

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June 2010

Question: BET 250

Topic: Hardship applications (ATO)

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Senator XENOPHON—I will just go to the ancillary issue of the hardship fund. I think it says on your website that you can apply for hardship; how many people have applied for hardship in the last six months compared to the same period last year?

Mr Butler—Normally, if someone applies for hardship they need to produce information about their assets, liabilities and financial circumstances—that sort of thing. We have taken a very open approach with this; if someone says, ‘We are under hardship’, and they need the money, we just accept that and process the return very quickly. The number of clients who have requested hardship priority processing is 5,233 out of 3.4 million.

Senator XENOPHON—How does that compare to, say, a year ago?

Mr Butler—I do not have that number from last year.

Senator XENOPHON—Would it be significantly—

Mr Butler—It would be higher, but we have taken a quite different approach as well.

Senator XENOPHON—A different approach because of the changed program?

Mr Butler—No, a different approach in saying that we have not made people go through the rigour of producing assets, liabilities and financial statements. We have said, ‘If you need the money we will process it quickly.’ It is probably fair to say as well that when people ring the call centre and say that they want to apply for hardship, and we say to them, ‘The refund schedule will issue in three days,’ they might say, ‘Don’t worry about it then.’

Answer:

The ATO’s normal hardship cases are those where a taxpayer is in significant danger of financial hardship (eg. eviction) and are subject to ATO review of individual circumstances. Taxpayers may apply for hardship processing at any time after lodgement of their income tax return.

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 hardship criteria and the processing of 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

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- 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.

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

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.