

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June 2010

Question: BET 249

Topic: Interest payments (ATO)

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Senator XENOPHON—I am constrained by time; I will keep moving on. How much compensation has been paid in terms of additional interest payments in the last few months of this year, compared with, say, last year?

Mr Butler—I am unable to answer that today.

Senator XENOPHON—Can you give me a ball park figure?

Mr Butler—No, I cannot, I am sorry. We would need to run that through our data warehouse, and we have not done that work yet.

Senator XENOPHON—In what time frame could I expect a response on that?

Mr Butler—Later in June. We want to make sure that any older returns have now gone through.

Senator XENOPHON—Would it be fair to say that the tax office is paying a significantly greater amount because of the delays in the processing of returns in terms of interest payments.

Mr Butler—I am not sure I could attach that adjective to that description. Since 1 April we have meet all our service standards.

Mr D'Ascenzo—You have to take into account that the system was switched off while we converted. That was always going to happen. From the end of December until mid February the system was off. It is not a question of choice; when you change a system there is no alternative. We do, as Mr Butler has indicated many times, apologise for the two-week delay in March from the glitch that Mr Butler clarified here, and there was the cheques that were involved around the same time. There has really not been a lot of delay in this process at all, other than what you would expect from major implementation.

Answer:

Table 1 below provides a comparison of Interest on Overpayment (IOP) on delayed tax refunds for January to June 2010 with the same period for 2009.

Table 1:

	2009		2010	
	\$Value	IOP rate	\$Value	IOP rate
Jan	9,559,613	4.76%	137,795	3.95%
Feb	7,363,281	4.76%	3,140,829	3.95%
Mar	4,387,905	4.76%	8,857,818	3.95%
Apr	2,717,140	3.16%	7,513,209	4.16%
May	3,217,016	3.16%	11,637,157	4.16%
Jun	3,128,857	3.16%	6,783,440	4.16%
Total	\$30,373,813		\$38,070,247	

Figures are for current year returns only and include all return types ie. individuals, companies, superannuation funds and trusts. The inclusion of prior year returns greatly inflated the value due to two very large amounts paid to one client for the 2000 and 2001 years (paid in May 2010).

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The interest is paid at a rate based on the monthly average yield of 90-day Bank Accepted Bills published by the Reserve Bank of Australia. The rate was 3.95 per cent (1 January to 31 March 2010), 4.16 per cent (1 April to 30 June 2010) and currently 4.8% per cent (1 July to 30 September 2010).