ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into the Australian Government's response to the COVID-19 pandemic

2020 - 2021

Division: JobKeeper Division
Topic: JobKeeper and Dividends
Reference: Committee Hansard page 42 – 14 August 2020, IQ20-000227

Question:

Senator WHISH-WILSON: Firstly, I will ask about what's been dubbed 'dividendkeeper' in the media in recent days. Back in April, I asked Treasury if they were going to look at living wage programs in other countries that were banning companies which were paying dividends, buying back shares or even using tax havens from receiving wage subsidies. Treasury indicated that that would be part of a three-month review into the JobKeeper program. Can you update the committee on whether those issues were considered during the review and what you've decided.
Ms J Wilkinson: I'll just refer to my colleague Ms Brown here in relation to what we uncovered in other countries. My understanding is that we didn't uncover those sorts of arrangements in the programs which are most comparable to our program, like the program in New Zealand or the program in the UK. Ms Brown, do you have anything to add on that?
Ms Brown: I don't have anything to add on that.
Ms J Wilkinson: So I'm happy for us to have a further look at whether those programs have been modified in that way, but we do not believe that there have been those sorts of provisions. In relation to whether this was a matter that was considered in the JobKeeper review: no, it wasn't a matter that was—we published the JobKeeper review; you can see all of the matters that were considered as part of that review, and that wasn't a matter that was considered in that process.

Answer:

Programs which are most comparable to JobKeeper, like in New Zealand, UK and Canada have no formal restrictions relating to dividends.. Some European countries have introduced conditions relating to dividend payments in their schemes with varying degrees of enforcement (table 1).

Eligibility for the JobKeeper Payment is based on the business projecting, and from 28 September 2020 suffering, a decline in turnover of 30% or 50% depending on the size of the business. In many cases, eligible businesses will not be in a position to pay dividends or buy back shares. Others may choose not to do this given the current economic uncertainty.

The JobKeeper Payment was designed to deliver support quickly and at scale, which is why it was important that the eligibility criteria were as straightforward as possible, drawing upon existing tax and revenue concepts and definitions. Modifying the eligibility criteria to include a measure of the profitability of a business would introduce significant complexity and delays in the program. Such a test would be difficult to design and implement with integrity on the scale required, given the variety in business models and structures across industries, and given the flexibility that businesses have in the management of their balance sheet. While there may be merit in considering such design elements if this was intended to be an ongoing program, it is less clear that this would be feasible or desirable in the current context.

Table 1

Wage subsidy schemes with no restrictions relating to dividends to shareholders
New Zealand • Firm eligibility based on turnover thresholds with no restrictions on dividends. • Some companies have repaid wage subsidies (received as a lump sum after initial application) after recording improved performance, facilitated by a public register of wage subsidy recipients. • Small business cash flow loan scheme does however prohibit loans to be passed through to shareholders or owners of the business (as either a loan or a dividend).
Canada • Firm eligibility based on turnover thresholds with no restrictions on distribution of dividends.
UK • All private sector employers eligible. • Companies borrowing more than £50m through Coronavirus Large Business Interruption Loan Scheme (CLBILS) will be subject to restrictions on dividend payments, senior pay and share buy-backs during the period of the loan.
Singapore • All eligible private sector employers automatically receive wage subsidy • Level and duration of support depends on industry. • No known restrictions on companies receiving wage subsidies.
Wage subsidy schemes with conditions related to dividend payments
France (activité partielle - partial activity) • The French government has strongly encouraged companies not to pay dividends. • Not legislated so no penalties or exclusions from the scheme.
Spain (ERTE furlough and partial work scheme) • Companies cannot distribute dividends unless they have repaid the subsidy and renounced the scheme. • Also not available to companies with their tax domicile in countries or territories classified as tax havens.
Netherlands (Temporary Emergency Bridging Measure NOW) • A ban on dividend payments, share buybacks and bonuses for executives in firms benefitting from wage subsidies in the same year.

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into the Australian Government's response to the COVID-19 pandemic

2020 - 2021

Division: Budget Policy Division
Topic: Current interest payments on gross debt
Reference: Committee Hansard page 44 – 14 August 2020, IQ20-000228

Question:

Senator WHISH-WILSON: All I ask is that the government does consider this. This is an opportunity for you and the Treasury and, of course, on any day for the minister, the Treasurer or the Prime Minister to make a statement on this, to warn businesses that it's not cricket and that it doesn't pass the pub test in this country. With my limited time left, I'll ask a couple of other questions. Could you update us on what the total gross debt is in the nation at the moment, please? And, if it's possible to calculate it, the total interest payments on the current total gross debt.
Ms J Wilkinson: The information I have to hand is the information that was published in the update in July. In that update, the government reported that as at 30 June 2020 the face value of gross debt—Australian government securities on issue—was $684 billion.
Senator WHISH-WILSON: Okay. That's fairly easy for you to calculate. I understand that it's changing constantly, but it is fairly easy for you to calculate that.
Ms J Wilkinson: AGS--government securities—on issue? I can check with my team here as to whether we have any updated information.
CHAIR: It's published on the AOFM's website.
Ms J Wilkinson: It is, but I'm just not sure if I have it in my papers.
CHAIR: Yes, but that was just for the information of senators.
Senator WHISH-WILSON: Okay. And that includes the total interest payments on what the current gross debt is—yes?
Ms J Wilkinson: I don't have the current interest payments on gross debt with me. I'm happy to take that on notice.

Answer:

Gross debt, measured as the total face value of Australian Government Securities on issue, was $744.5 billion as at 21 August 2020.

In the Government's July 2020 Economic and Fiscal Update, gross debt was reported to be $684.3 billion (34.4 per cent of GDP) at 30 June 2020 and projected to be $851.9 billion (45.0 per cent of GDP) at 30 June 2021. Public debt interest was expected to be 0.8 per cent of GDP in 2019-20 and 0.9 per cent of GDP in 2020-21 (see Chart 3.5). The underlying data for this chart are also available on the Budget website at https://budget.gov.au/2020-efu/economic-fiscal-update.htm. Updated estimates of public debt interest will be provided in the 2020-21 Budget in October.

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into the Australian Government's response to the COVID-19 pandemic

2020 - 2021

Division: JobKeeper Division
Topic: JobKeeper numbers for the childcare sector
Reference: Committee Hansard page 52 – 14 August 2020, IQ20-000229

Question:

Senator SIEWERT: I'm after some specific answers. If you don't have them readily accessible, I might need to put the questions on notice and then ask some broader questions. Are you able to tell me how many childcare workers were receiving JobKeeper payments before the changes were made and the sector was kicked off that program?
Ms Brown: I believe it was around 120,000, but I would like to see if we could check that, please.
Senator SIEWERT: How much did the sector receive in total?
Ms Brown: I don't have those figures with me, but I can take that on notice.
Senator SIEWERT: Also, how many childcare workers were in the group that weren't eligible?
Ms Brown: I don't have those figures; I'm sorry.
Senator SIEWERT: You don't have them with you, or you don't have them at all?
Ms Brown: I'd need to take that on notice. We certainly have figures on people who are receiving JobKeeper. It may be that it's quite difficult for us to calculate figures of people who are not receiving JobKeeper. But I can take it on notice and see what we can do.

Answer:

There is no data available on the number of childcare workers that were ineligible for JobKeeper Payment as this does not have to be reported by employers.

JobKeeper payments to the Child Care sector were approximately $360 million per month until 20 July. The 20 July fortnight falls into the August claim period for JobKeeper Payment therefore there is no data available for payments after this date.

As the JobKeeper payments are made in arrears, the data for the month of July has not yet been finalised. The JobKeeper data for each sector relies on the ANZSIC code classification. The ANZSIC code for the Child Care Service sectors may include some entities that are not providers of approved child care services and may exclude other entities that do provide approved child care services.

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into the Australian Government's response to the COVID-19 pandemic

2020 - 2021

Division: Tax Analysis Division
Topic: Cash flow boost distribution by size of business
Reference: Committee Hansard page 53 – 14 August 2020, IQ20-000230

Question:

Ms di Marco: Of the cash flow boost, so far there has been about $25 billion disbursed. Of that, $16.3 billion is from the initial cash flow boost and $4.2 billion is from the additional cash flow boost.
CHAIR: Do you have the figures for how many businesses?
Ms di Marco: Yes. It's about 777,000 for the initial cash flow boost and around 460,500 for the additional cash flow boost.
CHAIR: Is there any other information you have there that you can provide me with? Do you have it broken down by size of business? If you don't, that's fine; it was just out of interest.
Ms di Marco: I don't have it directly in front of me, but I'm happy to take that information on notice

Answer:

As at 20 August 2020, $22.3 billion cash flow boost has been disbursed to around 781,000 entities, of this, $16.2 billion has been disbursed to around 638,000 small businesses (generally business entities with annual turnover less than $10 million).

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into the Australian Government's response to the COVID-19 pandemic

2020 - 2021

Division: Retirement Income Policy Division
Topic: Early release super consultation
Reference: Committee Hansard page 57 – 14 August 2020, IQ20-000232

Question:

Mr Jeremenko: Yes, we did. The announcement of the scheme was in March—the exact date escapes me. The effective start date was around 20 April. There was extensive consultation between that March date and 20 April.
Senator KENEALLY: With banks and bank organisations?
Mr Jeremenko: With the entire superannuation industry—their representative bodies and individual super funds.
Senator KENEALLY: Which super funds did you consult with?
Mr Jeremenko: I will take that on notice. I can give you those details, but I don't have them in front of me.

Answer:

Treasury consulted a range of superannuation industry stakeholders between the announcement of the temporary COVID-19 early release of superannuation measure on 22 March 2020 and the commencement of the scheme on 20 April 2020.

Consultation was undertaken in conjunction with the Australian Taxation Office in the context of meetings of the ATO's Superannuation Industry Stewardship Group (SISG). SISG membership includes the Association of Superannuation Funds of Australia, the Australian Institute of Superannuation Trustees, Industry Super Australia and the Financial Services Council. A complete list of SISG members is at
https://www.ato.gov.au/General/Consultation/Consultation-groups/Stewardship-groups/Superannuation-Industry-Stewardship-Group/#Members

There was also consultation with organisations including: National Australia Bank, AMP, Commonwealth Bank of Australia, IOOF, SunSuper, Link Group, UniSuper, BT financial, QSuper, Telstra super, Mercer, Grow Super and Australian Super.

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into the Australian Government's response to the COVID-19 pandemic

2020 - 2021

Division: Retirement Income Policy Division
Topic: Consultation with banks and super funds
Reference: Committee Hansard page 58 – 14 August 2020, IQ20-000233

Question:

Senator KENEALLY: I could be wrong, Mr Jeremenko, but I thought we'd had evidence earlier that Treasury hadn't consulted with super funds. If we could get clarity about that, and some clarity about which super funds and which banks Treasury officials consulted with before implementing the scheme that would be great.
Mr Jeremenko: Yes, certainly. It is the case there was no consultation before the announcement in March of the early access arrangements for COVID, but, post that March date, there were definitely consultations. I'll take the detail of that on notice.
Senator KENEALLY: Right. I'm particularly interested in the super funds and the banks. My question had been 'Did Treasury officials consult with banks or bank organisations before implementing the early release scheme?'
Mr Jeremenko: Yes, we did, and I will take on notice the detail of that.

Answer:

Please see response to IQ20-000232.