experiencing financial distress or vulnerability should be referred to appropriate support services before their options become restricted.
14	Specialist support services for distressed small businesses	The Australian Government should invest in specialist support services for financially distressed small business operators, including services able to address complex business tax matters, DPNs and business-related financial abuse.
15	Reinforce timely lodgment as a critical safeguard	The ATO should consistently clearly communicate that payment and lodgment are separate obligations and explain the consequences of late lodgment.
16	Support sustainable resolution	The ATO should apply available flexibility where accumulated interest is preventing an otherwise sustainable resolution.
17	Measure prevention and sustainable compliance	The effectiveness of DPN administration should be measured by prevention, engagement and sustainable compliance outcomes, not solely debt recovery.
18	Apply a broad vulnerability lens throughout DPN administration	The ATO should assess and respond to vulnerability throughout the DPN process and recognise that vulnerability may be cumulative, situational or difficult to document, in line with their own Vulnerability Framework.
19	Establish a specialist pathway for disputed and	The ATO should establish a specialist pathway for coerced, disputed, uninformed or potentially fraudulent directorship matters, with appropriate file flags applied, safe communication arrangements established and

	coerced directorships	recovery action placed on hold pending initial assessment.
20	Establish federally legislated definitions for financial abuse and coercive control	Clear legislated definitions for financial abuse and coercive control need to be established federally, in addition to the legislated definition of family violence, to support the ATO's approach to supporting impacted taxpayers.
21	Recovery pauses and proportionate evidence requirements	Where credible concerns about coercion, identity misuse, financial abuse or disputed directorship are raised, the ATO should provide access to a temporary recovery pause and specialist assessment under a published evidentiary framework that recognises the realities of coercive control and financial abuse.
22	Ensure vulnerability information changes practice	Identified vulnerability should meaningfully influence communication, evidence requirements, recovery decisions and available safeguards.
23	Establish relief for DPN liabilities arising from financial abuse	The Australian Government should implement Parliamentary Joint Committee Recommendation 54. Pending legislative reform, the ATO should provide clear guidance on all existing discretions and non-pursuit options available in these circumstances.
24	Build specialist capability across DPN administration	ATO staff, contractors and service providers involved in DPN administration should receive practical, evidence-based training on vulnerability, coercion, financial abuse and trauma-informed practice.
25	Establish specialist escalation and decision-making arrangements	The ATO should maintain clear operational guidance, specialist escalation pathways and appropriately authorised decision-makers for complex matters.
26	Monitor and report on the quality and consistency of DPN decision-making	The ATO should monitor and report on the consistency and effectiveness of vulnerability safeguards, specialist pathways and recovery decisions across all DPN administration.
27	Formally recognise financial counsellors as trusted intermediaries	The ATO should establish a formal mechanism through which accredited financial counsellors can provide evidence, raise vulnerability concerns and request specialist review or temporary relief.

Our commentary

Section 1. It starts with better coordination across the business journey

A full understanding of director obligations should begin when a business is established, not when a DPN is issued.

FCVic recognises that company registration falls within ASIC's remit and outside the Tax Ombudsman's direct jurisdiction. However, the effectiveness and fairness of the ATO's administration of DPNs cannot be considered in isolation from the circumstances in which people become directors. Without this context, the review risks overlooking the information gaps and inadequate safeguards at the beginning of the business journey that can contribute to directors later becoming personally liable for company tax debts.

The Government's Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) reforms (operational from 1 July 2026) highlight a regulatory approach that may also be relevant to the way company directors are registered and supported. Under these reforms, lawyers, accountants and trust and company service providers will play an increasingly important gatekeeper role when establishing companies and other legal structures. These professions are being asked to verify identities, understand who ultimately owns or controls corporate structures, identify higher-risk circumstances and take reasonable steps to prevent misuse of the system. This reflects a broader shift towards preventing harm at the point of entry, rather than relying solely on enforcement action after problems have occurred.

Financial counsellors currently report that some directors establish a company, in some cases following advice from accountants or other professions, without receiving clear information and guidance about business planning, directorship duties, timely lodgment, exit strategies or the consequences of late lodgment. They stress that there are often no bad intentions involved – the accountant has established the company on a client's behalf upon request, but has not adequately ensured that the client understands the implications.

We acknowledge that ASIC has recently established a 'Small Business Director Essentials Hub', as a digital resource to help small business directors understand and meet their obligations. This is an important initiative – however early feedback from experienced small business financial counsellors report that it is difficult to find on the ASIC website. This raises the question – if experts find it difficult to access this information, how accessible is it to the general public?

FCVic supports reducing unnecessary barriers to entrepreneurship and recognises governments' objective of encouraging business innovation and dynamism. However, streamlined registration must be accompanied by proportionate safeguards. Making it easy

to establish a company should not result in people becoming directors without informed consent or a practical understanding of the legal and financial responsibilities involved. Clear information, active acknowledgement of key duties and accessible pathways to independent advice would better equip directors from the outset and reduce the risk of liabilities escalating to a DPN.

Before registration, a prospective director should receive clear, prominent and accessible information about:

- the legal responsibilities and potential personal liabilities associated with directorship;
- the company's payment and lodgment obligations, including the consequences of late lodgment;
- the need to maintain current contact details, access company records and monitor compliance even where another person manages the company;
- independent accounting, legal, financial counselling and insolvency assistance;
- resignation, restructuring, insolvency and formal closure pathways; and
- how to report coercion, identity misuse or a directorship entered into without informed consent.

The registration process should require prospective directors to actively acknowledge these responsibilities. Information should be provided in plain language and accessible formats, with appropriate support for people facing language, literacy, disability or digital-access barriers.

Case Study 1: Reliance on Professional Advice Leaves Director Exposed to Significant Tax Debt

A financial counsellor is assisting a migrant client who accumulated significant ATO debts after relying entirely on accountants to manage his business affairs. English was his second language, and while he was a skilled professional with the capacity to advocate for himself, he had limited understanding of Australia's taxation and business systems and no family support network in Australia.

The client's first accountant, who was from the same cultural background, initially established him as a sole trader and registered him for GST, before later setting up a company with the client as sole director. Throughout this process, his accountant never informed the client of his obligations as a sole trader, business owner or company director. The client believed the accountant was responsible for all compliance matters, including BAS lodgements, tax returns and dealing with the ATO.

When the client returned overseas for several months to care for a family member, the accountant stopped responding. After many months, the accountant advised by text message that they could no longer assist him. No handover occurred and no information was provided about outstanding obligations or risks.

The client subsequently received ATO correspondence advising that BAS lodgements had not been completed and that tax debts, interest and penalties had accrued. He had never been informed that lodgements were outstanding or that non-lodgement penalties could arise. He was also unaware of director obligations and had no understanding of Director Penalty Notices (DPNs).

Further complications arose because the sole trader business had ceased operating when the company was established but remained registered for GST. The client did not know he was required to continue lodging nil BAS returns and had never been advised to deregister for GST or close the business. Additional penalties were incurred as a result.

A second accountant helped bring lodgements up to date and assisted the client to deregister both entities for GST. The sole trader business has now been closed, although the company remains active because of the outstanding tax debt. The client sought remission of interest charges, but a request relating to the company debt was declined. A separate request regarding the sole trader debt stalled after the second accountant failed to inform the client that the ATO had requested the application be resubmitted using a different form.

The client now faces significant tax liabilities and, if he is unable to resolve the debts, there is a risk that his home could be affected. He is working with a financial counsellor to identify an affordable resolution for the sole trader debt and is exploring liquidation of the company to address the company tax liability.

The client has since secured full-time employment and says he will never start another business. Through the support of the financial counsellor, he now understands his responsibilities as a director and business owner and has been provided with resources to help him remain informed in the future.

The client intends to make complaints about both accountants. However, this will not resolve the financial consequences of the missed lodgements, accumulated penalties and outstanding tax debts. He presented as ashamed and embarrassed by the situation and stated that, had he understood his obligations and the consequences of failing to meet them, he would have taken steps to avoid the debts arising in the first place.

The registration process should also recognise the risk of coerced, sham or uninformed directorships. A person may be asked or pressured to become a director without understanding the role, may believe the appointment is merely administrative, or may have little practical control over the company. ASIC processes should provide a clear and accessible way for a person to report suspected coercion, identity misuse or unauthorised registration and to obtain information about the steps available to protect their position. At the same time, ASIC needs to have clear procedures to act on these reports.

Better coordination between ASIC, the ATO, accountants and other supporting professions is therefore critical. Information provided at registration should be reinforced at key points throughout the business journey, including when a Director ID is obtained, when tax registrations are established, when lodgments are missed, when contact details change, and when a business shows signs of financial distress. These touchpoints should deliver

consistent messages about director responsibilities and connect people with assistance before liabilities accumulate and enforcement action becomes necessary.

Director IDs should be linked in a clear and accessible way to individual myGov or ATO accounts. Directors should be able to see the companies for which they are recorded as a director, receive notifications of changes to their directorship status and access information about associated tax and lodgment obligations. This would allow errors, identity misuse, coerced appointments or unknown directorships to be identified before significant liabilities accumulate.

Accountants and other advisers also have an important role, but safeguards should not assume that every director has continuing access to professional advice or that an adviser has explained the full consequences of directorship. Government systems should provide a reliable baseline of information and protection regardless of how the company was established or whether the director continues to have a relationship with the professional who assisted with registration.

Improved coordination should also allow the ATO and ASIC, where lawful and appropriate, to share information and identify inconsistencies or risk indicators earlier. These may include outdated contact information, disputed directorship records, concerns about identity misuse, or information suggesting that the registered director does not have meaningful access to the company's affairs. Earlier identification could prevent a person first learning about their responsibilities, or even their directorship, only after a DPN has been issued.

Recommendation 1: Safeguards at company registration

ASIC and the ATO should ensure prospective directors receive clear information about their obligations, potential liabilities and available support before they are registered as a director.

Recommendation 2: Director visibility and direct communication

Director IDs should be linked to individual myGov or ATO accounts so directors can readily identify their directorships and associated obligations.

Recommendation 3: Coordination and early identification of risk

The ATO and ASIC should improve lawful information sharing and reinforce key obligations at critical points throughout the business journey.

At the end of the business journey – practical pathways for unviable businesses

Financial counsellors see businesses that have ceased trading but remain registered for GST or have not formally closed. Some directors cannot afford liquidation or insolvency advice, have lost access to an accountant, or do not understand how to close or restructure

the company. As a result, liabilities may continue accumulating after the business has effectively stopped operating.

Financial counsellors also report frequent cases where clients with unviable company structures present with ATO debt, may not yet have a DPN, and cannot afford to pay the debt or engage a liquidator. In these circumstances, ASIC registration may lapse due to lack of funds, and the client will then no longer be recognised as a director of the company – and therefore no longer be able to engage a liquidator. The clients live and wait for a DPN to arrive to add the company liabilities as a personal liability, as they are otherwise not able to address the underlying debts in the meantime. These are known as ‘zombie companies’, and the personal liability creates an ongoing level of stress while the debts remain unresolved.

Case Study 1 (continued): Unable to Exit an Unviable Business

The client described in the previous case study had ceased trading and had no intention of operating the company in the future. However, despite the business no longer generating income, he was unable to formally close the company because of outstanding ATO debts.

The client's circumstances illustrate a common challenge faced by small business owners whose businesses have become unviable. While he had secured full-time employment and wished to move on, the existence of tax debts meant the company remained active, with ongoing obligations and potential risks. To close the company, he is now exploring liquidation, but the cost of the process presents a significant barrier.

The client is therefore caught in a difficult position: he must either find the funds to liquidate the company before further compliance issues arise, or continue carrying the burden of a company that has effectively ceased operating. At the same time, he is seeking an affordable repayment solution for separate sole trader tax debts.

This case demonstrates how tax debt can prevent former business owners from achieving a clean exit from an unviable business. Without practical and affordable pathways to wind up inactive entities, individuals may remain exposed to ongoing compliance obligations, increasing debt, and the risk of future enforcement action despite no longer trading.

The ATO should provide early information about registered insolvency advice and available closure, restructuring and winding-up pathways, before liabilities escalate and the director's options become restricted.

Liquidation may reveal that another person exercised effective control of the company, including through the identification of a shadow director. This can be particularly important where the registered director has experienced coercion, identity misuse, family violence or financial abuse.

Where information relevant to a disputed or coerced directorship is identified during liquidation, there should be a clear process for communicating it to the affected person and

ensuring it is considered in any related DPN matter. Subject to appropriate safeguards, relevant information should be shared with the ATO and the specialist-assessment and recovery-pause protections proposed in Section 4 should apply.

Recommendation 4: Information identified during liquidation

Information identified during liquidation that may be relevant to a disputed or coerced directorship should be communicated to affected directors and considered in related DPN matters.

Recommendation 5: Clear pathways for business closure, restructuring and insolvency

The ATO should provide early, accessible information about business-exit, restructuring and insolvency options before liabilities and enforcement escalate.

Section 2. Effective communication is more than issuing a notice

Communication should be measured by whether a director receives, understands and can act on information, not simply whether the ATO has issued it.

DPNs operate within strict timeframes and can have serious consequences for a person's assets and financial future. Financial counsellors report that many people seeking assistance do not understand why a DPN has been issued, the basis of their potential liability or the consequences of failing to act. The review should therefore assess the full communication sequence, including whether earlier warnings clearly conveyed the growing seriousness of the matter and gave the director a genuine opportunity to obtain advice and respond.

Communication before a DPN is issued

A DPN is not the first written warning issued, but prior correspondence does not establish that the intended recipient received, understood or appreciated its significance. Earlier communications should progressively explain the seriousness of the company's non-compliance, the distinction between company debt and potential personal liability, the steps available to prevent escalation and sources of independent assistance. A lack of response should prompt reasonable attempts to determine whether significant communications are reaching the director.

The COVID-19 period demonstrates the importance of considering communications cumulatively. Financial counsellors report that some business owners received messages emphasising deferrals and enforcement moratoriums, with ATO messaging influencing director expectations of debt waivers, followed by strongly worded communications about unpaid liabilities. Where the ATO's approach changes, subsequent communications should clearly explain the new expectations and consequences rather than assuming stronger language will correct earlier misunderstandings.

Case study 2: Misunderstanding COVID Tax Deferrals Leads to Business Closure

A small business owner operated a successful painting business through a company structure and employed two long-term staff members. During the COVID-19 pandemic, the business was able to continue trading in a limited capacity. The director was highly skilled in his trade but had a limited understanding of business accounting and taxation obligations. Like many small business owners, he understood public messaging around COVID-era GST deferrals to mean that GST liabilities did not need to be paid at all, rather than being deferred for payment at a later date.

Acting on this misunderstanding, the director continued to trade and used funds that would otherwise have been set aside for GST to maintain business operations and retain staff during a challenging period.

In 2023, the director engaged a new accountant and was advised that the outstanding GST remained payable and that a number of lodgements needed to be brought up to date. He was distressed to learn that a significant tax debt had accumulated and had no capacity to make a lump-sum payment. While the overdue lodgements were eventually completed, the director remained convinced that he had understood the government's COVID support measures to mean that the GST would not be payable.

In 2024, the director received a DPN. By this time, business activity had not recovered to pre-pandemic levels and the company was unable to pay the outstanding debt in full. A proposed three-year payment arrangement was put forward but was declined by the ATO.

With limited options available, the director refinanced and extended the mortgage over his family home to repay the debt. He subsequently closed the company, terminated the employment of his two long-term staff members, and recommenced operating as a sole trader. The increased mortgage burden placed significant pressure on his household finances, and he has since experienced periods of financial hardship and difficulty meeting repayments.

While the debt was ultimately repaid, the outcome resulted in the loss of a viable employing business and ongoing financial stress for the director and his family.

Clearer, plain-language communication about the difference between tax deferral and tax forgiveness, combined with greater flexibility in payment arrangements for otherwise viable businesses, may have enabled this company to continue operating, retain its employees, and avoid the director having to place his family home at risk to resolve the debt.

Recommendation 6: Effective communication before a DPN is issued

The ATO should ensure pre-DPN communications progressively explain the seriousness of non-compliance, potential personal liability and available support options.

DPN communications must be clear and actionable

A DPN is a complex legal notice received at a time when a person may already be facing significant financial and personal stress. The existence of a legally accurate notice does not necessarily mean that the recipient understands the basis of the penalty, the urgency of the situation or the actions that remain available.

The timing of company lodgments can materially affect the options available after a DPN is issued. DPN communications should identify the underlying liabilities and relevant tax periods, explain why the recipient may be personally liable, and state the response deadline and how it has been calculated. They should distinguish payment from lodgment obligations, explain whether the timing of lodgments has restricted the available options, and identify the actions still open to the director. Communications should also explain how to obtain relevant information, seek review or hardship assistance, raise vulnerability or disputed directorship, request an urgent pause and access independent support.

The ATO should also publish plain-language examples of each stage of DPN correspondence on their website for public visibility and clarity. This would help directors and advisers recognise the documents, understand their significance and identify the actions required. Supporting information should explain the progression from initial warnings to firmer action and the circumstances in which personal liability may arise.

Recommendation 7: Clear and actionable DPN communications

DPN communications should clearly explain the liability, available options, relevant deadlines and practical steps required to respond.

Communications must be accessible and trauma-informed

DPN communications must be available in plain language and accessible formats, clearly identify interpreter and accessibility services, and provide a straightforward process for nominating an authorised representative or preferred communication method within regulatory constraints.

Case Study 3: Confusing ATO Communications Create Unnecessary Distress

A financial counsellor recently assisted a small business owner who contacted the service in a state of panic after receiving correspondence from the ATO regarding an outstanding tax debt.

When asked whether he had received a DPN, the client confidently stated that he had. However, after reviewing the correspondence, it became clear that the notice was not a

DPN but a standard ATO letter advising that firmer action may be taken if the debt remained unresolved.

The client had misinterpreted the letter due to the stress he was experiencing about his financial situation. Like many people facing tax debts, he found the language used in ATO correspondence difficult to understand and was unable to distinguish between different types of notices and their legal consequences.

The client no longer had access to professional support because he had outstanding fees with his accountant and was unable to obtain advice or clarification about the correspondence he was receiving. As a result, he was attempting to navigate complex tax issues alone while experiencing significant anxiety.

This case highlights how formal ATO communications can be difficult for taxpayers to interpret, particularly when they are already under financial pressure. Even where individuals read the correspondence, stress, financial hardship, language barriers or limited familiarity with taxation processes can make it difficult to understand what action is required and the seriousness of the notice received. Clearer, more accessible communications and earlier support pathways could help taxpayers respond appropriately before situations escalate.

A trauma-informed approach should provide a safe way to disclose vulnerability, explain how sensitive information will be used, avoid repeated disclosure of traumatic circumstances and consistently respect the individual's nominated communication arrangements.

Recommendation 8: Accessible and trauma-informed communication

DPN communications should be accessible, trauma-informed and provide safe pathways for raising vulnerability or disputed directorship concerns.

Receipt of communications and the 21-day response period

A legal presumption of delivery is not equivalent to effective communication. Postal delays, outdated addresses, intercepted correspondence and delivery through a former accountant or adviser can substantially reduce the period available to respond.

Case Study 4: Missing Critical Notices Due to Outdated Contact Details

A financial counsellor is assisting a client with two companies and two trusts, none of which appear financially viable. The client has accumulated significant business-related difficulties but was unaware that important company records, including ASIC addresses, needed to be kept up to date.

Over a period of years, the client had moved multiple times because of financial hardship. She had been forced to sell her home, was struggling to secure stable employment and accommodation, and was managing significant mental health challenges. Amid these competing priorities, maintaining ASIC records was not front of mind. The client did not understand that company addresses must be kept current, nor did she know how to update them.

As a result, important regulatory correspondence, including DPNs, were sent to outdated addresses and never came to the client's attention. By the time she became aware of her tax and compliance issues, key deadlines had already passed and opportunities to take earlier action may have been lost.

The client did not intentionally disregard her obligations. Rather, a combination of financial hardship, housing instability, mental health challenges and a lack of understanding of corporate compliance requirements meant that critical communications never reached her. She assumed that if an issue was serious, she would somehow be notified directly.

This case highlights the risks associated with relying on postal notices as the primary method of communicating significant legal consequences. For directors experiencing financial hardship or unstable housing, important notices may never be received, leaving them unaware of escalating liabilities and reducing their ability to take timely action to protect their position. It also demonstrates that many small business owners are unaware of their obligations to maintain current ASIC contact details and may require additional support, reminders or alternative communication channels to ensure critical notices are received.

Given the seriousness of a DPN, the ATO should use available digital and physical channels and make reasonable additional contact attempts where a notice is returned, remains unacknowledged or has been sent through a former adviser – see Recommendation 2 above on linking Director IDs to individual myGov or ATO accounts.

Where a person experiencing significant vulnerability who has not previously received ATO communications first becomes aware of a DPN after the response period has commenced or expired, they should be able to request an immediate temporary pause. The ATO should consider the circumstances affecting effective receipt of communications when deciding that request.

The inadequacy of the existing response period in circumstances of financial abuse has already been recognised by the Parliamentary Joint Committee on Corporations and

Financial Services. Recommendation 56 of its report, *Financial abuse: an insidious form of domestic violence*, recommends that the Australian Government extend the time allowed to respond to a DPN where there is a reasonable claim of financial abuse.

Accordingly, FCVic supports implementation of Recommendation 56 referenced above through a clear and workable statutory model for time extensions as developed by the Economic Abuse Reference Group's Business and Tax working group. Further extensions should be available where reasonably required to obtain records, secure specialist advice, address safety risks or pursue correction of a disputed directorship. A disclosure should be sufficient to activate the initial extension and temporary recovery protections, without requiring the person to conclusively establish their circumstances at that stage.

Recommendation 9: Effective delivery and protection where notice is received late

The ATO should use multiple communication channels and provide a mechanism for temporary relief where a DPN was not received by a person experiencing vulnerability.

Recommendation 10: Implement Recommendation 56 of the Parliamentary Joint Committee

The Australian Government should implement Parliamentary Joint Committee Recommendation 56 by extending the DPN response period following disclosure of family or domestic violence, financial abuse or coerced directorship, and provision for further extensions where reasonably required.

Former directors must be able to access relevant information

Former directors may be personally liable under a DPN while being unable to obtain information about the underlying company liabilities because they are no longer recognised as an authorised contact. This issue is particularly acute where the person left the company some time ago, no longer has access to company records or advisers, or disputes having exercised meaningful control. This is particularly relevant for coerced directorships – see Section 4 below.

The ATO should provide former directors who receive a DPN with timely access to sufficient information about the relevant liabilities, tax periods, lodgments, calculation of the penalty and available response pathways. Access should support procedural fairness without providing unrestricted access to company or third-party information, and should remain subject to appropriate identity-verification, confidentiality and privacy safeguards.

Recommendation 11: Information access for former directors

Former directors who receive a DPN should have timely access to sufficient information to understand and respond to the liability.

Section 3: Earlier intervention is essential

Early intervention should occur when warning signs first emerge, not after tax liabilities have escalated and a director is already in crisis.

By the time a DPN is issued, the director's options may be restricted and the business may already have ceased trading. The ATO should communicate using alternative contact methods earlier where contact history or compliance patterns indicate that intervention may restore engagement and prevent company liabilities becoming personal liabilities.

Where lawful and appropriate, the ATO should also cross-reference available Australian Business Registry Services information. For example, an officeholder who has not yet obtained a Director ID may require earlier or alternative engagement, as this could indicate outdated contact details, lack of awareness of the appointment, difficulty engaging with government systems or another impediment requiring further inquiry. The absence of a Director ID should operate as a prompt for engagement and assessment, not as evidence of deliberate non-compliance.

Non-engagement can indicate vulnerability or financial distress

Missed lodgments, unsuccessful contact attempts, broken payment arrangements, returned correspondence and outdated contact details may indicate deliberate non-compliance, but they may also reflect financial distress, vulnerability, loss of access to records or a failure to understand what is required. These indicators should trigger further assessment before enforcement escalates.

An enhanced assessment could include reviewing recent contact and payment-arrangement history, checking contact information, attempting contact through another channel and considering whether financial distress or vulnerability is contributing to the non-engagement. Where appropriate, the director should be connected with relevant independent assistance.

Recommendation 12: Act on early indicators of financial distress and vulnerability

The ATO should establish an early-intervention framework that responds to indicators of financial distress, vulnerability and disengagement before enforcement escalates.

Support must be offered while directors still have meaningful options

Early intervention is only effective while directors retain meaningful options and can access appropriate assistance. However, the support landscape for distressed small businesses is fragmented. There are relatively few specialist small business financial counselling services, community legal services generally do not assist small businesses, and family violence services may not be equipped to address business-related financial abuse. National Tax Clinics provide an important source of assistance, but many are unable to

accept complex business matters or may have limited capacity to assist within the strict DPN timeframe. A referral is therefore not an effective safeguard unless the receiving service has the expertise and capacity to assist with the particular matter.

This supports greater Commonwealth investment in specialist services for financially distressed small business operators. Where suitable services exist, ATO referrals should be timely and targeted to the person's circumstances, including small business financial counselling, registered insolvency advice, legal assistance or family violence support. The ATO should maintain current information about the scope, eligibility and capacity of services to which it refers people, rather than relying on general referrals to services that may not assist with complex business or DPN matters.

Recommendation 13: Connect directors with assistance before their options are restricted

Directors experiencing financial distress or vulnerability should be referred to appropriate support services before their options become restricted.

Recommendation 14: Specialist support services for distressed small businesses

The Australian Government should invest in specialist support services for financially distressed small business operators, including services able to address complex business tax matters, DPNs and business-related financial abuse.

Timely lodgment is a critical safeguard

Financial counsellors report that some directors assume there is little value in lodging when the company cannot pay. However, payment and lodgment are separate obligations, and the timing of lodgments can materially affect the options available if a DPN is later issued.

Case Study 5: Not Lodging Because Payment Was Not Possible

A financial counsellor assisted a client who operated a takeaway business in a rural town and had fallen behind on her tax lodgements during a period of significant personal stress.

The client had experienced difficult family circumstances that demanded most of her time and attention, leaving her unable to focus fully on running the business. Although she had an accountant, she knew she did not have sufficient funds available to pay the resulting tax liabilities. As a result, she delayed providing information to her accountant and did not lodge her BAS and tax obligations on time.

The client was unaware that lodging and paying are separate obligations. She believed there was little point lodging returns if she could not afford to pay the amount owing. She did not understand that late lodgement could result in additional penalties and interest, or that lodging on time would have preserved more options for managing the debt.

As the lodgements remained outstanding, debts, penalties and interest accumulated. The client became increasingly overwhelmed and avoided engaging with the issue. Her primary focus remained managing the family circumstances that had contributed to the business difficulties in the first place.

With support from a financial counsellor, the client was able to bring all outstanding lodgements up to date and gain a clearer understanding of her obligations. To resolve the debt, she ultimately sold the business and used the proceeds to repay the outstanding ATO liabilities, including accumulated penalties and interest.

The client's situation was successfully resolved, but not without significant personal and financial consequences. Had the ATO debt continued to increase, her home and broader financial security may have been placed at risk.

The ATO should reinforce this message before the DPN stage. Accountants and advisers also have an important role, but government safeguards should not assume that every director retains access to professional advice. Directors should receive a reliable baseline of information directly from the ATO.

Recommendation 15: Reinforce timely lodgment as a critical safeguard

The ATO should consistently clearly communicate that payment and lodgment are separate obligations and explain the consequences of late lodgment.

Early intervention should support sustainable resolution

Early intervention should aim to achieve sustainable compliance rather than a short-term response that leaves the director or company unable to meet future obligations. This requires consideration of the company's current circumstances, whether it remains viable, and whether the proposed resolution is realistic. FCVic recognises that broader ATO debt

collection practices fall outside the scope of this review except where they are relevant to DPN administration. Within that scope, the review should consider whether the ATO has sufficient flexibility to respond fairly and consistently where accumulated interest is preventing a director from reaching a sustainable resolution.

Any exercise of flexibility should be transparent and supported by clear criteria. Directors and their representatives should be able to understand what information the ATO will consider and how a request will be assessed.

Financial counsellors stress that most of their clients want to pay where they understand their obligations. Realistic and sustainable payment plans can support this compliance.

Recommendation 16: Support sustainable resolution

The ATO should apply available flexibility where accumulated interest is preventing an otherwise sustainable resolution.

The effectiveness of early intervention should be measured

Recovery outcomes alone do not show whether earlier engagement prevented escalation or supported sustainable compliance. The ATO should also measure whether early intervention restores engagement, improves understanding of payment and lodgment obligations, identifies vulnerability earlier, connects directors with appropriate assistance and supports sustainable payment or orderly business exit.

Recommendation 17: Measure prevention and sustainable compliance

The effectiveness of DPN administration should be measured by prevention, engagement and sustainable compliance outcomes, not solely debt recovery.

Section 4: DPN administration must apply a vulnerability lens

Vulnerability should inform how a DPN is administered, not be treated as an exceptional issue considered only after enforcement has escalated.

Vulnerability does not remove a director's legal obligations or prevent appropriate compliance action. However, it may affect whether a person received or understood communications, had access to company records, could instruct an accountant, participated in business decisions or could respond within the applicable timeframe.

Fair administration requires the ATO to distinguish deliberate avoidance from situational non-compliance involving financial distress, limited capability, coercion or an absence of meaningful control. Similar patterns of debt or non-engagement may arise from very different circumstances and should not automatically result in the same administrative response.

This approach is consistent with the ATO's own Vulnerability Framework. The Framework recognises that people do not experience the tax system in the same way, that vulnerability can affect a person's capacity to register, lodge, pay or engage, and that it may be unreasonable and unfair to apply the same approach to a person experiencing vulnerability as to a person who is deliberately non-compliant. It also expressly recognises financial abuse and coercion as circumstances in which vulnerability may be exploited.

The Framework acknowledges its legislative limits: it cannot itself alter tax obligations and operates within the discretion permitted by law. Nevertheless, the ATO states that it will guide how the agency listens, communicates and connects people with appropriate support, and will shape its policies, processes, services and staff capability. DPN administration should be a clear test of whether those commitments are being translated into operational practice.

The review should therefore examine how the Framework is embedded throughout the DPN process, including early identification, communications, requests for evidence, specialist escalation, extensions of time, recovery pauses and reasons for decisions. Where current legislation prevents an appropriate response to financial abuse or coercion, the ATO should identify that limitation transparently and advise Treasury and government on the need for legislative reform.

This is consistent with the Australian Government's ongoing audit of key Commonwealth systems to identify areas where they are being weaponised by perpetrators of family and domestic violence. There has already been a consultation on reducing the prevalence and impact of coerced directorships, with a focus on other opportunities for building safety into government systems.

Case Study 6: Coercion Into Directorship and Personal Guarantees

A financial counsellor is assisting a woman who is at risk of losing her home after years of economic abuse linked to her former husband's business activities.

The client's husband operated a business and pressured her into becoming a director of the corporate trustee of the family trust. She had no understanding of the role or the legal responsibilities associated with directorship. All dealings with accountants and advisers were conducted through her husband, and she was frequently asked to sign documents with little or no explanation. She did not feel able to refuse.

The client was also pressured into providing her personal property as security for business borrowing. Although she was provided with what was described as independent legal advice, she does not believe the advice was meaningfully independent and says she never felt that declining to sign was a realistic option.

When the business later failed, liquidators and receivers were appointed. At the same time, family violence escalated and the client was forced to leave the family home with her children. She is now reliant on Centrelink income and faces the loss of her share of the family home because of guarantees she signed in support of the business. Her former husband is being made bankrupt by the ATO.

The client and her children are now at risk of homelessness despite having had little involvement in the operation or management of the business. The financial arrangements created during the relationship continue to have severe consequences long after the violence ended.

This case demonstrates how economic abuse can intersect with company and trust structures, directorships, personal guarantees and professional advice processes. Victim-survivors may become exposed to substantial liabilities through coercion, without genuine consent or understanding of the risks they are assuming.

Vulnerability is not always clear-cut

Vulnerability may be cumulative, situational or difficult to document. A director may not identify themselves as vulnerable or realise that their circumstances are relevant to the DPN process.

Financial counsellors see businesses affected by successive financial and economic shocks, including COVID-19 restrictions, natural disasters, depleted cash reserves and changes in consumer spending. Others cannot afford professional advice or formal winding-up costs. These circumstances may affect the director's capacity to make decisions and respond to liabilities even where there was no intention to avoid compliance.

The ATO should consider the totality of the person's circumstances rather than relying solely on an explicit disclosure or prescribed evidence. Depending on the case, vulnerability may justify additional time, specialist review, alternative communication arrangements or a pause in recovery.

Recommendation 18: Apply a broad vulnerability lens throughout DPN administration

The ATO should assess and respond to vulnerability throughout the DPN process and recognise that vulnerability may be cumulative, situational or difficult to document, in line with their own Vulnerability Framework.

Coerced and uninformed directorships require different treatment

Financial counsellors report clients being recorded as company directors despite having little or no involvement in the business, limited understanding of the role, or direct experiences of coercion and financial abuse. A person may have been pressured to consent to an appointment, told that becoming a director was merely an administrative formality, excluded from the company's financial affairs, or unaware that their identity had been used to register a directorship.

Case Study 7: Economic Abuse Through Fraudulent Directorship and Trust Structures

A financial counsellor is assisting a client who experienced family violence and economic abuse within a long-term relationship. The client's former partner allegedly signed her up as a director of a company that acted as trustee for a family trust without her knowledge or informed consent.

The client had no involvement in the management of the business or trust and was unaware of the responsibilities associated with being a company director. It is believed that her former partner also signed and lodged tax returns in her name for at least two years without her knowledge. The client subsequently became aware of significant tax debts that appear to have arisen from trust distributions attributed to her, despite never receiving any payments or financial benefit from the trust.

The client also discovered that a vehicle had been purchased through the trust without her knowledge or consent. She never had access to or use of the vehicle, yet became exposed to the financial consequences of decisions made in structures over which she had no control.

This case highlights how family violence perpetrators may misuse corporate and trust structures to conceal financial activities, transfer liabilities and create debts in another person's name. Victim-survivors can be left facing significant taxation consequences despite receiving none of the income, assets or benefits associated with the arrangements.

Formal appointment as a director is relevant to the operation of the DPN regime, but ASIC records alone do not establish that a person gave informed consent, understood their obligations or exercised meaningful control over the company. A process that considers

only the formal record risks imposing severe personal consequences without examining how the directorship arose or who controlled the company in practice.

This is consistent with Recommendation 55 of the Parliamentary Joint Committee's financial abuse inquiry. That recommendation calls for the *Corporations Act 2001* to recognise family and domestic violence, including financial abuse, as a reason why a director may be regarded as not in fact managing a company. Although the recommendation is directed primarily to company law settings, the same principle should inform the ATO's assessment of whether a registered director had meaningful knowledge of, access to or control over the company's affairs.

Coercive control and business-related financial abuse may involve another person controlling company bank accounts, withholding records, intercepting correspondence, instructing accountants, incurring liabilities or preventing the registered director from participating in decisions. The affected person may not become aware of the company's tax position, or even the directorship itself, until a DPN is received.

Case Study 8: Non-Consenting Director in a Family Violence Context

A client experiencing family violence discovered that she was listed as a director of a business operated by her former husband and associated with approximately \$200,000 in ATO debt.

The client had no knowledge that she had been appointed as a director and no involvement in the operation of the business. She recalls being required to sign documents throughout the relationship but states that she was never told what the documents related to and did not feel safe refusing her husband's instructions. The coercive nature of the relationship meant that questioning or refusing requests carried risks to her safety.

After learning of the directorship, the client contacted the ATO seeking assistance and was reportedly advised that someone would contact her to discuss the situation. However, she did not receive the support she expected and remained uncertain about her liability.

Subsequent family law proceedings resulted in orders removing her as the current director of the company. However, this did not remove potential liabilities arising from the period during which she was recorded as a director. The client remains exposed to the consequences of decisions made in a business she neither controlled nor understood.

This case demonstrates how coercive control can result in individuals becoming directors in name only, while having little or no knowledge of their appointment, responsibilities or potential personal exposure to business debts.

These cases require a fundamentally different administrative response from matters involving directors who knowingly controlled the company and chose not to meet its obligations. Coerced, disputed, uninformed or potentially fraudulent directorships should

be recognised as risk indicators requiring prompt referral to an appropriately trained specialist team within the ATO.

The person's record should be flagged, safe communication arrangements established, and a clear pathway provided for ongoing support and resolution. Individuals in these circumstances should not be expected to understand complex director obligations, evidentiary requirements or corporate governance processes at the time they first seek assistance.

That specialist team should have authority to examine the circumstances in which the directorship arose, consider evidence about who exercised effective control and coordinate with relevant areas of the ATO and other agencies where necessary. Its assessment should expressly consider whether family or domestic violence, financial abuse or coercive control meant that the person was not in fact managing the company, regardless of their formal registration as a director. The affected person should receive a clear explanation of the process, the information that may assist and the safeguards available while the matter is assessed.

Recommendation 19: Establish a specialist pathway for disputed and coerced directorships

The ATO should establish a specialist pathway for coerced, disputed, uninformed or potentially fraudulent directorship matters, with appropriate file flags applied, safe communication arrangements established and recovery action placed on hold pending initial assessment.

Recommendation 20: Establish federally legislated definitions for financial abuse and coercive control

Clear legislated definitions for financial abuse and coercive control need to be established federally, in addition to the legislated definition of family violence, to support the ATO's approach to supporting impacted taxpayers.

Recovery pauses and evidence requirements in disputed directorship matters

A person disputing a directorship may need to obtain company records, seek legal advice and gather information held by a range of agencies or by the person responsible for the coercion, abuse or identity misuse. Continuing recovery activity during that process can expose personal assets to serious harm before the relevant facts have been established.

Where credible concerns about coercion, identity misuse, financial abuse or disputed directorship are raised, recovery should pause while a specialist assessment occurs. The purpose of the pause is not to determine the matter in the person's favour at the outset, but to preserve their position while the relevant circumstances are investigated. A pause should not depend on conclusive evidence being provided immediately.

The ATO should recognise that evidence of coercive control, financial abuse and exclusion from a company's affairs is often difficult to obtain. There may be no single document proving coercion. Instead, the circumstances may emerge from a combination of information such as restricted access to accounts, intercepted correspondence, records held by support services, communications with advisers, inconsistent signatures, evidence of family violence, or information indicating that another person exercised effective control of the company.

Case Study 9: Former Director With No Access to Company Records

A financial counsellor assisted a client who received a DPN relating to company debts incurred during a period when she was listed as a director without her knowledge.

The client had previously been appointed as a director of a company operated by her partner, who was perpetrating financial abuse. Although she was subsequently removed as a director, she later discovered that she had been reappointed without her knowledge or informed consent. Significant company liabilities were incurred during this period.

The client had no involvement in the operation of the business and no access to company records, financial accounts or tax information. Her partner managed all dealings with the business and routinely accessed her online accounts, including her ATO portal, and submitted information on her behalf. This ultimately resulted not only in tax-related liabilities but also a Centrelink debt arising from income attributed to the client that she says she neither controlled nor benefited from. The client assumed that any information being reported was accurate and had no visibility of the company's affairs.

When the client received the DPN, she attempted to understand how the debt had arisen and what options were available to her. However, she had no access to the company's financial records, accounting documents, lodgement history or supporting material. Discussions with the ATO identified money moving through joint bank accounts, creating an impression that she may have been involved in or benefited from the business activities. However, while accounts were nominally joint, she had little or no practical access to them and was excluded from financial decision-making throughout the relationship.

As a result, the client was placed in the difficult position of being personally liable for debts she did not understand, while lacking access to the records needed to verify, explain or challenge the liabilities. She is now seeking legal assistance to understand her position and obtain access to relevant information.

The client's partner had previously been bankrupt and operated numerous company structures, only one of which was associated with the client. The financial counsellor asks the question – why did the ATO not identify the perpetrator's history as being relevant to this client's situation?

Financial counsellors report that family violence may be acknowledged, yet affected individuals may still be directed to rely on a formal defence unless clear separation exists

between their personal affairs and the company's tax records, accounts or advisers. Such separation is unlikely in many financially abusive relationships. Evidence requirements that assume a clean separation of financial affairs are therefore poorly aligned with the realities of coercive control and may impose a disproportionate burden on victim-survivors.

The ATO should publish a clear and proportionate evidentiary framework for vulnerability, coerced directorship and disputed directorship matters. The framework should identify the range of information that may be considered, recognise that different forms of evidence will be available in different circumstances, and give appropriate weight to contextual information provided by accredited financial counsellors and other trusted professionals.

Importantly, the framework should distinguish between the evidence required to obtain an initial pause and specialist review, and the evidence ultimately considered when making a final determination. A person should not be required to establish their entire case before receiving protection from immediate recovery activity.

Recommendation 21: Recovery pauses and proportionate evidence requirements

Where credible concerns about coercion, identity misuse, financial abuse or disputed directorship are raised, the ATO should provide access to a temporary recovery pause and specialist assessment under a published evidentiary framework that recognises the realities of coercive control and financial abuse.

Vulnerability considerations must influence outcomes

Identifying vulnerability is of limited value unless it changes how the DPN is administered. Vulnerability information should influence communication arrangements, evidence requirements, specialist escalation, recovery decisions and available safeguards.

Decisions should engage with the circumstances presented and be clearly explained. Where the ATO decides that vulnerability does not alter its approach, it should provide reasons rather than relying on a generic statement of legal responsibility.

This should include examining whether comparable circumstances lead to comparable safeguards, whether frontline disclosures are escalated appropriately and whether the consideration of vulnerability prevents avoidable harm without undermining legitimate compliance activity.

Recommendation 22: Ensure vulnerability information changes practice

Identified vulnerability should meaningfully influence communication, evidence requirements, recovery decisions and available safeguards.

Relief where personal liability arises through financial abuse

Administrative safeguards are essential, but they will not resolve every case in which financial abuse has produced a personal tax liability. Recommendation 54 of the

Parliamentary Joint Committee's financial abuse inquiry calls for the Australian Government to develop a tax relief model for victim-survivors similar to the United States Internal Revenue Service's 'innocent spouse relief' provisions.

Although that recommendation is broader than DPNs, its underlying principle is directly relevant where a person becomes personally liable for company tax debts incurred or controlled by another person through coercion or financial abuse.

Recommendation 23: Establish relief for DPN liabilities arising from financial abuse

The Australian Government should implement Parliamentary Joint Committee Recommendation 54. Pending legislative reform, the ATO should provide clear guidance on all existing discretions and non-pursuit options available in these circumstances.

Section 5: ATO administration requires procedural changes

Good policy will not improve outcomes unless the people administering DPNs have the capability, authority and systems needed to apply them consistently.

The quality of the ATO's response should not depend on which staff member, business area, contractor or provider handles the matter. There is clear evidence from financial counselling casework that the business model of using contractors for frontline support is not working due to the high staffing turnover rates and challenges of training contractors. All personnel require practical training, clear operational guidance, access to specialist advice and authority to protect a person's position while serious concerns are assessed.

Specialist capability must extend across the DPN process

Technical tax expertise alone is not sufficient to administer DPNs involving vulnerability, family violence, financial abuse or disputed directorship. Staff need appropriate capability to understand how these circumstances may affect a director's knowledge of, access to and control over a company's affairs.

For example, coercive control or business-related financial abuse may involve another person controlling company accounts, intercepting correspondence, instructing accountants, withholding records or preventing the registered director from participating in business decisions. Without appropriate capability, these circumstances may be interpreted as ordinary non-engagement or poor recordkeeping rather than indicators requiring further inquiry and specialist assessment.

ATO staff, contractors and service providers involved in DPN communication, assessment and recovery should receive practical, evidence-based training in vulnerability, family violence, coercive control, business-related financial abuse, trauma-informed practice and disputed directorship.

Case Study 10: Repeated Disclosure and Inconsistent Support

A financial counsellor assisted a client who experienced severe family violence, including physical assault and significant trauma perpetrated by a partner.

Throughout their interactions with the ATO, the client was repeatedly asked to disclose their experiences of family violence in extensive detail. These circumstances were required to be recounted on multiple occasions, including through contact involving the Advocate Helpdesk.

The repeated need to revisit highly personal and traumatic experiences caused significant distress and made engagement with the process increasingly difficult. The client felt that information already provided was not always readily available to subsequent staff members and that the burden remained on them to continually retell their story.

Eventually, the ATO recognised the complexity of the client's circumstances and applied a 'care alert' to the file. The matter was referred to a specialist vulnerability team and the client was assigned a single ATO contact person. However, the client felt that the designated contact person was not appropriately representing or advocating for their concerns within the ATO's internal processes. While the client appreciated having a single point of contact, they remained uncertain whether the vulnerability information they had provided was meaningfully influencing decision-making.

Training should be developed with appropriately qualified external experts, tailored to DPN decisions and evaluated for its effect on frontline practice. The same standards should apply regardless of whether a person deals with an ATO employee or contracted provider.

Recommendation 24: Build specialist capability across DPN administration

ATO staff, contractors and service providers involved in DPN administration should receive practical, evidence-based training on vulnerability, coercion, financial abuse and trauma-informed practice.

Training must be supported by operational authority and guidance

Training must be supported by clear guidance about the indicators requiring further inquiry, the circumstances requiring specialist referral, the information that may be accepted and the safeguards available while a matter is assessed.

The ATO should designate a specialist team to coordinate matters involving vulnerability, family violence, financial abuse, identity misuse and disputed directorship. The team should have authority to assess evidence, coordinate relevant ATO functions, manage recovery pauses, approve safe communication arrangements and provide reasons for decisions.

Frontline staff should be able to initiate or quickly obtain a temporary pause while a matter is referred. Where possible, one officer or team should coordinate the matter so that the person is not required to repeatedly explain complex or traumatic circumstances. Frontline staff should also be trained not to provide advice that could inadvertently encourage a person alleging a disputed or coerced directorship to take actions that may later be interpreted as acting in the capacity of a director.

Recommendation 25: Establish specialist escalation and decision-making arrangements

The ATO should maintain clear operational guidance, specialist escalation pathways and appropriately authorised decision-makers for complex matters.

Quality assurance and accountability are essential

Quality assurance should assess whether vulnerability is identified, matters are escalated promptly, recovery pauses and communication safeguards are applied consistently, and information from trusted representatives is appropriately considered. Complaint outcomes, de-identified case reviews and feedback from relevant services should inform continuous improvement.

These accountability requirements should apply equally to ATO employees, contractors and external service providers. Agreements with those providers should require compliance with the same standards for vulnerability identification, escalation, confidentiality, safe communication and trauma-informed practice that apply to ATO employees.

The Parliamentary Joint Committee's Recommendation 29 proposes periodic reporting by financial institutions on the number of customers identified as experiencing financial abuse, comparable to reporting on financial hardship. A similar transparency principle should apply to government agencies administering liabilities that may arise through financial abuse.

The ATO should publicly report de-identified information on the number of taxpayers who disclose financial abuse or relevant vulnerability in DPN matters, the stages at which those disclosures occur, and the administrative safeguards applied. Reporting should include, where practicable, extensions of time, recovery pauses, specialist referrals and outcomes. This would allow the ATO, the Tax Ombudsman and the community to assess whether safeguards are being applied consistently, while protecting taxpayer privacy and safety.

Recommendation 26: Monitor and report on the quality and consistency of DPN decision-making

The ATO should monitor and report on the consistency and effectiveness of vulnerability safeguards, specialist pathways and recovery decisions across all DPN administration.

Financial counsellors should be recognised as trusted intermediaries

Financial counsellors frequently identify hardship, vulnerability, coercion and financial abuse before government systems do. They can provide relevant context, help the person understand the DPN, gather available records and support constructive engagement.

Existing Advocate Help Desk, call-receipt and callback arrangements are reported to work well. However, there is no clear formal mechanism through which accredited financial counsellors can identify their professional status, raise vulnerability concerns or request urgent escalation.

Subject to appropriate client authority, accredited financial counsellors should be able to provide relevant information, request a pause or specialist review and communicate directly with the ATO where that is the client's preference. Their evidence should not determine the outcome, but should be treated as credible and relevant to whether further assessment and interim safeguards are required.

Recommendation 27: Formally recognise financial counsellors as trusted intermediaries

The ATO should establish a formal mechanism through which accredited financial counsellors can provide evidence, raise vulnerability concerns and request specialist review or temporary relief.

Conclusion

DPNs are an important compliance tool, but they can expose people to severe personal consequences in circumstances involving incomplete information, limited control or substantial vulnerability. Fair administration requires effective communication, early intervention, proportionate evidence requirements and meaningful safeguards before irreversible harm occurs.

FCVic urges the Tax Ombudsman to recommend a DPN framework that distinguishes deliberate non-compliance from vulnerability and coercion, pauses recovery while credible disputed-directorship concerns are assessed, and recognises financial counsellors as trusted intermediaries. These reforms would support fairer outcomes while maintaining the ATO's important role in protecting public revenue.

Thank you for the opportunity to provide this submission on behalf of Victorian financial counsellors and the consumers experiencing financial hardship whom they assist every day.