

Aggressive use by Australian Tax Office of private debt collectors

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The Australian Taxation Office (ATO) has referred more than 355,000 people to private debt collector Recoveriescorp since January 2024, the *Guardian* recently revealed. Among those targeted are low-income workers and welfare recipients with modest tax debts.

One woman told the *Guardian* that Recoveriescorp had given her just one week to pay a debt of \$2,590.33, threatening legal proceedings if she failed to comply. The woman, who was receiving unemployment benefits at the time and struggling to meet basic living costs, and who had reported hardship to the ATO previously, said she was reduced to a “state of panic.”

She said she was left with nothing but her broken-down car, which she could not even sell because she lacked the funds to repair it. The financial pressure caused her severe mental stress, which was exacerbated by the debt collector’s aggressive tactics.

The debt itself was linked to an administrative error by the ATO, related to incorrectly calculated pay-as-you-go (PAYG) amounts. Rather than cancel the PAYG payments—which were not necessary—the debt was referred to Recoveriescorp for collection, even though the woman was making weekly repayments.

Another taxpayer told the Australian Broadcasting Corporation (ABC) she was absolutely devastated when the ATO revived an old tax debt dating back to 2008–2009. Interest charges had doubled the original amount, and her request for the debt to be waived was rejected. The 55-year-old said that the revived debt could financially cripple her, even cost her the family home.

During the first years of the COVID-19 pandemic, amid social upheaval and mass unemployment, the ATO paused some of its debt collection activities. Although the cost-of-living crisis has only worsened,

since the 2022–2023 financial year the ATO has not only reinstated pre-existing debt-recovery measures, but stepped up its aggressive pursuit of debt.

As part of this, the ATO has awarded Recoveriescorp some \$42.8 million in contracts since 2022, according to the *Guardian*. Initially these were for Recoveriescorp staff to work within the framework of the ATO, but, since 2024, debts have been directly handed over to the private collector.

A 2024 *Guardian* investigation exposed the insidious methods of collectors like Recoveriescorp: constant phone calls, pressure on friends and family members, and even direct threats. One victim said he received incessant phone calls—sometimes several a day—from Recoveriescorp over a \$1,358 ambulance bill for an incident that had left him unable to walk for a month, let alone work.

The *Guardian* found that calls to the National Debt Helpline (NDH) had surged by 25 percent in the 2022–2023 financial year. Claire Tacon of the Consumer Action Law Centre said people seeking help were “more stressed, have more mental health issues (and) are likely to be suicidal.” The NDH is referring more callers than ever to Lifeline, the national suicide-prevention service.

Small businesses, particularly in construction, hospitality and retail, are also being targeted by the ATO. Unpaid small business tax debt has skyrocketed to \$36.6 billion and many small businesses have become insolvent. Tony Greco, general manager of technical policy at the Institute of Public Accountants, says the ATO’s approach is tipping people over the edge. The ABC reported in August that calls to the Small Business Debt Helpline reached record levels, with more than 60 percent involving tax debt.

The ATO’s crackdown on working-class individuals

and small businesses is occurring amid a historic cost-of-living crisis. A recent national survey shows a long-term decline in living and working conditions. Between 2019 and 2023, rents rose by 11.5 percent. Over the past decade, average house rents have soared by nearly 60 percent.

The ATO's heavy-handed tactics echo the infamous Robodebt scandal. Introduced in 2016 by the federal Liberal-National government, Robodebt used automated calculations to allege welfare "overpayments" and issued 900,000 debt notices by November 2019. Recipients were threatened with penalties and even jail if they failed to repay supposed debts.

Despite the exposure of the illegal character of Robodebt, governments have continued to use similar automated mechanisms to target welfare recipients and low-income workers. In 2022, the WSWS reported that state debt collection agency Revenue NSW had—since 2016—unlawfully used automated systems to forcibly extract funds from disadvantaged working-class individuals. Banks were directed to identify and drain accounts to satisfy debts, often leaving people with a zero balance.

While working-class Australians and struggling small businesses face aggressive debt collection, major corporations receive a starkly different treatment. In late 2024, the ATO revealed that more than 1,200 large companies pay no tax in Australia. Its latest corporate transparency report confirmed that multinational giants—including Netflix, Apple, Microsoft and Optus—continue to pay little or no income tax. Brazilian-owned JBS Global Meat Holdings earned \$19.7 billion in Australia in 2023–24 but paid no tax.

The ATO's punitive measures against ordinary Australians are part of a broader assault on the working class, intensifying under the Albanese Labor government. Since Labor came to power in 2022, wages have nominally increased by 11.5 percent, while official inflation figures show a 13.9 percent rise in the cost of living. The cost of housing, however, has risen by more than a third, while electricity bills have increased at an even faster rate. This will be exacerbated by Labor's decision to scrap household energy rebates from December 31.

Multiple rounds of tax changes by the federal government, including the \$300 billion "Stage 3" tax

cuts, have favoured the wealthy, handing tens of thousands of dollars to individuals in the richest layers of society, while students, jobseekers, and low-income workers received meagre reductions, far outweighed by the soaring cost of living.

Simultaneously, Labor governments at federal and state level have diverted billions of dollars away from education, housing, health, and welfare to fund corporate subsidies and pay for a massive military expansion in preparation for a US-led war against China.

The ATO's use of private collectors, known for their aggressive tactics, against individuals with small debts, is a stark expression of how the working class is being forced to pay for the deepening crisis of capitalism. Workers are being hit with rising financial stress, declining living standards and an escalating assault on their basic rights, while corporations and the wealthy pay little or no tax on their vast profits.



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