

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

TREASURY

Australian Taxation Office

(Budget Estimates 2 June 2005)

Outcome 2

Topic: Collation of tax information: tax expenditure statement

Hansard Page: E65

Senator Murray asked:

.....My other brief set of questions concerns both the tax office and Treasury, and I am not quite sure who to ask. I will ask the questions generally. They relate to the issue that Senator Mason has been on about—that is, the issue of tax concessions to what are broadly called charitable agencies. They have a more specific title. I just want to be assured that the tax office collation of information and its dispatch to the Treasury is as complete as possible to enable the tax expenditure statement to reflect the true nature and depth of tax concessions in this area. I will indicate some of the background for my question. The tax expenditure for the fringe benefits tax exemption for public benevolent institutions in the tax expenditure statement is just under \$500 million. I want to be assured that that is as complete and as full an estimate as possible. This applies to all the other variants of concessions available to the charitable and not-for-profit sectors as well. It is really a question of data collection and assessment.

Mr Carmody—I cannot do a quality review for you here. I can assure you that we would be providing the best information that is available to us but I do not know that we have here the specifics of how we go about that. Of course, they do not report it if they are exempt.

Senator MURRAY—I am not asking that. But I have noted, as you have, the interest which is being expressed about this issue not only in estimates but through some of the specialist business media. It is really competitive neutrality, transparency and those sorts of issues which are occasioning interest.

Mr Carmody—I understand.

Senator MURRAY—I would like to be sure that we are getting the best statistical feed we can.

Mr Carmody—I am sure we are doing the best we can but I will undertake to you to go back from here and make sure. I will have someone have a look to make sure that we are doing absolutely all that we can in this area.

Senator MURRAY—Thank you; I appreciate that.

Answer:

Each year the Tax Office assists Treasury in preparing the tax expenditures statement - including providing advice in relation to a number of estimates of the value of tax concessions for charitable organisations.

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Generally speaking the data we have to support that process is that provided by taxpayers in meeting their tax responsibilities. This means we do not always have the data necessary to enable the direct quantification of tax expenditures.

For example, tax exempt charitable organisations are not required to lodge an income tax return with the result that we do not have the data necessary to directly quantify tax expenditure B4 (income tax exemption for religious, scientific, charitable or public education institutions).

The Tax Office does have a reliable source of data to support quantification of the specific item referred to in your question – tax expenditure D12 for the capped fringe benefits tax exemption for employers who are public benevolent institutions. This is because employers, including income tax exempt employers, are required to report the value of fringe benefits (exceeding \$1000) on employees' payment summaries.