

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 2012

30 May 2012

QUESTION: BET 15

Topic: Tax debt in dispute – number and value (ATO)

Hansard Page: 117, 120

Senator CORMANN asked:

Senator CORMANN: I think we have an answer to all these questions now. We have a bit to go on. Budget Paper No. 1 at page 810 describes Australian Taxation Office tax disputes. The estimated aggregate value of tax in dispute is \$8.8 billion as of 20 April 2012. It was \$6.22 billion in 2009-10 and \$8.2 billion in 2010-11. Obviously, that is a pretty significant increase. Can you offer some explanation of why unresolved disputes over assessments would have increased by well over 30 per cent in the last two or three years?

Ms Granger: I do not have the detail here. I am not sure that the number of disputes has actually increased. It reflects value in those disputes. In fact, the analysis of litigation is that there is less of it. I would have to check the figures on that. That reflects the value of particular issues in dispute as opposed to the number of taxpayers.

Senator CORMANN: If you could give us on notice the number of disputes as well as the value tracked in 2009-10, 2010-11 and 2011-12 to the most recent, that would be appreciated.

Ms Granger: Because it relates to values in dispute, particular years can be distorted by a particularly large dispute. Sometimes we have very, very large numbers involved.

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Mr Butler: Historically, the amount has been fairly similar each year. At the end of June 2010, it was \$8.8 billion. At the end of June 2011, it was \$8 billion. On 31 March, it went up higher to \$9.5 billion and down to the \$8.6 billion that has been referred to before. So it does fluctuate up and down. It might be one major case that goes through the courts that could be resolved.

Senator CORMANN: I have looked at the figures in the last couple of budgets and I have seen \$6.2 billion, \$8.2 billion and now \$8.8 billion. I obviously have not got the detail you have.

Mr Butler: It is a point of time thing. It could be just one big assessment raised that is disputed that could push the figure. There could be other cases heard that are resolved, as I mentioned. If you want more information, we can strive to get you more information on how it is tracking each year for the last three or four years, if that is useful.

Senator CORMANN: Thanks.

Answer:

At any point in time, the Australian Taxation Office (ATO) is involved in a range of dispute resolution processes, including litigation, relating to tax disputes. The outcome of dispute resolution processes are uncertain until a court ruling is made and/or an agreement is reached with the taxpayer involved in the dispute at some future date. As a result, it is not possible to estimate with any reliability the likely financial impact of current disputes. The ATO's approach to quantifying contingent liabilities linked to disputed assessments has matured over the years. It is important to note that contingent liability information is provided for greater transparency and does not directly impact the ATO's financial statements.

Due to an evolving methodology of measuring the value and volume of cases of tax dispute, these cannot be compared year on year. In 2011-12, the change in methodology resulted in over 300 additional cases being included. To explain the changes in methodology and show the value and volume of disputes for each year, data for the financial years from 2005-06 to 2011-12 is included in the table below.

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	2005-06 to 2008-09 ¹	2009-10 ²	2010-11 ³	2011-12 ⁴
Aggregated value of tax in dispute	n/a	\$6.22 billion	\$8.174 billion	\$8.8 billion
Number of disputes	n/a	49	147	401

<i>Notes</i>	
1	<i>For these years, the ATO did not quantify the contingent liability figures for assessments in dispute.</i>
2	<i>The 2009-10 financial year was the first instance of reporting contingent liability figures for tax in dispute by the ATO. This additional disclosure was included as a note to the ATO's financial statement after the ATO become aware of documents in the public domain containing information detailing the status and impact of significant cases being considered by the courts.</i>
3	<i>In 2010-11, the ATO further refined the reporting process which provided the source data for the contingent liabilities for tax in dispute.</i>
4	<i>In 2011-12, the ATO again expanded its definition of contingent liabilities to include all cases where tax in dispute exceeds \$1 million and an amount for a provision could not be reliably determined. Previously only significant litigation cases were included. This is an estimate (calculated as at 20 April 2012) and reported in the 2012-13 Statement of Risks – Budget Paper No 1 p 8-10.</i>