

The ATO compliance checklist for small business

What the ATO looks at first — and how to stay off the list.

Most business owners don't get into trouble with the ATO because they set out to. They get there by drift — a BAS lodged late, super that slips a quarter, a debt that's easier to ignore than to face. The problem is that the ATO's enforcement tools now hit **directors personally**, and by the time a letter arrives, a lot of the good options have already closed.

This is the short list we run through with clients. Work down it. Anything you can't tick with confidence is worth a conversation before it becomes a problem.

THE CHECKLIST

1 Lodge on time — every BAS, IAS and return

Lodging on time matters even when you can't pay. Late and non-lodgement is the single clearest signal to the ATO that a business is in trouble, and it's what moves you up the queue for action.

Do: get every lodgement in by its due date. If money's tight, lodge anyway and deal with the payment separately — never skip the lodgement to buy time.

2 Keep super paid and on time

Unpaid super is the fastest route to personal exposure. Where super stays unpaid and unreported, a director can be held personally liable through a Director Penalty Notice with no way to avoid it — the debt follows you home.

Do: pay super guarantee in full by each quarterly due date. If you've missed one, lodge the Superannuation Guarantee Charge statement — reporting it, even late, keeps your options open.

3 Report PAYG withholding and stay on top of STP

PAYG withholding sits alongside super under the director penalty regime. Amounts withheld from wages but not paid or reported can be pushed onto directors personally.

Do: finalise Single Touch Payroll each pay run and keep withholding reported and paid. Reported-but-unpaid is recoverable; unreported is where personal liability locks in.

4 Don't let an ATO debt drift — engage early

An ATO debt doesn't improve with age. Interest compounds, and silence gets read as unwillingness to pay. The businesses that come through it are the ones that make contact early and put a plan on the table.

Do: if you can't pay in full, get a payment arrangement in place before the due date passes. A plan you're meeting is a very different conversation to a debt you're avoiding.

5 Keep the books current and reconciled

Books that are months behind hide the exact problems the ATO will find first — a GST position that's wrong, wages that don't reconcile, income that doesn't match what's been reported. Current books are how you catch those before they're a liability.

Do: reconcile monthly against the bank feed, and make sure GST is being coded correctly as you go, not fixed up at year end.

6 Keep business and personal money separate

Mixed accounts make everything harder to defend — GST claims, deductions, the line between a wage and a drawing. It's also the first thing that unravels under any review.

Do: run business income and expenses through business accounts only. Pay yourself deliberately, and record it properly.

7 Watch loans and drawings from the company (Division 7A)

Money taken out of a company by a director or shareholder that isn't a wage or a dividend can be treated as a deemed dividend and taxed — often as an unwelcome surprise well after the fact.

Do: keep director loan accounts documented and on proper terms. If you're drawing from the company outside wages, get it structured before year end, not after.

8 Open and act on ATO correspondence fast

ATO letters carry deadlines, and a Director Penalty Notice is the one that bites — once it's issued, a director typically has **21 days** to act, and the clock doesn't stop for an unopened envelope.

Do: make sure ATO mail reaches you and gets opened the day it lands. If a DPN arrives, get advice immediately — the 21 days is not negotiable.

9 Know your obligations as a director

Directors carry personal responsibility for the company's PAYG withholding, GST and super. Understanding how the Director Penalty Notice regime works — before you're inside it — is what lets you keep the decisions in your hands.

Do: know where your company stands on lodgements and director obligations at any given month. If you're not sure, that uncertainty is itself the warning sign.

10 Get ahead of the warning signs

Compliance trouble rarely arrives without notice. Consistently paying the ATO last, robbing one quarter to cover the last, falling behind on lodgements, chasing your own cash flow — these are the early signals that the pressure is building.

Do: treat any of these as a prompt to get a clear picture of where you stand, while you still have the full range of options in front of you.

The pattern behind all ten: the ATO acts on drift, and its strongest tools land on directors personally. Almost everything above is recoverable if it's caught early and dealt with straight. The cost is nearly always in the waiting.

Not sure where you stand?

A 15-minute call is usually all it takes to get a clear read on your position — no obligation, and we'll tell you straight.

Book a phone call or a video consult at accountingplus.com.au · 0485 065 556 · info@accountingplus.com.au