

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates 2012

18 October 2012

Question: SBT 43

Topic: R&D refund backlog (ATO)

Hansard Page: 109

Senator BUSHBY asked:

ACTING CHAIR: Another newspaper article alerted me to something that I wanted to ask you about. An *AFR* article on 13 August said that 'some companies are waiting for up to four months for their annual R&D refund'. Are they correct in their allegations?

Mr Quigley: There was a backlog of R&D refunds that we had at a particular stage. We have now reduced that backlog quite considerably, down to about 81. We are working through that. The major volume comes in around May, and that increased the stock on hand, which required us to change our strategies and put more resources into clearing that backlog. As I say, we are down to a manageable number now of around 80 and we do not anticipate that there will be any significant delays in the future.

ACTING CHAIR: Was the fact that they were due in May a new requirement or is that something that you normally have?

Mr Quigley: There was a change to the R&D legislation which, I think, meant that there were more, but I am not 100 per cent sure on that.

ACTING CHAIR: Are you going to have the same problem next May?

Mr Quigley: No. Forewarned is forearmed, so we certainly will have in place the resources to make sure that we do not have a repeat—

ACTING CHAIR: So the particular backlog this time was caused because of that change?

Mr Quigley: That is my recollection.

ACTING CHAIR: Would you take that on notice?

Mr Quigley: I will, yes.

ACTING CHAIR: If you are forewarned and it was not caused by that, you should have known from the year before, I would have thought. I would like to know what is different that caused it, if that is the explanation. I might come back to this subject.

Answer:

That particular backlog was mainly due to two things:

- (i) The change to the new R&D Tax Incentive meant that more companies were eligible to claim.
- (ii) The expertise of staff, usually dedicated to manually processing company tax returns with R&D refundable offset claims, was required to implement a new measure.

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At the time of the *Australian Financial Review* article on 13 August 2012, the ATO had approximately 400 company tax returns with R&D concession claims on hand that were over 50 days old. Returns on hand included transitional (old law) claims requiring manual verification of information included in returns.

The ATO responded by allocating additional resources to process the outstanding stock of returns. As at 31 October 2012, the number of company tax returns with an R&D concession claim on hand has reduced to 50.

A range of factors can result in returns with R&D concession claims being delayed. These can vary from errors and omissions in lodged returns requiring the ATO to contact the taxpayer or their representative to clarify information through to manual validation of R&D refundable offset claims that are identified as higher risk.

In August 2012, the ATO reviewed its R&D offset processing and implemented a number of improvements aimed at reducing reliance on manual processes and improving visibility of R&D offset claims to ensure they are actioned as a priority. The ATO anticipates that these process improvements will ensure company tax returns which include an R&D claim are processed faster.

The ATO has also changed its processes to comply with the *Tax and Superannuation Laws Amendment (2012 Measures No. 1) Act 2012*, which received Royal Assent on 27 June 2012. In future, if returns are delayed as a result of integrity checks or errors in the return, the ATO will contact companies within 30 days of lodgment to advise them of the delay.