

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

TREASURY

Australian Taxation Office

Supplementary Budget Estimates 3 November 2005

Outcome

Topic: Personal Services Income

SBT-92 Hansard Page:E43(ii)

Senator Sherry asked:

Turning to the rules of personal services income, the rules associated with the alienation of personal services income deny deductions where 80 per cent of income is obtained from one source. Can I have an update on the oversight of this provision?

Mr Konza—I am not quite sure what you mean by ‘oversight’ of it.

Senator SHERRY—Observation.

Mr Konza—Observation, okay. Our assessment of the personal services income measure is that it is working satisfactorily. We have observed movement in the return of income and declines in relevant claim amounts consistent with the legislation having effect. We have been undertaking a number of audits in this area, which I just need to find. In the compliance program we report against that topic. In the building and construction industry we have not seen high levels of noncompliance because often the results test is satisfied within that industry. However, we have been concentrating on the information technology industry because the way that industry operates generally prevents people being able to pass the results test. So the personal services income measure applies to those people.

Senator SHERRY—Are you concerned about some industries more than others?

Mr Konza—We have been concentrating on and will continue to concentrate on the information technology industry.

Senator SHERRY—Is there any estimate of revenue that has been saved by the application of these provisions in the last four years?

Mr Konza—There may be, but I am not aware of it. I would need to take that on notice.

Senator SHERRY—How many taxpayers have been affected?

Mr Konza—We have those figures, but I am unable to supply them right now. We know how many people have returned personal services income in their returns, for example.

Senator SHERRY—Will you take that on notice?

Answer:

The Tax Office has not been able to measure the amount of revenue saved by the application of the personal services income (PSI) provisions.

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The Tax Office is able to determine the number of taxpayers who complete the relevant PSI labels on their tax returns. Figures extracted at 11 November 2005 indicate that for the last full year of lodgements (2004) there were approximately 273,000 individuals and 30,400 entities who declared the receipt of PSI in their returns.