

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June 2010

Question: BET 226

Topic: Hardship Claims (ATO)

Hansard Page: Written

Senator XENOPHON asked:

1. What proportion of hardship claims has been for individuals and for companies? How does this compare to the last two tax years?
2. How many of these have been paid?
3. How much are the average claims for hardship?
4. How quickly have these claims for hardship been paid?
5. I note applications can now be made for hardship via the ATO's website. When was this enabled? If all the outstanding refunds have been paid, what is the need for this request?

Answers:

1. Recognising that the implementation of the Income Tax system would result in delays in processing income tax returns, in early 2010 the ATO introduced the following temporary changes to its approach to the criteria used to determine hardship cases:
 - adoption of a broad view of hardship criteria including ensuring that eligibility for hardship assistance applies to business as well as individuals ;
 - taking the information provided by taxpayers on face value and not requesting the usual evidence of hardship to ensure requests are actioned as quickly as possible. The ATO aim was to process a hardship refund within 48 hours;
 - introducing a priority call back service for taxpayers experiencing hardship accessed through a 1800 hardship line; and
 - making the *Financial hardship income tax refund request form* available on the Tax Agent Portal (TAP) on 28 April 2010 and the ATO website on 3 May 2010 thereby providing taxpayers with greater accessibility to notify us of their circumstances. The online form will remain available on an ongoing basis to provide taxpayers with increased ease of access where they experienced hardship.

These temporary arrangements ceased on 19 July 2010.

A priority processing category was also introduced in March 2010 to reduce the impact of delays in processing returns. Priority processing applies to returns requiring intervention or further scrutiny (eg. high risk refunds) where the service standard has passed. The priority processing category does not exist under standard ATO Hardship Guidelines.

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Table 1 provides a comparison of hardship/priority processing claims for January to June 2010 with the same period for 2008 and 2009.

Table 1:

Table 1:

	Hardship claims by Individuals			Priority processing claims by individuals	Priority Processing claims by non-individuals* (ie. companies, partnerships, superannuation funds and trusts)
	2008	2009	2010	2010	2010
Jan	505	607	29	593	140
Feb	428	548	47	495	107
Mar	331	859	196	727	48
Apr	358	1016	1,040	869	53
May	317	840	1,822	571	96
Jun	270	1,038	903	680	60
Totals	2,209	4,908	4,037	3,935	504**
			7,972**		
Percentage	100%	100%	94%		6%

* Under standard ATO Hardship Guidelines, hardship status was not available to non-individuals in 2008 and 2009.

** The total number of hardship and priority processing claims (individuals and non-individuals) received from January to June 2010 and relating to income tax returns is 8,476, representing 5,731 taxpayers. Difference is due to a taxpayer having lodged for multiple years and claiming hardship or requesting priority processing for multiple lodgements.

- Table 2 provides the total number of claims received and processed for hardship and priority processing relating to income tax returns for the period January to June 2010. Finalised hardship and priority processing requests are listed as 'processed' rather than 'payments' as they do not always result in a credit assessment.

Table 2:

	Cases received Jan-Jun 2010	Cases processed Jan-Jun 2010	Refund cases
Hardship and Priority processing requests	8,476	7,718	6,421

Cases not resulting in a refund include nil and debit assessments where the client is required to lodge in order to be eligible for benefits from Centrelink and/or Child Support Agency.

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3. Table 3 provides the average refund paid for hardship and priority processing claims for January to June 2010.

Table 3:

		\$ average refund paid
Individuals		13,257
Non-individuals	Company	4,075,672
	Partnership	3,767
	Trust	32,412
	Superannuation Funds	1,000,137

4. Table 4 identifies the processing times for hardship and priority processing requests for January to June 2010.

Table 4:

	Cases processed* Jan-Jun 2010	Processed 48 Hours	Processed 2-5 Days	Processed >5 Days
Hardship and Priority Processing requests	7,718	23%	59%	18%

* There remain circumstances where hardship requests cannot be processed for legitimate reasons including where there are compliance risks, eg. fraudulent claims.

5. The online *Financial hardship income tax refund request form* was made available on the Tax Agent Portal (TAP) on 28 April 2010 and the ATO website on 3 May 2010. The online form will remain available on an ongoing basis to provide taxpayers with increased ease of access where they experienced hardship.