

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

31 May – 2 June 2011

Question No: BET 253

Topic: AET 158

Hansard Page: 115 - 116

**Senator Bushby asked:**

**Senator BUSHBY:** In answer to question on notice AET 158, we were told that Treasury predicted no increase in income as a result of the changes in the excess contribution rules because there was an assumption built in that people would comply with the rules. Therefore, no excess contributions tax would actually be paid. But as we have heard tonight, \$400 million has already been levied against this particular measure and potentially more, because I presume it is still going; it is not finished at this stage. Is that correct?

**Mr Olesen:** Yes.

**Senator BUSHBY:** So potentially more. How is that \$400 million plus actually accounted for in the budget?

**Mr Heferen:** I will have to seek some assistance there. Not a lot seems to be forthcoming.

**Mr Gallagher:** The original budget estimates for excess contributions tax did assume that people would comply. Therefore, the costings that were in the budget papers relate to the money we expected to lose in the gap between the personal income tax that would have been paid and the contributions tax that we would have got if it had come into the system as super. Obviously, it has been the case that people have paid excess contributions tax. People have continued to put excess money into the system. It is also the case that more people have complied than have not complied, if you look at the prior distributions of the number of people in 2007-08 or 2008-09 who had contributions in excess of the 2009-10 caps. But with the 2009-10 caps, we were expecting to see the numbers go up, as Mr Olesen has reported.

**Senator BUSHBY:** So the \$400 million raised is in respect of last financial year?

**Mr Olesen:** No. The \$400 million liabilities we have raised in respect of all the years.

**Senator BUSHBY:** So which years are they, just for the record?

**Mr Olesen:** 2006-07, 2007-08, 2008-09 and part of 2009-10.

**Senator BUSHBY:** But the money is raised now. Is it received by the ATO now? I am still curious as to how it actually gets accounted for in the budget papers. Revenue might not be the right group to explain how it is accounted for or how it is shown and actually dealt with in terms of the overall impact on the budget.

**Mr Gallagher:** Well, I am not sure in accounting procedures whether it has been accounted against contributions tax or whether it has been accounted for elsewhere in the budget in terms of the estimates of revenue. But it has been aggregated into one of the other revenue heads.

**Senator BUSHBY:** Well, it would not be treated as a parameter variation or something like that?

**Mr Gallagher:** It has been put under individuals, I have been informed.

**Senator BUSHBY:** Under what, sorry?

**Mr Gallagher:** Under other individuals. So it has been put into a component of individual personal income tax. That is where it is actually being accounted for.

**Senator BUSHBY:** When the act was first changed, fair enough, the tax office assumed that everybody would comply with the law. Now you have the experience to indicate that not everybody has, no fault of their own or otherwise. As such, these assessments are arising. In this year's budget, has an expectation been included of income arising out of excess contributions tax?

**Mr Gallagher:** Although we are interested, largely because of your questions, in how this revenue is accruing, because it is not a separate head of revenue, it has not been separately accounted for in the budget estimates. My understanding is that it would be incorporated in the base of other individuals in terms of the revenue estimation processes of the Treasury.

**Senator BUSHBY:** But there would now be some acknowledgement in the budget papers that there is likely to be revenue raised through the excess contributions tax? It is in the answer to the question on notice.

**Mr Gallagher:** Obviously there are measures in relation to excess contributions tax in the budget, including an announcement of a policy that allows amounts under \$10,000 to be refunded. That is the revenue reporting that I am aware of in the budget papers.

**Mr Heferen:** We can take it on notice and check, but I thought the amount would be relatively small compared with the categories there, particularly other individuals. So it is \$400 million over a period of three years.

Answer:

Excess contributions tax is one element of the 'Gross other Individuals' head of revenue. Historical and forward estimates for the whole head of revenue are shown in the third line of page 5-44 of Budget Paper 1 for 2011-12.

The Australian Taxation Office historical estimates of excess contributions tax at 26 June 2011 are shown in Table 1. The 2009-10 estimates are only for processing up to 26 June.

	Transitional		2007-08		2008-09		2009-10		Total	
	No.	\$m ECT	No.	\$m ECT	No.	\$m ECT	No.	\$m ECT	No.	\$m ECT
Assessments issued (net)	1,815	\$52.8	20,572	\$142.6	17,447	\$126.1	17,080	\$45.4	56,914	\$366.9
ECT collected	As at 26 June 2011 \$205.7m ECT has been collected.									
	Total debt is \$161.2m with \$116m collectable (\$18.6m is in dispute and \$25.6m is not due).									

The forward estimates for Gross Other Individuals do not contain a separable component for ECT.