

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Additional Estimates 2013

14 February 2013

**Question: AET 148-160**

**Topic: Wine Equalisation Tax Rebate – ATO Audits (ATO)**

**Hansard Page: Written**

**Senator EDWARDS asked:**

148. What is the total number of audits that have been conducted in reference to the WET rebates of wine producers (“WET Audits”) over the last 5 years?
149. How many of those WET Audits have been conducted in each year of the past 5 financial years?
150. What is the forecast for the number of WET Audits to have been conducted for the financial year ending June 2013?
151. What is the forward budget forecast for the number of WET Audits to be conducted for the next 5 years?
152. What is the value of reclaimed monies collected by the ATO as a result of the audits on Australian wine producers over the last 5 years?
153. What value of penalties have been applied by virtue of WET Audits over the last 5 years?
154. What is the forecast value of penalties applied for the financial year ending June 2013?
155. What is the total interest levied on the penalties for each of the last 5 years and levied on those reclaimed monies?
156. What is the average length of time taken to conduct a WET Audit for those audits identified in each of the last 5 years?
157. On each of the WET Audits, how many times has the ATO requested an extension of time to conduct the WET Audit?
158. On each of the WET Audits, how many times has the ATO requested a 2<sup>nd</sup> extension of time to conduct the WET Audit?
159. On each of the WET Audits, how many times has the ATO requested a 3<sup>rd</sup> and or more extensions of time to conduct the WET Audit?
160. Give comprehensive reasons for the extensions being sought.

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148 - 149, 152.

All WET and Rebate amounts are reported on the Business Activity Statement (BAS) at labels 1C which captures the liability for the tax and Label 1D for refund adjustments and the rebate for Australian entities.

As part of the processing of the BAS, all are reviewed by the risk rating engine which includes specific tests for the WET rebate. Where the BAS triggers these tests a review will be commenced which may result in an audit of the entity. Further, post the BAS processing the ATO will undertake other reviews of entities based on potential risk factors such as historical reporting address, directorships, exports and other intelligence.

The number of audits and adjustments, the amounts identified as being owed to the Commonwealth and the amounts applied as General Interest Charge (GIC) for each of the last 5 years is outlined in the table below:

<b>Wine Equalisation Tax and Rebate</b>			
<b>Financial Year</b>	<b>Audits</b>	<b>Adjustment Amounts</b>	<b>Total GIC *</b>
2007/08	212	2,211,611	160,414
2008/09	177	630,540	7,673
2009/10	174	1,235,882	15,446
2010/11	165	11,758,083	2,084,270
2011/12	151	9,634,188	8,742,709
<b>Total</b>	<b>879</b>	<b>25,470,304</b>	<b>11,010,512</b>

\* Total GIC includes amounts raised against all taxes adjusted from an audit (including GST but excluding penalty amounts), not just the WET revenue component.

150. 379.

151. The ATO planning process is responsive to changes in risk and is developed annually. This is currently under development for the 2013/14 year.

153.

<b>Penalty Imposition</b>	
<b>Financial Year</b>	<b>Net Penalty Amount</b>
2007/08	\$ 228,233
2008/09	\$ 21,589
2009/10	\$ 16,110
2010/11	\$ 2,985,714
2011/12	\$ 7,365,809
<b>Total</b>	<b>\$10,617,455</b>

154. The notional forecast value of penalties for 2012/13 is approximately \$13m.

155. At the time of completion of the audit there is no General Interest Charge (GIC) imposed on the penalty amount. Taxpayers are given a due date to pay the penalty which is included on their running balance account. Interest is charged on outstanding balances of taxpayers running balance accounts where amounts are overdue.

Table at AET 148-149, 152 reports GIC on claimed monies.

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156. The average case time for audits is based on the actual audit type. There are two broad types of activities undertaken. They are predominantly field based audits that have a longer cycle time and there are short cycle office based audits (although they may include field work) undertaken when the BAS is being processed. The average case times under those broad categories are:

Activity	Financial Year	Average Number of Days (elapsed)
Field Audits	2007/08	79
	2008/09	136
	2009/10	370
	2010/11	161
	2011/12	169
Office Based Audits	2007/08	15
	2008/09	21
	2009/10	49
	2010/11	66
	2011/12	79

157 - 159.

The information is generally captured within the individual case notes but as there are no specific data fields that record each extension, or the reason for the extension, it cannot be directly reported.

It would require an extensive manual examination of all documentation for each individual case for the last 5 years which would involve an unreasonable diversion of resources.

160. Issues that may cause the ATO to seek an extension to complete an audit include:

- the need for further information gathering
- difficulty in verifying facts
- transactions across multiple entities
- getting details from taxpayers, and
- resolving technical issues.