

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 2012

30 May 2012

QUESTION: BET 318 - 321

Topic: Tax returns and Tax Practitioners (ATO)

Hansard Page: Written

Senator XENOPHON asked:

I refer to the ATO's computer program Siebel.

318-319. During the 2011 tax year, over 100 000 tax returns were held up for audit for a minimum of 3 months, the average being 6 months and some for 9 months. This was done to establish the veracity of tax deductions claimed.

As only 75% of returns were found to have an error of 1 cent or more, what is being done in the 2012 tax year to speed up the process of the quoted 200,000 plus returns that will be checked to not inconvenience or place hardship upon the 25% who have substantiated their deductions?

320. As the ATO is 'listening to the community' and is trying to make the tax process for all Australians 'easier, cheaper and more personalised' would it be possible for the ATO to implement a customer service standard that would give the taxpayer a daily penalty payment if their returns or activity statement refunds were delayed?

321. Will you continue supplying a premium service to the tax practitioner community?

Answer:

318-319.

Prior to issuing income tax refunds, the ATO uses specialist technology to analyse all individual income tax returns to detect potential over claiming or fraudulent activity. Where a return is potentially incorrect or fraudulent, the refund is held and the return is taken offline. Taxpayers are then asked to substantiate their claims.

Between 1 July 2011 and 30 June 2012, around 109,000 returns with refund claims totalling \$463 million were identified as potentially incorrect or fraudulent and stopped. Of these, approximately:

- 954 held returns were being reviewed as at 30 June 2012, with refunds held of approximately \$6.3 million
- 30,000 returns with claims totalling approximately \$120 million were released after verification with third party data,
- 79,000 reviews have been completed with 54,000 resulting in reduced refunds of \$177 million. Approximately \$132 million of reviewed refunds have been released in full or part.
- The average time taken to complete a review was 158 days.

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For the 2012-13 year the ATO has implemented additional changes to reduce the amount of time that legitimate refunds will be held. These changes include adjusting and refining refund detection models to:

- apply the results of the last income year to identify clear cases of fraud or over claiming and limit the number of cases that result in no adjustment. This will include improving the over claiming and fraud rules to reduce volume stopped and subsequently released without adjustment
- remove cases that relate to law interpretation from the pre-issue environment. Models for pre-issue action will focus on fraud, re-offenders and/or over claiming.

The ATO will also:

- increase the use of third party data to cross check claims prior to reviews commencing
- update procedures and approaches to have a clearer focus on fraud or over claiming versus interpretation issues resulting in large refunds
- deploy a more flexible workforce to manage peak volumes during the period July to December
- conduct a simulation of the revised refund models to obtain a forecast of what may be stopped or what may be different to the prior year: and
- inform the community about income tax refund compliance activity and how it may affect the issue of assessments through increased information on ato.gov.au and in scripting for the ATO call centres.

Since 1 July 2012, ATO refund detection models have detected and stopped 24,780 (as at 13 August 2012) suspected fraudulent and over-claimed income tax returns. This is about half the number stopped at this time last year (51,157).

320.

Where a legitimate tax return or activity statement refund claim is delayed, the *Taxation (Interest on Overpayments and Early Payments) Act 1983* provides an entitlement of interest payable to the taxpayer. This includes:

- interest on overpayments where:
 - it takes the ATO more than 30 calendar days from when a tax return is lodged to finalise processing of the assessment and the recipient is entitled to a refund
 - an assessment is amended after it is paid and the amendment reduces the original tax liability
- delayed refund interest where:
 - it takes the ATO more than 14 calendar days to refund a business activity amount
 - the taxpayer's lodgements are up to date
 - all required information has been provided.

Where the delay of a tax return or activity statement refund claim causes serious hardship for a taxpayer, they, or their representative, should contact the ATO immediately. Assistance to expedite the issuing of a refund is available in certain circumstances.

The ATO is focused on releasing legitimate tax return or activity statement refund claims to taxpayers in a timely manner. At the same time, the ATO has a responsibility to investigate any discrepancies, such as potentially over-stated claims or fraudulent activity, before refunds are issued.

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321.

Yes. Tax practitioners play a vital role in the tax and superannuation systems, ensuring that their clients understand their rights and obligations and influencing willing and proper participation. The ATO will continue to support tax practitioners through the provision of a range of services and support programs including:

- the provision of premium telephone services
- updates to the Tax Practitioners segment of the ATO website (www.ato.gov.au)
- access to technical support through our Access To Experts and Professional to Professional Services
- Tax Agent Portal and BAS Agent Portals, providing online secure access to client's information, and service functions
- support visits and assistance programs for practitioners who require them
- provision of a suite of publications and communication products:
 - regular email bulletins containing important information
 - the Tax Practitioner Services guide
 - a quarterly online magazine – *The TAXAGENT*
 - a monthly subscription newsletter specifically for BAS Agents, and
 - regular webcasts covering a range of technical, compliance and administrative topics.

Earlier this year the ATO launched the Tax Practitioner Action Plan 2011-2015, which sets out how we will work with the tax profession over the next three years, including what we will do to improve the support we provide to tax practitioners. This encompasses:

- improving access to premium telephone services, tax technical experts and relationship manager support
- improving the complaints resolution process for practitioners
- increasing access to services and online tools
- improving the online portal functions, including enhancements to the pre-filing service
- developing and publishing a more extensive range of best practice guides and fact sheets for use by tax practitioners.