WITH 36 YEARS OF EXPERIENCE
AND 1,000+ CASES

DIRECTOR PENALTY NOTICES EXPLAINED

WHAT EVERY ACCOUNTANT AND BUSINESS OWNER SHOULD KNOW

BY DOUG CONSTABLE

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1. Introduction – Why DPNs Are Back in Focus

After several quiet years during the pandemic, the Australian Taxation Office (ATO) has shifted firmly back into enforcement mode. Its patience has run out. Businesses that deferred tax obligations through tough times are now finding the ATO knocking on the door again — and not gently.

Director Penalty Notices (DPNs) are one of the most serious tools in the ATO's collection arsenal. They allow the ATO to **pierce the corporate** veil and hold individual company directors personally liable for specific unpaid company tax debts, including:

- **PAYG Withholding** – tax deducted from employee wages but not remitted.
- **GST** – goods and services tax collected from customers but left unpaid.
- **Superannuation Guarantee Charge (SGC)** – unpaid or late-paid super contributions.

In short, when the company fails, **the debt doesn't always stop at the company level**. Under the DPN regime, the ATO can pursue directors directly — even if the company later enters liquidation or administration.

The Personal Risk

A DPN can expose a director to tens or even hundreds of thousands of dollars in personal liability. The ATO may recover the debt by:

- Issuing garnishee notices to banks or clients;
- Commencing legal action for recovery;
- Filing for the director's bankruptcy; or
- Registering personal credit defaults and placing travel restrictions.

Many directors assume they are shielded by their company structure. That's no longer true under the DPN system. Once a notice is issued, the liability attaches personally – it becomes a debt owed by the individual, not the company.

The Broader Message

The surge in DPNs isn't just about money. It's a signal from the ATO: the days of leniency and "payment holidays" are over. The government is determined to restore on-time tax payment culture, with superannuation compliance now treated as a worker's right, not a business choice.

For accountants, this is a critical moment. Your business clients need to understand that:

- **Lodging returns on time** can preserve options to manage debt later.
- **Ignoring ATO letters** is no longer safe – silence triggers escalation.
- **Engaging early** with professionals can prevent irreversible personal loss.

In Simple Terms

A Director Penalty Notice isn't just a warning. It's a legal instrument that says:

"The company owes the ATO, and now you do too – unless you act within 21 days. It is important to not the 21 days is from the date of issue. NOT DELIVERY."

That short timeframe is everything. It's why every accountant and every director needs to be alert, prepared, and connected with trusted advisors who can act quickly.

2. For Accountants – Helping Clients Before the 21-Day Clock Runs Out

In most cases, **the registered office of a company is the accountant's office.** That single detail makes the accountant the first line of defence when a Director Penalty Notice (DPN) is issued.

When the ATO sends a DPN, it doesn't arrive via email or phone – it's **posted to the registered office** listed on ASIC records. If that address is your firm, the countdown clock starts the moment the letter was posted- not when it hits your mail tray – **not when the client opens it**, and not when you leave them a voicemail.

That 21-day period is absolute. Once it expires, the director's personal liability is locked in, regardless of later excuses or delays.

Why the Registered Office Matters

Clients often don't appreciate the seriousness of this arrangement. They assume that because their accountant receives ATO correspondence, they'll somehow be protected or notified "in time."

But the ATO's view is clear:
Service at the registered office is legal service to the company and its directors.
That means the responsibility to act starts immediately. If your office is the registered address, your firm isn't just the mailroom — it's effectively the front gate between the client and a major personal liability.

The Accountant's Duty in Practice

As an accountant, your responsibility isn't limited to passing on the envelope. It's to make sure the **client truly understands the gravity** of what's been received. That means:

- **Confirming receipt** – don't rely on posting or emailing. Contact the director personally, ideally in writing.
- **Explaining urgency** – make clear that the 21-day window starts from the date of the letter, not when they first read it.
- **Documenting your actions** – keep records showing when and how you notified the client. This protects both parties.
- **Encouraging immediate advice** – refer them to an insolvency advisor or restructuring expert without delay.

A quick phone call that goes to voicemail is **not enough**. If the letter sits in your office for a week, or a message goes unheard, the director's personal liability may already be sealed before they even realise what's happening.

A Real-World Scenario

A mid-sized business had its registered office at their accountant's firm. When a DPN arrived, a junior staff member mailed it to the client's home address and left a voicemail. By the time the director called back, **16 days had already passed.**

The remaining five days weren't enough to appoint an administrator or pay the debt. The director became personally liable for over $**180,000 in unpaid superannuation** — all because of procedural delay.

This isn't negligence; it's a misunderstanding of the DPN process. But it highlights why every accounting firm should have a **formal system for handling ATO notices**.

Best Practice for Accountants

- Check the ASIC registered office for every company client annually.
- When a DPN or ATO enforcement notice arrives, record the date and time received.
- Contact the director immediately — ideally the same day — by email, phone, and SMS.
- Keep written proof of delivery and acknowledgement.
- Refer them to a professional who can advise on their options within the 21-day window.

The accountant's office is often the first to know when trouble is coming. Acting promptly — and ensuring the client understands — can be the difference between **resolving the issue** and **a director facing bankruptcy.**

3. What Is a Director Penalty Notice?

A **Director Penalty Notice (DPN)** is a formal instrument issued by the **Australian Taxation Office (ATO)** that transfers specific company tax debts from the business entity to its individual directors.

It's one of the most powerful tools the ATO has — because it allows them to **bypass the company** and pursue the director personally for unpaid obligations. Once issued, the ATO doesn't need to sue the company first or even wait for liquidation.

What It Covers

A DPN can attach to three key types of company tax debt:

- **PAYG Withholding** – tax deducted from employees' wages but not remitted to the ATO.
- **Goods and Services Tax (GST)** – GST collected from customers that hasn't been paid.
- **Superannuation Guarantee Charge (SGC)** – unpaid or late-paid employee superannuation.

Each of these represents **money held on trust** for the ATO or for employees. When it isn't passed on, the ATO treats it as serious misconduct, not just a cash-flow issue.

What the Liability Really Means

When a DPN is served, the director is personally liable for the outstanding debt. That means the ATO can pursue recovery:

- **Directly against personal assets** – including homes, vehicles, and savings.
- **Through garnishee notices** – ordering banks or clients to pay the ATO directly.
- **By initiating legal action or bankruptcy proceedings.**

Unlike normal company debt, there's no "limited liability" shield. The corporate veil is pierced; the ATO effectively says,

"The company didn't pay — now you, as director, must."

Even if the company later goes into liquidation, the personal liability under a DPN doesn't disappear unless the director has taken specific corrective action within **21 days of the notice being issued.**

How the Process Works

1. **Debt arises** – the company fails to pay PAYG, GST, or super.
2. **ATO warning period** – reminder letters or payment plans may be offered.
3. **Notice issued** – if non-compliance continues, the ATO sends a DPN to the registered office.
4. **21-day countdown begins** – the director must act: pay, appoint an administrator, or liquidate (for non-lockdown DPNs).
5. **After 21 days** – if no action is taken, the ATO can collect the debt from the director personally.

Why Timing Matters

The date printed on the notice is everything. The 21-day period starts from the date the ATO issues the DPN — **not** when it's opened, discussed, or understood.
That's why many directors lose their right to remission before they've even realised a DPN exists.

A Tool for Accountants and Advisors

For accountants, recognising a DPN for what it is — a **ticking clock** — is critical. When you or your client receive one:

- Drop other priorities.
- Identify which type of DPN it is (Lockdown vs Non-Lockdown).
- Contact an insolvency advisor immediately to map options.

Handled correctly, a DPN can be managed; ignored, it can destroy a director's personal financial position.

4. The Two Types: Lockdown vs Non-Lockdown

The DPN regime isn't one-size-fits-all.
When the ATO issues a Director Penalty Notice, it's either **Lockdown** or **Non-Lockdown**, and that single distinction changes everything about your options.

Non-Lockdown DPNs – When You've Lodged but Not Paid

A *Non-Lockdown DPN* applies where the company has **lodged its BAS, IAS or SGC statements on time**, but has failed to pay the resulting debts.

In this case, the ATO recognises that you've kept your reporting obligations up to date – you've been transparent, even if the business couldn't meet its payments. Because of that compliance, the ATO gives you a **chance to fix things.**

To avoid personal liability, the director must, within 21 days of the date on the notice:

- Pay the debt in full, or
- Appoint a Voluntary Administrator, or
- Appoint a Liquidator to wind up the company.

If one of these actions occurs in time, the director's personal liability is remitted – effectively cancelled.

This is why good accountants always push clients to lodge on time, even when cash flow is tight. Lodgement protects the director's future options.

Lockdown DPNs – When Lodgements Are Late or Missing

A *Lockdown DPN* is far more severe.
It's issued when a company **fails to lodge its BAS, IAS or SGC statements within the required timeframe** (typically within three months of the due date).

When lodgements are late, the ATO takes the view that the director has concealed the debt. The result:
There is **no remission option** other than full payment of the debt.

The director cannot avoid personal liability by appointing an administrator or liquidator after the DPN is issued. The penalty has effectively "locked in" – hence the term *Lockdown*.

Even if the company later enters liquidation, the director remains personally liable for the entire outstanding amount, plus penalties and interest.

The Legal Reasoning Behind the Two Types

The logic is simple:

- **Timely lodgement = transparency = cooperation.**
- **Late or missing lodgement = concealment = enforcement.**

The ATO uses this distinction to reward directors who meet their reporting duties, and to punish those who fail to engage. It's designed to push behavioural change — from avoidance to accountability.

A Practical Comparison

Feature	Non-Lockdown DPN	Lockdown DPN
Returns lodged on time?	✅ Yes	❌ No
Options to avoid liability	Pay, Administrator, Liquidate	Pay Only
Liability "locks in" after	21 days	Immediately
Can later liquidation help?	Yes – if within 21 days	No
Typical cause	Cash-flow stress but compliance	Long-term neglect or poor

Common Trap: "We'll Lodge When We Can Pay"

Many business owners delay lodging BAS or super reports because they think, *"There's no point lodging if I can't pay."*
That's exactly backwards.

Late lodgement turns what could have been a manageable *Non-Lockdown* situation into a *Lockdown* disaster.

Lodging on time — even with a $0 payment — preserves the director's options and protects their personal position.

Accountant's Role

Accountants play a crucial role in educating clients about this distinction.
You can save a director from personal liability simply by ensuring every BAS and super report is **lodged, even if unpaid.**

This single habit separates directors who recover from those who lose everything.

Diagram 1: DPN Decision Path – Lockdown vs Non-Lockdown

ATO Issues Director Penalty Notice
↓
Identify Type of DPN
↓
If BAS lodged on time → Non-Lockdown DPN → Pay, Appoint Administrator, or Liquidate (within 21 days)

If BAS not lodged on time → Lockdown DPN → Pay the debt in full (no other options)
↓
Failure to Act → Personal Liability

5. Your Legal Duties as a Company Director

When you become a company director, you don't just get a title – you inherit a **set of legal duties** that carry serious personal consequences if ignored.

Under **Schedule 1 to the Taxation Administration Act 1953 (Cth)**, directors are legally responsible for ensuring their company meets its obligations for:

- **Pay As You Go (PAYG) withholding**
- **Goods and Services Tax (GST)**
- **Superannuation Guarantee Charge (SGC)**
-

If the company fails to meet these, the ATO can personally pursue the directors through a **Director Penalty Notice (DPN).**

The Personal Responsibility

Being a director means you are required to take "reasonable steps" to ensure the company meets its tax obligations.
If you don't – or if you fail to act when the company is clearly unable to pay – the ATO can hold you **personally liable** for those unpaid amounts.

Resigning after the problem arises doesn't remove liability, and newly appointed directors have **30 days** to address existing unpaid debts or risk being caught in the same net.

The law doesn't distinguish between directors who are active day-to-day and those who are "silent" or "in name only."
If your name is on ASIC records, you share the same responsibility.

When There's More Than One Director

It's extremely common to see small companies started by **husband and wife teams** who want to show unity in their new venture – or two friends who want to demonstrate equality by each becoming a director.

There's nothing wrong with that sentiment – it's built on optimism and trust – but what often goes unseen is that: Along with shared optimism comes **shared responsibility**.

Every director is **jointly and severally liable** for company debts covered by a DPN. That means if one director is unreachable, sick, or unable to pay, the **ATO can pursue the other for the full amount**.

It doesn't matter who "handled the finances" or who "signed the cheques." If both are listed as directors, both are legally responsible.

The Equal Partner Trap

Many business partnerships start informally – two friends or colleagues each taking on a director role "to be fair."

But equality on paper can create unnecessary exposure. When something goes wrong – cash flow tightens, super payments fall behind, or a DPN lands – that equality vanishes.

The ATO doesn't care who was managing operations. Both directors are accountable.

The most dangerous phrase we hear is:

"But I wasn't involved in the day-to-day – I just helped set it up."

Unfortunately, that defence doesn't work under the DPN regime.

The Partnership or Shareholder Agreement Alternative

There's another way to show trust and teamwork **without sharing personal liability:**
Instead of both partners being directors, they can use a **partnership agreement, shareholder agreement**, or **employment contract** that gives equal say or profit share – without both names being on ASIC as directors.

This structure protects one partner from DPN exposure while still recognising the value, work, or capital they contribute.

For example:

- One person acts as the **managing director,** responsible for compliance and reporting.
- The other is a **non-director shareholder** or **partner,** who shares profits and influence but not personal liability for tax debts.

It's a cleaner, safer structure that many accountants now recommend, especially in family or friend-run businesses.

Key Takeaways

- Every company director shares **equal legal responsibility** – even if their role is "inactive."
- **DPNs don't discriminate** – all directors can be pursued personally.
- Shared enthusiasm at startup must be balanced with **clear role definition and smart structuring.**
- Where possible, use partnership or shareholder agreements to achieve fairness without multiplying exposure.
- Accountants should always explain the real meaning of being a "director" – before ASIC records are updated.

Becoming a director should never be just a gesture of goodwill or equality.

It's a legal commitment – one that carries the power to build a business or, if handled carelessly, to bankrupt those involved.

6. Common Mistakes and Myths

Even experienced directors – and sometimes their accountants – fall into predictable traps when it comes to Director Penalty Notices.
These mistakes don't usually come from ignorance; they come from **false confidence**, **assumptions**, or **wishful thinking**.

Below are the patterns I've seen time and time again – and what can be done to avoid them.

1. "We Haven't Opened It Yet"

The number one mistake.
A DPN doesn't wait until it's read – the 21-day clock starts ticking from the date printed on the notice.

Too often, I've seen envelopes sitting unopened on a desk or forwarded by mail between offices while the countdown quietly runs out. By the time someone realises the seriousness, the window to act has already closed.

👉 **Lesson:** When a DPN arrives, open it, identify the type, and contact your advisor that day.

2. The Registered Office Black Hole

Because DPNs are sent to the company's **ASIC-registered office**, many never reach the directors in time.
Sometimes it's the accountant's address; other times it's an outdated location.

I've seen directors swear they "never received anything" – and they're telling the truth.
But under law, **the ATO only needs to prove it was sent** to the registered address. Whether it was seen or not doesn't matter.

👉 **Lesson:** Check and update the registered office regularly. Don't rely on someone else's in-tray.

3. "We'll Lodge When We Can Pay"

This is one of the most costly misconceptions.
Many business owners delay lodging BAS or super statements because they think, *"There's no point lodging if I can't pay."*

The opposite is true.
Late lodgement turns a potential **Non-Lockdown DPN** into a **Lockdown DPN**, removing the director's ability to appoint an administrator or liquidator to avoid liability.

👉 **Lesson:** Always lodge on time – even if payment isn't possible. Lodgement preserves your options.

4. Resigning to Escape Liability

Another false comfort.
Resigning as a director **after** the debt has arisen doesn't remove personal liability. The ATO are awake up to backdating Directorships it no longer flies as a tactic to avoid the directors responsibility and is one of the first thing they check on the date of appointment but the date of lodgement.

Nor does transferring your shareholding, removing your name from the website, or updating your email signature.

Once the debt exists, the ATO can pursue you for it regardless of your resignation. And for new directors, the law provides **30 days** to identify and resolve existing tax debts or become personally liable too.

👉 **Lesson:** Resignation may stop future exposure, but it doesn't erase the past.

5. "We Left a Message"

I've lost count of the times accountants have told me, *"We called the client and left a message."*
That's not communication — it's a voicemail.

If the DPN is sitting on your desk and the 21 days are running, a message left on someone's phone doesn't meet the urgency of the situation.

The ATO won't accept "I didn't get the message" as a defence.

👉 **Lesson:** Confirm receipt in writing. If you're the accountant, treat DPNs like court documents – personally notify the director and record when you did.

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6. "The Liquidator Will Handle It"

This is another myth.
Liquidation only remits liability for **Non-Lockdown DPNs**.
If the DPN is Lockdown, even the liquidator can't undo it – the personal penalty remains.

👉 **Lesson:** Before assuming liquidation solves the problem, identify which type of DPN was issued.

7. "It's Just a Warning Letter"

Many directors mistake a DPN for a final reminder. It's not.
It's a formal legal notice – the last stop before enforcement.
If the 21 days expire without action, the ATO can start recovery proceedings immediately.

👉 **Lesson:** A DPN isn't a suggestion – it's an ultimatum.

8. "The ATO Won't Chase Me Personally"

That belief died a long time ago.
Post-pandemic, the ATO's stance has hardened. Their new compliance culture is built on **visible enforcement** – directors who ignore their duties are now the example used to motivate everyone else to comply.

👉 **Lesson:** The ATO's patience is over. It's not about punishing, it's about restoring discipline – and directors are the message.

The Accountant's Perspective

For accountants, understanding these mistakes isn't about blame — it's about prevention.
You are often the only professional close enough to the client to catch the problem early.
Educate clients that:

- Lodging is protection, not punishment.
- Silence is fatal.
- Resignation is not relief.
- And the ATO no longer accepts excuses, only evidence of action.

In Summary

Most directors who get caught by DPNs aren't dishonest — they're simply uninformed or slow to react.
Good advice, early intervention, and clear communication can prevent almost every one of these mistakes.
A DPN is serious — but it's also manageable, if you understand the rules and move fast.

7. The 21-Day Response Timeline – Step by Step

When a Director Penalty Notice (DPN) arrives, there's no time for reflection or debate — the clock has already started.

You have **exactly 21 days from the date printed on the notice**, not from the day you open it.

Many directors lose valuable days just waiting for mail to be forwarded, or because someone thought "we'll deal with it next week."
By then, the window has already narrowed — and after 21 days, your personal liability is locked in.

Understanding the 21-Day Countdown

Every day matters. The following sequence shows how quickly those three weeks vanish.

Day 1 – ATO Issues the Notice

- Sent to the company's ASIC-registered office.
- Service is deemed effective even if the director never personally sees it.

Day 1 – 7 – Identify and Seek Advice

- Determine whether it's a Lockdown or Non-Lockdown DPN.
- Notify every company director immediately.
- Engage your accountant and an insolvency advisor — don't wait for "a better time."

Day 8 – 14 – Plan Your Response

- Review cash flow, assets, and liabilities.
- Assess whether the company can pay, or whether restructuring or liquidation is required.
- Collect financial information — balance sheets, BAS, super records, etc.

Day 15 – 21 – Take Action

- **For Non-Lockdown DPNs:** Pay the debt, appoint an administrator, or liquidate the company.
- **For Lockdown DPNs:** The only way out is full payment of the debt.
- Confirm everything in writing — payment receipts or appointment letters.

After Day 21 – The Window Closes

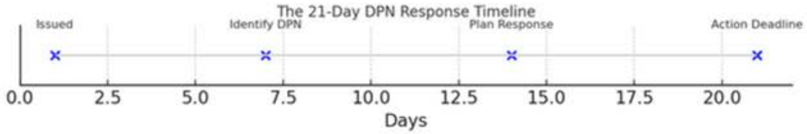
Once the 21 days expire:

- The director's personal liability crystallises.
- The ATO can garnish bank accounts, issue default judgments, or commence bankruptcy proceedings.

No extension, no negotiation, no appeal on timing. That's why speed and precision are everything.

Diagram 2 – The 21-Day DPN Response Timeline

The diagram below visually maps how narrow the window is between awareness and action. It's an excellent piece to show clients — they instantly see that waiting even a few days can destroy their options.



Professional Insight

When you're advising clients, encourage them to treat a DPN like a **court order,** not a letter.

A structured, documented response in those first 21 days can mean the difference between:

- **Saving their company**, or
- **Losing their home.**

Even if the company can't pay in full, action — not delay — keeps options open.

8. What You Can Do If the Deadline Has Passed

Missing the 21-day deadline doesn't automatically mean the end — but it does change the playing field.

At this point, the director's personal liability has crystallised, and the ATO can legally recover the debt from the individual, not just the company.

That sounds final, and it's serious — but it's not hopeless. There are still pathways to regain control and manage the fallout, provided you act strategically and with professional help.

Understanding What "Personal Liability" Means

Once the 21 days expire, the DPN penalty becomes a **personal debt owed to the Commonwealth.**
This gives the ATO access to the same recovery options it uses for individual taxpayers:

- **Garnishee orders** on wages, bank accounts, or third-party payments.
- **Director-focused collection action**, including court judgments or bankruptcy proceedings.
- **Negotiated payment plans**, where the ATO is satisfied there's a genuine effort to resolve the issue.

The ATO's goal is not to bankrupt directors for sport — it's to recover funds and re-establish compliance.
They respond best to proactive engagement, not avoidance.

Step One: Re-Engage — Immediately

If the 21 days have passed, don't ignore the problem. Contact the ATO or your accountant to clarify the current status of the debt and whether recovery has commenced. An insolvency advisor can often step in at this stage to:

- **Negotiate a payment plan or settlement** directly with the ATO.
- **Explore restructuring options,** including a Small Business Restructuring (SBR) plan.
- **Engage a liquidator or administrator** to manage the company's affairs and preserve remaining assets.

Even though liability is now personal, **a cooperative approach** can soften enforcement and preserve reputation.

Step Two: Explore the Small Business Restructuring (SBR) Path

For eligible businesses, the SBR process – introduced in 2021 – allows directors to **retain control of the company** while developing a formal plan to repay creditors. It's often faster, cheaper, and less disruptive than traditional administration.

The ATO has shown increasing willingness to support well-constructed SBR proposals, especially where directors have:
Lodged all historical BAS and super reports.
Shown a willingness to engage early.
Demonstrated that the business remains viable under restructured terms.

👉 This can be a way to **manage the personal exposure** created by the DPN, while keeping the business operating.

Step Three: Liquidation or Voluntary Administration

If the company's position is beyond recovery, a formal appointment – liquidation or voluntary administration – may still be necessary.

Even though it won't reverse a lockdown DPN, it can:

- Stop further tax debts accruing.
- Demonstrate good-faith compliance to the ATO.
- Allow directors to regroup and plan their next steps without further breaches.

Remember: the ATO and ASIC assess behaviour, not just numbers.

Taking structured action, even late, looks far better than avoidance or denial.

Step Four: Personal Financial Defence

If recovery action is already underway, directors still have legal and financial protections available:

- Review all ATO correspondence and confirm the amount claimed.
- Check for **possible defences**, such as illness or incapacity that prevented earlier action.
- Seek immediate advice on **asset protection and bankruptcy alternatives** (such as Part IX or Part X arrangements).

This is where specialist insolvency advisors add real value – they know the difference between what can be negotiated and what must be accepted.

Doug's Perspective

In over 40 years of working with directors, I've seen one pattern repeat:
It's never the DPN itself that destroys someone – it's **the delay.**
The moment you re-engage, things start to move in your favour.
I've helped directors turn a missed deadline into an opportunity to rebuild – through honest communication, strategic restructuring, and a clear financial reset.

A DPN doesn't have to be the end of your business story.
It can be the moment you take charge again.

Key Message

If you've missed the 21-day deadline:
Don't hide – act.
Don't argue – plan.
Don't panic – get help.

There are always options, but they narrow with every week of silence.

An experienced advisor can turn a DPN from a disaster into a fresh start – if you let them in early enough.

9. The Bigger Picture – ATO Enforcement and Trends

For several years during the pandemic, the ATO was a quiet presence.
Payment plans were generous, phone calls were friendly, and "leniency" became the buzzword. Many businesses came to believe that the ATO had changed forever – that enforcement had softened for good.

That illusion ended in 2023.

The ATO's latest activity shows a **decisive return to active collection**, with a sharp increase in Director Penalty Notices (DPNs) and wind-up applications.
The message is clear: the ATO is rebuilding the culture of on-time compliance – and directors are now back in the crosshairs.

A Surge Back to Pre-Pandemic Enforcement

According to the ATO's 2024 annual report, over **26,700 DPNs** were issued in the 2023–24 financial year – more than triple the number from just two years earlier.

This marks a full return to pre-pandemic enforcement levels, and in some categories, even higher.

Of particular note:

- **Superannuation Guarantee debts** now represent the largest proportion of DPNs issued.
- Treasury and the ATO have publicly described unpaid superannuation as **"wage theft."**
- The government has directed the ATO to treat unpaid employee entitlements as a **priority recovery item**, not a secondary debt.
-

That means directors who ignore superannuation obligations aren't just dealing with a tax issue – they're facing a **social compliance issue** that regulators take personally.

Why the ATO Is Stepping Up

The ATO isn't motivated purely by revenue. The broader strategy is behavioural.
Their goal is to change the mindset that tax debts are "just another creditor."

The shift includes:

- **Automated matching systems** that flag late super payments in real time.
- **Data sharing** between the ATO, ASIC, and Fair Work.
- **Predictive enforcement,** targeting directors with repeated patterns of late lodgement.

In practice, this means the ATO often knows when a company is slipping long before the director realises it.

Diagram 3 – ATO DPN Issuance Trends

The data speaks for itself. The ATO's posture has shifted from supportive to assertive — and this pattern is expected to continue into 2025 and beyond.

What This Means for Accountants

For accountants, this changing environment means more than just being aware of the rules – it means taking a **proactive stance** in identifying early warning signs.

Some key indicators to watch for include:

- **Unpaid or unlodged BAS or SGC statements** for two or more quarters.
- **Directors who avoid contact with the ATO.**
- **Repeated requests for extensions or amended payment plans.**
- **A reliance on short-term finance to pay ATO debts.**

These are the cases that are most likely to attract DPNs in the coming months.

By flagging these issues early, accountants can help directors **prevent escalation** before the ATO reaches for enforcement tools.

The Director's Takeaway

For directors, the message is simple:
The ATO isn't just catching up – it's catching on.

They're using more data, more technology, and more pressure to change behaviour.

Ignoring them no longer "buys time" – it invites direct personal action.

Doug's Observation

Over the decades, I've seen cycles of ATO behaviour: leniency during tough times, followed by a hard swing back toward enforcement.
This latest phase feels different – it's **more precise, more public, and more personal.**

The ATO now expects directors to act like stewards, not spectators.
If you're a director or accountant, the best strategy isn't fear – it's readiness.

Have your lodgements up to date, your communication open, and your plan ready before the ATO asks for it.
Because when the next DPN arrives, the directors who sleep best at night will be the ones who already knew it was coming – and were ready.

10. Case Study – The Business That Waited Too Long

Numbers and laws tell part of the story.
But nothing makes the risk clearer than watching how it plays out for a real director.
The following case — drawn from many I've seen — shows how quickly a manageable tax debt can turn into personal financial disaster.

Background

"James and Sarah" ran a small construction company in Melbourne.
Business was steady, but margins were tight. When COVID hit, cash flow dipped and the company began juggling super payments, then PAYG.
Like many owners, they prioritised suppliers and staff over the ATO — telling themselves they'd "catch up next quarter."
Their accountant lodged BAS sporadically, and several superannuation guarantee statements were months late.
They assumed that as long as the ATO wasn't calling, they were safe.

The Letter No One Opened

One Monday morning, a **Director Penalty Notice** arrived at their accountant's office — the registered address on ASIC.
The receptionist placed it in an in-tray marked "Client Mail."
By the time the accountant forwarded it to James and Sarah, **12 days** had already passed.
When they finally read it, the panic set in. They called their accountant, who left a voicemail saying,
"Don't stress — it's probably just a warning. We'll sort it next week."
That week never came.

Day 22 – Liability Crystallises

By Day 22, the 21-day window had closed.
Because several BAS and super lodgements had been **late**, the notice was a **Lockdown DPN**.
That meant the only way to avoid personal liability was full payment of the $186,000 debt – money they didn't have.
The company went into liquidation, but the ATO still pursued both directors personally for the entire amount.
The family home – which they believed was protected under the company structure – became exposed.

Doug's Observation

This story is sadly common.
What destroyed James and Sarah wasn't dishonesty – it was **delay**.
Had they opened the letter on Day 1 and sought advice, they could have:

- Appointed an administrator and contained the liability.
- Entered a Small Business Restructuring plan.
- Preserved their personal assets.

Instead, silence cost them every available option.

The Accountant's Lesson

For accountants, this case underlines the need for a documented DPN response system:

1. **Log receipt** of every ATO letter immediately.
2. **Notify directors in writing** the same day.
3. **Explain the 21-day deadline** and the consequences of inaction.
4. **Refer early** to an insolvency advisor for options.

Had those steps been followed here, the outcome would have been completely different.

A Better Ending

After liquidation, the couple sought help.
Through negotiation and a disciplined restart under new structure, they rebuilt within 18 months.

They now lodge on time every quarter – even when cash is tight – and operate with a single managing director supported by clear shareholder agreements.

As Sarah later said:
"We thought we were protecting each other by sharing everything. We didn't realise we were doubling the risk."

Takeaway

- **Delay kills options.** Every day after a DPN arrives matters.
- **Communication saves outcomes.** Ignoring letters never helps.
- **Preparation beats panic.** Systems protect directors – and accountants.

Every DPN tells a story, but not every story has to end badly.
The difference lies in what happens between Day 1 and Day 21.

11. Key Takeaways for Accountants and Clients

By now, you've seen how easily a Director Penalty Notice (DPN) can turn from a technical notice into a personal nightmare.
But you've also seen how preventable most of it is.
The system is unforgiving, yes — but it's predictable.
And predictability is power, if you know how to use it.

For Accountants – Be the Early Warning System

Accountants are the gatekeepers in this process. You often know trouble is coming long before the ATO does. Your ability to recognise the signs, educate your clients, and act fast is what keeps them safe.

Here's what works in practice:

1. **Lodge Everything on Time** – Even if there's no money to pay. Lodgement protects directors from lockdown DPNs. Late lodgement kills their options.
2. **Check ASIC Records Quarterly** – Make sure the registered office is current and correct. A DPN sent to the wrong address is still legally served.
3. **Set Up a DPN Response Protocol** – Have a written, firm-wide process. Log incoming mail, notify clients immediately, and escalate to a partner or advisor that day.
4. **Communicate Like It's Urgent** (Because It Is) – Don't just forward the letter. Call, email, and confirm they've understood. Follow up in writing.
5. **Build a Referral Network** – Have trusted insolvency and restructuring professionals ready. Your goal isn't to fix every problem — it's to connect the right help quickly.
6. **Document Everything** – Keep a file note of every contact, every action, every reminder. If a client ignores advice later, you've still done your duty of care.

Being proactive isn't just good service — it's professional protection.

For Company Directors – Take Control Early

Most directors don't fail because of dishonesty. They fail because they freeze. When pressure builds, they stop opening letters, stop answering phones, and start believing things will "sort themselves out."

They don't.

If you're a director, remember these rules:

1. **Lodging = Lifeline** Late lodgement turns problems into penalties. Always lodge your BAS and SGC statements – even if unpaid.
2. **Registered Office = Real Time** Make sure your ASIC address is monitored daily. If your accountant receives your mail, tell them to contact you immediately when anything arrives from the ATO.
3. **21 Days = Everything** Once a DPN is issued, the 21-day countdown starts. Treat it like a court deadline. After that, your personal liability is set in stone.
4. **Seek Help, Not Excuses**
5. The right insolvency or restructuring advisor can show you legal pathways to protect your assets and reputation. But they can't help if you wait until it's too late.
6. **Act, Even If You Can't Pay** Doing nothing is the worst option. The ATO respects communication and cooperation more than silence.

The Bridge Between Both

The accountant and the director share the same goal: survival with dignity. The accountant's role is to identify and educate.

The director's role is to act and decide. When both sides work together early, almost every DPN can be managed. When either side delays, the results are predictable – and painful.

Doug's Reflection

I've seen directors at every stage of this process – from those who panicked and froze, to those who faced it early and walked away stronger. The truth is, the ATO doesn't destroy businesses. **Time does.**

Delay, avoidance, embarrassment – they're the real causes of failure.
Once a director understands that honesty and early action are their best shields, everything changes.
And for accountants, your guidance is often the light that leads them there.

Quick Recap

Step	Key Action	Who's Responsible	Outcome
Lodge BAS & SGC on time	Accountant / Client	Avoid lockdown liability	
Maintain registered office	Client (reviewed by Accountant)	Ensure prompt notice	
Act within 21 days	Director	Preserve options	
Seek advice early	Both	Protect personal and business assets	
Document communication	Accountant	Duty of care and audit trail	

The Goal

The goal isn't just to survive a DPN — it's to rebuild smarter.

Directors who learn from the experience become more disciplined, more resilient, and far less likely to repeat the mistakes that got them there.

And accountants who guide them through it earn not just trust, but lifelong clients.

12. Conclusion – Staying in Control When the Pressure's On

Financial pressure can make even the strongest business owner freeze.
When a Director Penalty Notice arrives, it feels personal — and in many ways, it is. It's the ATO saying:

"We've waited long enough. Now it's your move."
But that doesn't mean the game is over.

The DPN system may be tough, but it's also **clear and predictable** — and that means it can be managed with the right knowledge and timing.

The 21-Day Rule: Your Window of Power

Those 21 days are everything.
They are your window to act — to pay, restructure, appoint, or negotiate.

Handled correctly, that short period can completely protect a director from personal liability.

Handled badly, it can expose them to debts that take years to unwind.

Every accountant and director should treat that window as sacred time — the highest priority in their diary.
When a DPN lands, **nothing else comes first.**

If you act decisively within that 21-day period, you can turn a crisis into an opportunity for reset.

You can preserve the company, protect personal assets, and rebuild with stronger foundations.

After 21 Days: All Is Not Lost

If the 21 days have passed, it's natural to feel like you've missed your chance — but you haven't.

The focus simply shifts from prevention to **damage control and recovery.**
The goal now is to:

- Stop further escalation.
- Contain personal exposure.
- Rebuild through structured advice.

Immediate engagement with an insolvency advisor or restructuring expert is essential.

Even when the liability has crystallised, there are still strategic moves available — from payment plans and restructuring, to negotiated settlements and legal defences.

The worst thing you can do is **wait longer.**

Every day of silence reduces your leverage; every step of engagement rebuilds it.

A Message to Accountants

You are the trusted advisor at the front line. Your clients look to you for calm direction when the fear sets in.

Never underestimate how much power you have to change the outcome — not by fixing the problem yourself, but by **moving fast and connecting the right help**.

Be the voice that says,

"Let's deal with this today — not next week."

Those words can save a director's career, marriage, or sanity.

A Message to Directors

If you've received a DPN, you're not alone.
Thousands of honest, hard-working business owners have stood exactly where you are – frightened, confused, and convinced they're about to lose everything.

But I can tell you this with absolute certainty:
It's not the end.

I've spent over four decades helping directors through this exact situation, and the ones who recover share one thing in common – they take action.

They open the letter.
They make the call.
They ask for help.

And when they do, they discover that what looked like a dead end was actually a turning point.

The Real Message

A DPN isn't a punishment – it's a wake-up call.
It's the moment to stop reacting and start leading again.
With the right advice, the right structure, and a willingness to act, a DPN can become the line in the sand where you take control of your financial future again.

Final Words

- **Within 21 days:** Act immediately – pay, restructure, or appoint. Don't delay a single day.
- **After 21 days:** Act urgently – the options are fewer, but the path is still open.
- **At any time:** You are not alone, and you still have choices.

At Resolvency, we believe that every setback can be turned into a restart – if you face it early, and with the right guidance.

For tailored advice, contact Resolvency - experts in director support, debt resolution, and business recovery.