

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Treasury Portfolio
Additional Estimates
2016 - 2017

Division/Agency: Australian Taxation Office
Question No: 198
Topic: PAYG matter
Reference: Written
Senator: Bushby

Question:

Senator BUSHBY: [...] is it the case that a person involved in a small business, having put in their tax return and expecting a refund, could be told that their refund has been applied against a future owed Pay As You Go obligation?

Mr Jordan: Not necessarily future.

Senator BUSHBY: Well, one that is not due yet?

Mr Olesen: I am happy to take on notice to check the detail of that, but not against a future—perhaps against an existing, current liability, on another head of revenue. That would not be unusual.

Senator BUSHBY: The facts as put to me were that this particular person completed her tax return, was expecting a refund at the end of November or December. When it did not arrive she queried with her accountant and was told that the tax office had informed the accountant that rather than sending the return to her they used it to pay off her next quarterly Pay As You Go, which was not due until the end of February.

Mr Jordan: That does not sound right.

Mr Olesen: We are happy to look at the details, though, if you would like to give us the paperwork.

Answer:

The credit offsetting will vary depending on the circumstances of individual taxpayers.

ATO practice statement PSLA 2011/21 *Offsetting of refunds and credits against taxation and other debts* states that a credit will normally be offset against a debt that is due, but not yet payable where any of the following are met:

- the credit and the debt due relate to the same tax type
- are administered in the same account
- the taxpayer has a poor compliance record
- the debt is a BAS amount.

In the scenario outlined, an income tax credit would be offset against an amount that has been posted to the activity statement account that is not yet payable. This has been a long term practice that on occasions has raised complaints that are addressed on an individual basis.

The early notification and posting of an income tax instalment liability is designed to assist taxpayers to plan for payment.

The early posting also reduces confusion when a taxpayer lodges their income tax return prior to the due date of the final income tax instalment. A credit is given for quarter four instalments posted but not yet due in the related income tax return that can result in a refund, while the instalment remains unpaid.

The ATO will review the timing of offsetting a credit relative to the proximity of the upcoming due date of another liability. This review will also be integrated with the Inspector-General of Taxation current review of Income Tax Instalment administration.