

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

TREASURY

Australian Taxation Office

(Additional Estimates 14 February 2007)

Question **AET 141**
Topic: **Costs of the Super Simplification changes**
Hansard Page: **E65**

Senator **Sherry** asked:

Did I hear you say earlier that you had not finalised the costs of the super simplification changes?

Mr D'Ascenzo—No. We still have to work that out and go to the department of finance for funding.

Senator SHERRY—But we already have an announced cost by the Treasurer in his press release of 7 December, 'Departmental administration costs including capital', and there are figures there for the forward estimate period.

Mr D'Ascenzo—That is right. That was the estimate. We now need to work out whether or not—

Senator SHERRY—That is only an estimate?

Mr D'Ascenzo—It is what we concede at that time as being the cost of the implementation.

Senator SHERRY—So the cost may go up?

Mr D'Ascenzo—The cost will be dependent on what we can negotiate in terms of delivery, but I am not sure how much is covered by that and what the costings might be.

Senator SHERRY—I am more than a little concerned if you are not sure what costs are included. We have \$479 million.

Mr D'Ascenzo—I understand that. I meant I am not sure off the top of my head what the break-up of the figures is.

Senator SHERRY—So you stand by the validity of these estimates?

Mr D'Ascenzo—I am saying that they were the estimates that were made. Now I have to work through that in terms of what the requirements are of the new system.

Senator SHERRY—The costs have already blown out by a billion dollars in terms of the total package.

Mr D'Ascenzo—Again—

Senator SHERRY—From budget announcement to final announcement—

Mr D'Ascenzo—This is the wider simplification feature.

Senator SHERRY—Yes.

CHAIR—Ms Vivian, did you have something you wanted to add to this?

Ms Vivian—The only comment I was going to make is that at the time those costings were undertaken you will understand that it was very early in the piece at the time of the discussion papers, and naturally since then, as we have been working through with industry and working through with government, we have been firming up on some of the costs, so that is what the commissioner is talking about in terms of some of the changes.

Senator SHERRY—I understand the process between May and December last year. But I had understood that we got some robust costs in December last year.

Ms Vivian—There would have been costings there but, again, what the commissioner is referring to is that we have been working through quite a few things in terms of what this means to our Change Program. There are other issues the commissioner has alluded to, just in terms of what you were talking about—the robustness of the overall super systems, the importance of getting them in place, the impact on the Change Program and the delivery dates. I think in terms of the overall costings they are the sorts of costings the commissioner is referring to.

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As per our previous discussion Senator Sherry wishes the two unanswered statements by Mr D'Ascenzo taken on notice (*Source: From Shane May – Advisor to Senator Sherry, email dated 14 March 2007*).

1. The ATO stated that the costs are an estimate only, Senator Sherry then asked "*so the cost may go up*" in response to this question Mr D'Ascenzo stated "*The cost will be dependent on what we can negotiate in terms of delivery, but I am not sure how much is covered by that and what the costings might be*". Senator Sherry wishes Mr D'Ascenzo's to complete his answering in relation to this. That is he wishes the details relating to "the negotiations in terms of delivery", who is involved with these negotiations?, how much is covered by that? And what will the costings be?
2. Senator Sherry wanted the breakdown of the \$479 million and Mr D'Ascenzo stated he did not know of the top of his head. Senator Sherry now wants the breakdown of the \$479 million.

Answer:

1. The initial estimates for Simplified Superannuation were undertaken prior to the legislation being available.

In the 2006-07 *Mid Year Economic and Fiscal Outlook*, the Government allocated \$366 million over the following four years for **ATO departmental expenses**.

The 2007-08 Budget announced an additional \$78.5 million would be allocated to the ATO over two years to reflect the ATO's revised estimate of the information technology costs for delivering Simplified Superannuation.

2. In the 2006-07 *Mid-Year Economic and Fiscal Outlook* the Government provided details of funding for relevant agencies to implement and administer the Simplified Superannuation arrangements. The fiscal balance impact of funding to **all relevant agencies** is \$479.2 million over four years.

Details of funding allocated to the Department of Families, Community Services and Indigenous Affairs, Employment and Workplace Relations, Veterans' Affairs and Health and Ageing, is set out in their respective 2006-07 Portfolio Additional Estimates Statements.