

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Budget Estimates

2015-2016

Department/Agency: ATO

Question: AET 43

Topic: Small business instant asset write-off fraud

Reference: Hansard – page 72-73

Senator: McAllister, Jenny

Question:

Senator McALLISTER: I want to ask about the small business instant asset write-off and particularly whether there are any indications of fraud that you are seeing in the implementation of that measure and how you are responding to that.

Mr Olesen: As you know, Senator, the instant asset write-off increased to \$20,000 in the budget last year. Tax returns for that year are progressively coming in. We have quite possibly got about half of the tax returns in from businesses at this stage for the 2014-15 year.

Senator McALLISTER: That is quite a big number, isn't it?

Mr Olesen: What we have done is to look at that and compare that with the kinds of claims—sorry, I should just go back a step. In the tax return, there is a single number of people who claim the instant asset write-off, so there is limited information that we can see from the tax return that allows us to analyse, in any kind of depth, what is happening there. When we compare that with the full-year picture that emerged back in 2012-13, when there was a \$6,500 write-off, the numbers look kind of comparable. There is nothing in the macro picture—that is what I am trying to say—that gives us any cause for concern. I should also say that anecdotally, in the feedback we are getting from the industry bodies and others that we deal with, we have not come upon anything that has given us undue concern about claims that are being made.

Senator McALLISTER: Can I just clarify something before you go on: when you talk about the macro picture and the total volume of tax returns accessing that particular provision being comparable, do you mean that it is the same as last time as a proportion of returns, or do you mean it is what would be expected given the change in the measure?

Mr Olesen: I think, both. My Treasury colleagues might like to comment on how the estimate is going but when we compare it with prior years where there was a significant write-off available of \$6,500 the numbers look kind of comparable at a macro level.

Senator McALLISTER: The same numbers?

Mr Olesen: Yes, in terms of the numbers of people. That is right. To give us a little bit more granularity about what is going on we are now going through a process of running a range of risk filters over the data we have that are highlighting, for us, cases that might warrant some closer attention. As I said, we just have the one number on the tax return, which allows us to do some analysis comparing it with some other labels and prior years—those kinds of things. We now have selected a pool of cases and we are about to go out and start to have a closer look at the nature of claims that have been made in those cases. That work is just about to commence. We are looking to do small tens in the initial round of cases. Subject to what we find in that initial round of cases we might do some subsequent ones. That will then give us the next level of detail about what is happening out there in respect of this measure.

CHAIR: Can you just clarify: is that an increase from 2013-14?

House of Representatives Standing Committee on Economics

Inquiry into Tax deductibility

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Australian Taxation Office

5 February 2016

Mr Olesen: Sorry, I do not have the numbers in front of me. From 2012-13, the numbers at this stage are looking—there is awful lot of projection in this because we are only about half-way through the lodgement period—similar in terms of the number of claims. I do not have the number in my head for 2013-14.

CHAIR: But it is not such a number that it is—

Mr Olesen: There is nothing in the macro picture that is causing us alarm about the way in which this is going.

Senator McALLISTER: Given your experience with the program in its other guises, what are the most common types of fraud that you would expect to see in this audit process that you are commencing?

CHAIR: That calls for a speculation.

Senator McALLISTER: What were the most common problems in the past with schemes of this kind in terms of tactics undertaken?

CHAIR: Was there any fraud committed in the past and give me some examples of what they were.

Senator McALLISTER: Thank you, Senator Edwards.

Mr Olesen: I might have to take that on notice, because I do not have information about the programs we ran a couple of years ago, across this measure.

Answer:

The ATO has not found any systemic issues in respect of these concessions in the past. Errors that have occurred have related to misunderstandings about the law, rather than actions that are fraudulent in nature. For example, some taxpayers have purchased assets that cost more than the instant asset write-off threshold and mistakenly claimed an immediate deduction for the amount up to that threshold and then depreciated the remaining value of this.