

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Budget Estimates

17 October – 18 October 2012

**Question: SBT 26**

**Topic: Final Budget Outcome – Note 10 ‘Interest Expense’ #2**

**Hansard Page: pg 113-114, Thursday 18 October 2012**

**Senator CORMANN asked:**

Senator CORMANN: I want to go to an issue which I discussed with some of your colleagues this morning. Can you look at the final budget outcome, in particular note 10 in relation to 'interest expense'. It is probably more a question for the ATO. I see you look a bit intrigued, but bear with me. If you look at 'interest expense' on page 38 there is a section 'other financing costs', which increases from \$1.44 billion to \$2 billion and \$6 million for the 2011-12 financial year from the estimate at the budget in May and the final budget outcome by 30 June 2012. There is a variation there of just under \$600 million in a period of two months. Fiscal have said that the main reason for that is an increase in the interest cost because of overpayments to the tax office. Are you aware that variation in the expense of other financing costs has happened? What I am trying to get to is the reason as to why there can be such a big blowout—39 per cent—in less than two months.

Mr Quigley: That is a matter for Treasury.

Senator CORMANN: Is it? They did say that it was because of an increase in interest costs on overpayments to the ATO, but that is not something that you—

Senator Wong: No—he said that was one—

Senator CORMANN: It was the main factor. There were others. They were going to take the breakdown—

Senator Wong: I think Mr Ray said there were a number of factors. That was one of the large factors. I cannot remember the words he used.

Senator CORMANN: He did say it was the biggest component.

Senator Wong: Mr Quigley cannot answer questions about this line item.

Senator CORMANN: What I am trying to find out from the ATO is what happened in the period from early May to the end of June 2012 that would have caused such a significant overpayment that would have increased interest costs to that extent compared to what was anticipated in early May.

Mr Quigley: I am not in a position to tell you. I am not even sure whether, if I take it on notice, I would be able to, but I will certainly have a look. Again, it might be one that my Treasury colleagues and I need to work together on.

Senator CORMANN: If you could take it on notice, for sure, but bear with me for a moment. You did not even realise that there was this blowout?

Senator Wong: Come on!

CHAIR: Senator Cormann, you are asking about final budget outcomes in the document. It is a Treasury matter. You have had an extensive discussion with Treasury. This is not a taxation issue.

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The official has said that he cannot respond and the minister has said that he will not respond. In terms of this discussion, I think we are done.

Senator CORMANN: Chair, with all due respect, Mr Ray earlier today pointed to the ATO as the main reason as to why there had been the blowout.

Senator Wong: I think that is a verballing of him.

Senator CORMANN: I am not saying it is their fault, but something happened at the ATO, clearly. If you could take it on notice, that would be very useful, and maybe review the *Hansard* to see what Mr Ray said about the increase in the interest costs, because of larger overpayments, caused it, and then you might be able to assist us, at least on notice.

**Answer:**

The interest expense on early and overpayments of tax was \$668 million in 2011-12, an increase of \$178 million on the 2011-12 estimate at the 2012-13 Budget. The increase in the interest expense is mainly due to the finalisation of large court cases and a revised provision for those court cases yet to be finalised.

For more information on the other reasons for the change in 'other financing costs' between the 2011-12 estimate at the 2012-13 Budget and the 2011-12 Final Budget Outcome please refer to SBT 10.