

Senate Economics Legislation Committee
Inquiry into Treasury Laws Amendment (Making Sure Multinationals Pay Their Fair
Share of Tax in Australia and Other Measures) Bill 2018

ANSWERS TO QUESTIONS ON NOTICE

Australian Taxation Office

31 JANUARY 2019

Department/Agency: ATO

Question: 1

Hansard page: 26

Topic: High-risk refund review compliance

Question:

Mr Jacobs: [...] We reported that in 2017-18 we undertook 151 high-risk refund reviews.

[...]

CHAIR: With the 151, do you pay that and claw it back, or do you withhold it?

Mr Jacobs: We withhold it.

CHAIR: How many did you find actually complied?

Mr Jacobs: Those 151 are the ones that we held up. They're the ones that I think we ultimately decided—I'll have to confirm, actually. Can I take that on notice about confirming how many?

CHAIR: Yes.

Answer:

In 2017-18, the ATO conducted 151 high risk refund reviews of R&D Tax Incentive claims, with 52 refund claims allowed in full and funds released following verification activity. Of those where the refund claim was adjusted, 50 were partially adjusted and 49 were denied with the refund claim fully disallowed.

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Question: 2

Hansard page: 27

Topic: Cost breakdown by company size

Question:

CHAIR: The cost of R&D tax incentive clearly has blown out. As we've said numerous times throughout these hearings, it was originally set to cost the budget \$1.8 billion a year and is now, in fact, costing nearly double that at \$3 billion a year. I was going to ask you about how this spread across industries, but you said that's been referred to Treasury. Can you tell us how it's been spread across company sizes?

Mr Jacobs: In the annual report, we do provide information by year on the break-up between non-refundable and refundable, and that has an element about the size—so the \$20 million turnover you get into the non-refundables. I have the total figures, but I don't actually have the break-up.

Mr Dyce: We could take that on notice and provide those figures.

Answer:

Please refer to Treasury response in relation to R&D Tax Incentive refundable and non-refundable offsets by turnover size.

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Question: 3

Hansard page: 30

Topic: Cost per annum to enforce legislation

Question:

Senator KETTER: So you wouldn't be able to tell me, then, what would be the expected cost per annum for the ATO to enforce this legislation?

Mr Dyce: In terms of actual costs, it will depend on what the levels of compliance are and what the strategies are that we have to apply to individual organisations. We probably have estimates. I'd probably have to take that on notice because we may well have estimates, but those estimates are based on actuals, and subsequent years may obviously vary slightly from that. The tax office will apply resources robustly to any new measure to try and ensure a level playing field and that compliance occurs.

Senator KETTER: If you could take it on notice. I'm interested in how that expected cost compares with the actual revenue that we're expecting to raise as a result of this.

Answer:

When first announced, the ATO estimated the expected compliance cost of the proposal on our administration. At that time, the risk and compliance cost was estimated to be \$3 million over four years to administer, with higher initial costs that trended lower at approximately \$500,000 per annum in years three and four.

The ATO will administer the measure within recurrent agency funding.

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Question: 4

Hansard page: 31

Topic: R&D tax incentive participant statistics

Question:

CHAIR: That's a reasonably stable number of organisations that are claiming this, isn't it.

Mr Jacobs: Yes.

CHAIR: Why is that?

Mr Jacobs: There is a fair number of new participants each year. There are a number of companies that have projects that go for more than one year, and then each year there's a certain portion of claims that are new registrants that are doing the program for the first time.

CHAIR: That would be an interesting statistic too—to know which are the repeat offenders, for want of a better expression, and how many new participants there are each year. If you could give that to us on notice that would be terrific.

Mr Jacobs: Registrations are the responsibility of AusIndustry as part of the Department of Industry, Innovation and Science, so I'd have to take it on notice.

Answer:

The following is an approximate split between the existing and new R&D tax incentive participants:

Existing: 75%

New: 25%