

Senate Economics Committee
Inquiry into Centrelink's Compliance Program
ANSWERS TO QUESTIONS ON NOTICE

Australian Taxation Office

17 AUGUST 2020

Department/Agency: ATO

Question: 1

Topic: Tax paid on debt repayments

Senator: Siewert

Question:

Siewert: Over the period of the 'robodebt' issues, I've had people say to me 'well I paid tax, including the money that I got from Centrelink, which I've now had to repay'

Did anybody ever get a reassessment, in fact a refund on their tax return because of the recalculation, that effectively they've paid tax on the money that they subsequently had to repay. Were any reassessments ever done, or do you acknowledge that people had to pay additionally tax on that.

Ms Smith: Not to my knowledge, but I will take that on notice and just go back to the SME in the ATO to verify that answer.

Siewert: That would be appreciated.

Could you first see if that ever happened, and if so how much, and how many?

And, does that make the current situation further complicated if in fact that has happened – People have now been refunded the money that they paid (and I already understand they won't be charged tax), but if there has been a reassessment is that an extra complicating factor?

Ms Smith: I'll take that on notice and clarify that.

Answer:

In the ordinary course, amounts received from Services Australia are taxable and are required to be returned as income. In most cases, this will be "pre-filled" into recipients' tax returns.

When amounts are determined by Services Australia to have been overpaid and are repaid to Services Australia, the amounts are no longer taxable in the original year of payment.

The ATO has provided web guidance in relation to the (absence of) tax implications where the repaid amounts are themselves subsequently refunded by Services Australia under the Income Compliance Program.

To reassure impacted clients that there are no taxation consequences associated with the refunded amounts, the ATO worked closely with Services Australia to prepare simple and easy to understand communications for their clients. These communications outline that impacted clients:

- will not be taxed on these amounts;
- should not include these amounts in their tax return; and
- do not have to submit an amendment for prior year returns.