



30 July 2025

Australian Taxation Office

Vulnerability Framework Consultation Team

via email: VulnerabilityConsultation@ato.gov.au

Dear consultation team,

ATO Vulnerability Framework – consultation paper

The Australian Small Business and Family Enterprise Ombudsman welcomes the opportunity to comment on the ATO's draft Vulnerability Framework (the framework).

The ASBFEO supports the ATO's commitment to equity and fairness through the development of the Vulnerability Framework. The six guiding principles and four core focus areas, which promote empathy, clarity and inclusion, are a good starting point.

However, we are concerned that the framework is aspirational and does not set out a time-bound strategy or action plan, identify any specific change to current ATO better mainstream practices or include key metrics for measuring success. Nor does it specify how the ATO will balance compassionate engagement with its enforcement obligations. While the framework recognises that vulnerability can affect a person's ability to meet their tax obligations, it also notes that vulnerability does not change a taxpayer's obligations or an outcome under the law. We are concerned that vulnerable people will continue to be penalised, or subject to audits or prosecuted, notwithstanding being identified as vulnerable.

While the framework adopts a broad definition of vulnerability which acknowledges the reality that vulnerability is dynamic and can be compounded by intersecting factors, the framework does not specifically acknowledge small businesses, who face unique challenges in navigating the tax system. The framework fails to canvass how peer agency definitions of vulnerability may have utility in the ATO context.

We are also concerned that the framework does not explicitly acknowledge economic abuse or coercive control as a vulnerability. This type of vulnerability is harder to identify as victims may be reluctant to share their true circumstances to the ATO due to fear of repercussions.

The framework lacks specific measures or mechanisms for identifying and assessing vulnerability, such as through specialist teams within ATO, or for evaluating the effectiveness of the framework, such as through data collection or client feedback. While the framework refers to external support and "non-government partners", it doesn't specify how it will work with third parties who represent vulnerable people such as tax advisers, accountants or financial counsellors, who, because of their vital role on our agent-enabled tax system, should be expressly referred to and provided specific support in engaging with and operationalising the framework.

The framework would be strengthened by including case study examples of how the principles work in practice along the lines of the AFSA vulnerability framework. The principles should be embedded in all frontline training and digital services design.

We agree with the Small Business Debt Helpline/Financial Counsellors Australia consumer sector principles, including principle 3, that the ATO should adopt a systems approach informed by



AFSA's bell curve model, which explicitly recognises that many people who don't comply with their obligations want to but are unable to.

We make the following specific recommendations to improve the framework by ensuring it is inclusive, responsive, and effective in supporting financially vulnerable small business owners.

Recommendation 1: The framework should specifically include small businesses and acknowledge their unique challenges in meeting their tax obligations.

Vulnerability is not just personal or individual. The vulnerability experienced by small businesses can be commercial, systemic and is often exacerbated by engagement with regulators like the ATO. Financial distress, economic abuse, mental health challenges, and systemic barriers that small businesses often experience can intersect to create or exacerbate vulnerability.

Recommendation 2: The framework should specifically acknowledge and address economic abuse and coercion as a form of vulnerability and that tax liabilities are often incurred without the vulnerable person's knowledge.

The framework should recognise the impact of economic abuse in business contexts, including forced-director arrangements, hidden liabilities, and denial of access to financial records. Mechanisms should be developed to allow affected individuals to safely raise concerns with the ATO and seek relief from obligations incurred through coercion or abuse. The ATO should acknowledge that rigid agency compliance mechanisms can reinforce coercive dynamics and therefore develop alternative ways of engaging with and assisting victims of financial abuse.

Recommendation 3: The Framework should include measurable actions and accountability mechanisms including public reporting. The framework should be reviewed regularly to ensure it is fit for purpose.

The ATO should set measurable objectives under each focus area of the framework, define success indicators, and publicly report progress. This builds trust and demonstrates a genuine commitment to change. The ATO should adopt aspects of the AFSA vulnerability framework which features a 2025-2028 strategy and accompanying action plan.

Recommendation 4: The ATO should ensure the guiding principles are embedded in frontline training and digital service design. There should be mandatory, ongoing training for staff, including trauma-informed practice. Staff also need to be supported to avoid the risk of vicarious trauma.

The principles will only be effective if they form part of ATO training. As well as upskilling its frontline workforce, the ATO should create specialist teams to which frontline staff can escalate more complex cases. However, the training also needs to be mindful of the risk of vicarious trauma



for staff dealing with vulnerable clients. Support for staff should be embedded into ATO workplace policies.

Recommendation 5: The ATO should co-design digital tools with individuals with lived experience of vulnerability while accessibility testing should include users with low literacy and from CALD backgrounds.

Many small business owners have low financial and technological literacy which creates vulnerability and exclusion. The ATO's services should be co-designed with vulnerable users to ensure accessibility, particularly for those with low literacy, limited digital access, or from culturally and linguistically diverse backgrounds. Digital inclusion must be a priority, with alternative pathways available for those unable to engage online.

Recommendation 6: The ATO should advocate for future tax law amendments that include provisions enabling the ATO to implement its vulnerability framework in a way that emulates better practices of peer international jurisdictions

International tax jurisdictions operate effective and trauma-informed vulnerability frameworks that incorporate a discerning framework for determining vulnerability, coordinated action with other economic regulators and support providers and specific accommodations and relief around tax liability and reporting obligations. We are unaware of any argument that these frameworks undermine the integrity of the taxation system or conflict with broader public interests.

Yet throughout the consultation process, time and time again, we were advised that current legislative provisions impede ATO officials from emulating some of these features of other peer international tax jurisdictions. Instead, the draft vulnerability framework offers a commitment to taxpayers experiencing vulnerability around patience and careful explanation about existing tax obligations, duties and process and thoughtfulness in the "yes but" message that tax liabilities still have to be paid.

A clear demonstration of the ATO's bona fides around its desire to deal better with taxpayers experiencing vulnerability would include ATO advocacy to Treasury of tax law amendments to enable the ATO to implement its vulnerability framework in an impactful way.

If you require any further information, or have any questions regarding our submission, please email the ASBFEO Policy and Advocacy team at advocacy@asbfeo.gov.au

Yours sincerely

The Hon Bruce Billson

Australian Small Business and Family Enterprise Ombudsman