

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

31 May – 2 June 2011

Question No: BET 33

Topic: PIRI check

Hansard Page: Written

Senator Xenophon asked:

1. How long does it take for a pre-issue refund integrity (PIRI) check to be performed?
2. Can the ATO provide information on what service standards apply to PIRI checks? Are these standards being met?

Answer:

1. The ATO receives approximately two million credit business activity statements each financial year and issues around \$45 billion in activity statement refunds. A significant risk for the goods and service tax is the payment of incorrect or potentially fraudulent refund claims. The ATO seeks to ensure refunds are issued in a timely manner to those lawfully entitled.

From the 49,552 pre-issue refund integrity checks conducted this financial year to 31 May 2011, approximately 10,000 have resulted in a net reduction of refunds in the order of \$450 million. This does not include audits conducted after refunds have been issued.

The time taken to perform a pre-issue refund integrity check varies. Of the 49,552 credit activity statements selected for verification from 1 July 2010 to 31 May 2011, 58% have been completed within 30 days of the date of lodgment.

Table 1: Pre-issue refund integrity checks for the period 1 July 2010 to 31 May 2011

PIRI checks initiated	Time taken to finalise	% Finalised	Accumulative %
18,625	0 to 14 days	37.6%	37.6%
10,323	15 to 29 days	20.8%	58.4%
11,241	30 to 59 days	22.7%	81.1%
4,386	60 to 89 days	8.9%	90.0%
4,977	Over 89 days	10.0%	100.0%
49,552			

The reasons for the variability in time taken to complete pre-issue refund integrity checks can be attributed to:

- difficulties in making initial contact with the taxpayer or their representative in order to gather information and/or documentation to support their claim(s)
- taxpayers or their representatives not providing the requested information and/or documentation in a timely manner
- complexity of the issue(s) and/or the requirement to contact third parties to substantiate claims in some circumstances
- extended investigation timeframes essential to combat attempts to undermine the GST system where high risk cases are identified as potential fraud.

2. Pre-issue refund integrity checks are not subject to any externally published service standards. Should there be a delay in processing of more than 14 days for any reason, including pre-issue refund integrity checks, interest on the refund amount is payable where the taxpayer has not contributed to the delay.

Pre-issue refund integrity checks are undertaken to mitigate the risk of incorrect refunds being paid to taxpayers. If these checks are not done, the refund is often difficult to collect once paid to the taxpayer. While 37% of checks are completed within 14 days those that do take longer have been specifically identified as requiring further verification including the need for additional documentation from the taxpayer or their representative.