

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

TREASURY

Australian Taxation Office

(Budget Estimates 2 June 2005)

Outcome 2

Topic: Athlete's grants tax ruling and court case

Supplementary Question on Notice: Supp Lundy 7

Senator Lundy asked:

- a) What action has the government taken since the High Court decision in relation to Ms Joanna Stone, a javelin thrower?

Answer:

The ATO has re-examined its Income Tax Ruling TR 1999/17 to ensure that the guidance provided by this Ruling is current for athletes in today's environment. The ATO is satisfied that the Ruling adequately addresses the issue of payments received by sportspersons.

- b) The Minister has been reported as waiting for advice on the ramifications of this decision from the Attorney General and the Commissioner for Taxation?:
- i) What are the ramifications of this decision?
- ii) Has that advice been provided to the Minister's office?
- iii) When was this advice provided?

Answer:

The decision was based on the facts of the case and confirms the ATO's view as set out in Taxation Ruling TR 1999/17. As such the decision does not represent a change in the taxation treatment of these grants.

- c) Has the ATO assessed the amount (either in part or in total) of additional revenue that will be raised when this decision is applied to all athletes in receipt of grants, allowances and sponsorships?
- i) What is this amount?
- ii) How many athletes may be affected by the decision?

Answer:

As the decision confirms TR 1999/17, the taxation treatment of grants to athletes by the ATO will not change and, provided athletes receiving grants have followed the ATO advice, there is unlikely to be any material impact on revenue.

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- d) Minister, what action does the government intend to take to deal with any loss of value of grants as a result of the High Courts decision in the Stone case?

Answer:

The decision confirms the ATO's current treatment of grants and will not result in a loss of the value of the grants.

- e) Have all recipients of commonwealth sporting grants been advised of the loss of value of their athlete grants and allowances?

Answer:

As the decision confirms the current taxation treatment of grants and will not impact on the value of grants provided athletes receiving grants have followed ATO advice, the ATO has not attempted to contact grant recipients. However, the ATO will assist the Australian Sports Commission (ASC) to explain any relevant tax provisions to grant recipients (also refer to the answer to question *f*).

- f) The ASC announced it had established an Advisory Panel to address this issue, to be chaired by Mr. Justin Stanwix.
- i) Is the tax office represented on this advisory panel? If so by whom, if not, why not?
 - ii) What is the membership and terms of reference of this Panel?
 - iii) How many times has the Advisory Panel met, what material has it considered, and when will its recommendations be made public?

Answer:

The ATO is not a member of the task force or advisory panel. However, representatives of the ATO met with ASC representatives, including Mr Stanwix, on 10 May, and discussed the decision. The ATO has offered continuing assistance to the ASC in responding to enquiries it receives and preparation of materials explaining the taxation treatment of grants for athletes.

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- g) The Treasurer announced an additional \$14 million in Direct Assistance to athletes in the 2005-06 Budget. How much of this allocation will be recovered by the Government through the ATO as assessable income?

Answer:

It is not possible to gauge the total amount of tax payable on any additional assistance to athletes - the level of tax applied will depend on the circumstances of the individuals to whom the grants are directed.

- h) Are there any effects or ramifications for government grants to sporting clubs, which may or may not be subsequently distributed to individual members?

Answer:

The High Court's decision does not impact on grants provided to sporting clubs. The decision considered grants and other amounts received by an individual.