

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates 2012

30 May 2012

**QUESTION: BET 348 - 350**

**Topic: Energy subsidies/rebates and energy income (ATO)**

**Hansard Page: Written**

**Senator BOYCE asked:**

348. Can the ATO tell me whether the subsidies received by the public for installing energy efficient systems such as solar, whether provided by State or Commonwealth entities are taxable?
349. Can the ATO tell me whether any 'income' earned by householders for putting power back into an electricity grid is taxable?
350. If the ATO does not have a position on either question 1 or 2 can you tell me why not?

**Answer:**

348. Various government schemes provide taxpayers with incentives to install energy efficient systems such as solar panels or solar hot water systems. Incentives may take different forms under the different schemes offered to taxpayers from time to time.

Schemes may offer financial incentives in the form of tradable energy certificates or credits such as Renewable Energy Certificates (REC) or Small-scale Technology Certificates (STC). Taxpayers may choose to apply the incentive by exchanging it for a discount on purchasing an energy efficient asset or they may sell the certificates or credits on-market for other taxpayers to use.

There may be consequences under the capital gains tax provisions of the tax law if a taxpayer sells the certificate or credit. There may be other tax consequences if the taxpayer is carrying on a business or if the incentive relates to acquiring assets used to produce assessable income.

Legislative amendments in relation to these environmental incentives were announced in the 2011-12 Federal Budget.

In broad terms, the proposed amendments will limit the tax impacts for taxpayers dealing with these types of financial incentives. The changes will effectively ensure that there are no tax consequences where the taxpayer simply applies the incentive to acquire energy efficient assets.

349. Homeowners who install energy efficient systems, such as solar panel systems, may sell some of the electricity generated back to the electricity supplier through the power grid.

The taxation consequences of this type of arrangement will depend upon the size of the system chosen by the homeowner and whether the choice of system reflects their anticipated normal household consumption.

If a homeowner feeds excess electricity to the grid that generates payments or credits that simply offset the cost of that household's electricity consumption for their home during the year, there are likely to be no taxation consequences for the homeowner.

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Homeowners selling excess electricity generated by a solar panel system used for domestic purposes are generally not considered to be carrying on a business or enterprise of electricity production. It is therefore not expected that homeowners register for an Australian business number (ABN) or goods and services tax (GST) in relation to this activity.

350. Not applicable.