

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 2013

5 June 2013

Question: BET 95-101

Topic: Wine equalisation tax

Hansard Page: Written

Senator EDWARDS asked:

I refer to Additional Estimates 14 February 2013 Written Questions AET 148 – 160.

95. The forecast for the number of WET audits to have been conducted for the financial year ending June 2013 was given on written notice as being 379. This is over the double the amount of audits that were conducted in each of the 4 previous years? For what reason did the department conduct 379 audits in 2013?
96. What changes were made within the department to accommodate for such an increase in audits being conducted?
97. Did the department budget for this increase in audit practice? If so where did the monies come from?
98. Who was responsible for making the decision to double the number of WET audits being conducted and for what reason?
99. Is the department now in a position to state what the forward budget forecast is for the number of WET audits to be conducted in the next 5 years?
100. The value of penalties that have been applied by virtue of WET Audits nearly tripled between 2010/11 and 2011/12. Can the department explain the large increase in penalties received?
101. Can the department describe what factors contribute to longer periods of time taken for field audits to be conducted?
102. Has the department received any feedback from wine producers and/or other industry personnel with regards to the time and or method audits are being carried out?
103. Can the department please clarify what “resolving technical issues” involves?

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Answer:

- 95–98.** Refer to previous question on notice response (BET 54) that outlined the number of audits that were in progress or completed in 2012-2013. This number aligns broadly with prior years.
- 99.** The ATO regularly reviews its risk landscape and adjusts plans accordingly. At this time it is not possible to forecast the number of wine equalisation tax audits to be conducted over the next five years.
- 100.** The application of penalties is determined by the actions and behaviours that contributed to the tax shortfall or error (for example, lack of reasonable care, recklessness, intentional disregard). In 2011-2012, the ATO completed a number of wine equalisation tax rebate scheme cases, and the higher penalty adjustments reflect this.
- 101.** Field audits tend to be more complex cases and include greater testing of financial and other records, internal controls, and the processes and systems used to fulfil tax obligations. Contracts for supply and services may also be examined, and third party checks may be conducted. Given the nature of the activities and scope of typical testing, field audits tend to take longer than desk based audits.
- 102.** Feedback from wine industry and accounting industry representatives support the ATO's plans to address wine equalisation tax rebate schemes to ensure a level playing field for businesses.

Informal feedback indicates that while some audits are seen to take a long time, there is recognition of the complexity of the law and recognition that tracing transactions through multiple entities in respect of suspected wine equalisation tax rebate schemes is a lengthy and difficult process.

Very few complaints were received in relation to our compliance actions. In 2013-2014, the ATO received 3 queries through our complaint processes - one related to the conduct of an audit and two were requests for advice on the application of wine equalisation tax.

Other feedback received included an appreciation of ATO's willingness to enter into discussions regarding taxpayer concerns, and offers by the ATO for taxpayers to make disclosures to resolve matters as early as possible.

- 103.** In an audit context, '*resolving technical issues*' means determining the relevant provisions of the law and their proper interpretation, and applying the law to the facts established during the audit.