

# Budget increase plus CPI will push up lodgement penalties 35%

## **TAX**

*Fines for individuals could exceed \$1,500 and for big business more than \$750,000, says the Tax Institute.*

By [Josh Needs](#) • 15 November 2022 • 5 minute read

Late lodgement penalties will leap by over 35 per cent following the recent budget and tax agents should be warning clients now, the Tax Institute says.

It said the 24 per cent budget increase took a single penalty unit to \$275 but that would rise again with CPI indexation introduced from next July.

“The high inflation environment of the last three years means the legislated indexing could see penalties for late lodgement spike by over 35 per cent from the current level to over \$300 per penalty unit,” said Scott Treatt, general manager of tax policy and advocacy at the Tax Institute.

“That’s a significant increase, which will come into effect from 1 July 2023, just six months after this latest increase.”

The budget added \$53 to the current \$222 cost of a penalty unit and it will go up further on 1 July 2023 based on inflation over the past three years. On Tax Institute calculations, someone running four months late in 2023-24 could be facing a penalty of at least \$1,500.

The Tax Institute said that the new penalty amount would apply to failure to lodge penalties and could be applied to late lodged returns, reports, and statements, including:

- Activity statements
- Tax returns
- Fringe Benefits Tax returns
- PAYG withholding annual reports
- Single Touch Payroll reports
- Annual GST returns and information reports
- Taxable payment annual reports.

While increased penalties were appropriate to discourage criminal activity, the considerable rise for taxpayers who could mistakenly lodge slightly late would be a disservice, Mr Treatt said.

“In some cases, such as criminal activity and deliberate avoidance of tax obligations, steep penalties may be appropriate,” he said.

“For taxpayers who simply lodge a little late, it’s a significant cost. The Commissioner retains and exercises the power to waive penalties in certain cases.”

“For taxpayers that means understanding their rights and the process to appeal a penalty. For those without a tax agent, this can be very tricky.”

Mr Treatt also said the increased penalties were potentially severe and tax practitioners should alert clients.

“At a time when so many taxpayers are already navigating steep inflation, high cost of living and the lingering effects of COVID-19, a 35 per cent increase in these penalties will certainly sting for anyone caught out,” he said.

“We’re cautioning taxpayers and tax practitioners; they need to be more vigilant in keeping their tax obligations up to date to avoid the risk of these increased penalties.”

According to The Tax Institute an individual or small enterprise which lodges more than 112 days late the penalty will go from \$1,110 currently to \$1,513 from 1 July 2023.

For a medium-sized enterprise it will rise from \$2,220 to \$3,025, and for a significant global entity it will increase from \$555,000 to \$756,250.

Penalty rates were increased from \$210 to \$222 on 1 July 2022.