

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury

Australian Taxation Office

Budget Estimates 2004-05, (2/3 June)

Outcome 2, Output 2.2.1

Topic: Salary sacrifice of child care

Hansard Page: E63

Senator **Collins** asked:

Senator Murray has reminded me that perhaps on a similar vein I may raise an issue that I will be looking at tomorrow related to salary sacrifice. I am seeking to quantify, to the extent possible, revenue forgone with respect to salary sacrificing arrangements for child care. I understand there are going to be a series of problems with that vein. (from 2/6).

Mr Carmody—The problem I foresee is that I am not sure that what is reported to us breaks it up into that level of detail, but I will see if I can find out as quickly as possible whether we are able to help you.

Senator JACINTA COLLINS—For all areas where people might apply salary sacrifice. What is the total revenue forgone through that measure?

Mr Carmody—An expense payment fringe benefit is potentially there, so we could get that. Expense payment fringe benefit is probably the element. We will attempt to get the expense payment. You would appreciate that could be a whole range of expenses.

Senator JACINTA COLLINS—If you can give me the expense payments, that gets us one stage closer. In ATO dealings with Centrelink, do you have any understanding of the level of compliance problems associated with people claiming child-care benefit as well as salary sacrifice?

Mr Carmody—I am sorry, I do not think we have any information here.

Senator JACINTA COLLINS—You may need to take that on notice.

Mr Carmody—We will take that on notice.

Senator JACINTA COLLINS—Yes. I am seeking to ascertain the incidence of this particular problem. The problem is that people who salary sacrifice their child care are not eligible to claim child-care benefit. We understand there is some level of a compliance problem there. I am seeking to ascertain the extent of that problem. I would like whatever information you are able to provide on that without compromising your compliance program.

Answer:

The ATO has not been made aware of compliance problems associated with people claiming child care benefits through Centrelink as well as receiving child care expense payment benefits under a salary sacrifice arrangement.

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The provision of child care, as an employer provided benefit, whether as part of a salary sacrifice arrangement or not, is not a discrete type of benefit that employers are required to report in their Fringe Benefits Tax (FBT) return. Any child care fringe benefits provided would be included in an employer's FBT return as an expense payment. Expense payment benefits include all reimbursements or payments to third parties in satisfaction of expenses incurred by employees.

Child care facility benefits are only recognised as a specific type of benefit where an employer provides this service, for the use of employees, within their business premises. These are exempt fringe benefits that are not required to be reported in the employer's FBT return.

The ATO therefore does not have information at the individual level of the extent of child care expense payment benefits provided under salary sacrifice arrangements that could be directly matched with Centrelink data.