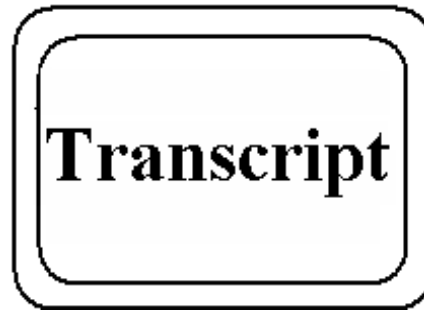




## ASSISTANT TREASURER

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**Senator Nick Sherry**  
Assistant Treasurer

**Radio 3AW**

Interviewer: Neil Mitchell

16 April 2010

E&OE – PROOF ONLY

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**SUBJECTS: Tax Office refund delays - Announcement of Inspector General of Taxation inquiry**

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**NEIL MITCHELL:** Let us back to this taxation issue we've been looking at for several days, described to me by several accountants and small business people now as a nightmare. There's a computer problem in the tax office, it's been very hard to get information out of them but it's causing one hell of a problem. On the line, the Assistant Treasurer, Senator Nick Sherry. Good morning.

**NICK SHERRY:** Good morning Neil, good morning to your listeners.

**NEIL MITCHELL:** When will it be fixed?

**NICK SHERRY:** Well there are a couple of issues that I can provide information on. Firstly, I should emphasise the ATO's an independent statutory organisation, I don't have power to instruct them on these things. They provide me with information. Firstly, there's a back log, a back log of refunds to be processed of approximately 200,000 ...

**NEIL MITCHELL:** Yeah.

**NICK SHERRY:** ... and that backlog of refunds has built up since late January, when the ATO switched from its old computer system to its new computer system on 22 January. There have been hundreds of thousands of refunds processed, but there's a backlog of 210,000. Now the ATO tell me they are to be processed by the end of next week. The second issue ...

**NEIL MITCHELL:** What, the whole 200,000?

**NICK SHERRY:** Yeah, yeah, there's about two hund ...there's a backlog that's accumulated since late January.

**NEIL MITCHELL:** And they will send our cheques with them this time won't they? They didn't last time.

**NICK SHERRY:** Well, yes I was made aware of that last night. There is a - over 100 and - about 140,000 that did not contain cheques of refund statements that had been sent out and again the ATO informed me last night that that will be cleared by the end of next week.

The ATO have employed hundreds of additional staff in order to clear the backlogs. The third area I know which has caused a lot of frustration and understandably frustration and anger are the call centres. When people ring in they have to wait for very lengthy periods of time or no one comes back to them et cetera, so there have been additional staff that have been placed in the call centre to handle the traffic of enquiries in order to be able to respond to people's concerns.

**NEIL MITCHELL:** So when - okay, when will it be fixed? When will everybody have what they're entitled at, or they need?

**NICK SHERRY:** Well the ATO informed me by the end of April, which is two weeks.

**NEIL MITCHELL:** So you've got ...

**NICK SHERRY:** They believe that the vast majority, all of this backlog will be cleared up and cheques will have been issued. There is also, Neil, a special hardship provision for people who desperately need the money. There's a special hardship phone line ...

**NEIL MITCHELL:** That hardship's - is that hardship provision available to business?

**NICK SHERRY:** Um, that - individual taxpayers receive interest, but if a business is experiencing hardship because of a cash flow issue, yes contact that hardship line ...

**NEIL MITCHELL:** Well we've got a businessman who's about to go to the wall. He's laid off five staff. He's having trouble getting the money to eat, he's owed 150 grand and he says that he's been told businesses are not eligible for hardship provisions.

**NICK SHERRY:** Well if he rings that hardship line and if he's been told he's not eligible for that, I suggest you get him to personally contact my office and I will follow that up.

**NEIL MITCHELL:** Okay look, I'll just play you that little bit he said. Evan Jones(\*) is his name ...

**NICK SHERRY:** Yep.

**NEIL MITCHELL:** ... and he's in deep trouble mate. It's an R&D he's entitled to. Nobody doubts he's entitled to it. He put the figures in in January, was told he'd have the money in February.

[Extract of earlier interview]

**EVAN JONES:** *Ah, somewhere a bit over \$150,000.*

**NEIL MITCHELL:** *\$150,000 plus. How - when was it due?*

**EVAN JONES:** *We were told the third week of February that the return was being processed and there was a credit in our account to that amount and it would be sent, you know, at any time.*

**NEIL MITCHELL:** *When did you put the paperwork in to get it?*

**EVAN JONES:** *I returned it in early January, 5 January.*

**NEIL MITCHELL:** *So there's no arguing about it, you - since January you've been entitled to \$150,000?*

**EVAN JONES:** *That's right, yeah, we - it's part of a, what do you they call it, an R&D tax concession where - so the software development companies based on the amount that you spend on development you get a rebate package where you start actually making money so we've get - we've had that for the last couple of years and that's where we're at at the moment. That's what actually pays the day to day bills and salaries.*

**NEIL MITCHELL:** *So what is the effect of you not having the \$150,000 plus, what's the effect on your business?*

**EVAN JONES:** *Well we've laid off all of the staff, we've ceased all of development. Our phones have been cut off, fax is cut off. Yeah, so we've basically, yeah.*

**NEIL MITCHELL:** *You're in danger of going to the wall.*

**EVAN JONES:** *Oh without a doubt.*

[End of excerpt]

**NEIL MITCHELL:** So what can you do? Senator Sherry what can you do?

**NICK SHERRY:** Well thank you for playing that interview to me Neil. I would like Evan to contact my office direct and I will follow that particular case up. I have had individual complaints referred to me which I've raised with the Tax Commissioner and the staff in offices. I will follow that issue up.

**NEIL MITCHELL:** We'll pass that on to him.

**NICK SHERRY:** And secondly I can announce - actually on your program this morning, I've asked the Inspector-General of Tax to carry out a total and thorough investigation, I've asked him this morning, of the implementation of the IT change and its impact and I would expect the Inspector General of Tax to deal with issues of compensation for people such as Evan Jones.

**NEIL MITCHELL:** Are you aware that any st...are you aware that the system still isn't right? We've been talking to an insider this morning who says it is still regularly logging off to try and fix things.

**NICK SHERRY:** Well it's clearly not right because at the present time there are - there's a backlog of returns that have to be sent out along with monies, cheques, and obviously electronic money transfers.

**NEIL MITCHELL:** But the system isn't right to handle the backlog. What they tell us they haven't got the system right yet and once they do get the system right there's a four month backlog.

**NICK SHERRY:** Well I'm told by the Tax Commissioner and the staff that the backlog will be - will be - that there has been a backlog since January, it's been built up and now it's declining and there are still 210 - approximately 210,000 - 200,000 backlog that is still to be processed.

**NEIL MITCHELL:** When did it all go to what it's gone to, I mean when did it hit the wall, was it January?

**NICK SHERRY:** Well to be frank Neil, the Tax Office computer system has been struggling for the last five to 10 years. There had been instances two or three years ago I can recall, because I was in opposition and I was asking the ATO about a backlog of payments, for example an area called the Surcharge Superannuation Tax and Co-contribution. There had been delays because the system has got so old, it's a system where it's based in the 1970s so it's been 30 to 40 years old. So that's the reason why the ATO implemented this change program, a change program itself is a massive undertaking, I understand it's one of the largest IT upgrades in Australia and anywhere in the world.

**NEIL MITCHELL:** So who carries responsibility for this? I mean if this happened in private enterprise, heads would roll without any doubt because a business couldn't survive this. This is doing enormous damage to the community, the business, to individuals, who wears it?

**NICK SHERRY:** Well ultimately the Inspector-General, as I've said I'm announcing on your program this morning, he will carry out a thorough investigation, he's independent, he will carry out a thorough investigation and he will determine who is responsible.

**NEIL MITCHELL:** Any idea how much money's involved?

**NICK SHERRY:** Look obviously I can't pre-empt the Inspector-General's findings, however the cost of this IT upgrade and this IT upgrade has been occurring for the

last five or six years, it's been a very long-term project, was approximately \$800 million.

**NEIL MITCHELL:** Hardly money well spent if it goes wrong like this is it?

**NICK SHERRY:** I'm obviously very concerned, but my primary concern at the moment is the concern and the worries of individual taxpayers such as Evan who you've just spoken to.

**NEIL MITCHELL:** And you're confident or you're told that it will all be right by the end of April which is a couple of weeks?

**NICK SHERRY:** I'm told the backlog of payments and these issues around payment individual assessments will be cleared by the end of April, the end of next week.

**NEIL MITCHELL:** A quick call, perhaps you can advise this person as well. Costa, hello Costa.

*CALLER COSTA: Good morning Neil.*

*NEIL MITCHELL: Hi.*

*CALLER COSTA: We've got a - in one particular case of our client has have been waiting for a refund - quarter of a million dollars...*

*NEIL MITCHELL: Yeah tax aid(\*) you know.*

*CALLER COSTA: Yes, and we lodged a return back in February. We've made nearly 30 telephone calls to the ATO. The last phone call we were told that there was nothing they can do, there can be no human intervention within the system. All cheques were supposed to be sent in two runs on 9 April and 13 April and now we're being told it's the end of April.*

*We've spoken to what we call our relationship manager, they've escalated the matter, we've spoken to people in regards to hardship and they're all saying there's nothing they can do.*

*The Tax Office - all their staff within the Tax Office themselves are utterly frustrated and some of them are telling us that their work load's quadrupled since this thing happened.*

**NEIL MITCHELL:** Okay, well there you are, well Senator I know you can't answer it but there's an indication of what's happening.

**NICK SHERRY:** Yeah I do understand the frustrations Neil. As I said, I personally received a number of letters and emails in the last couple of weeks which I've asked the Commissioner to action. But I do understand the frustration.

**NEIL MITCHELL:** Look, we'll get Evan Jones, give Evan Jones your office number. The other thing he spoke to the tax office about laying people off and the Tax Office said; were they valuable people?

**NICK SHERRY:** Well that's obviously an inappropriate comment. I don't know the context and the precise words, but an inappropriate comment in the circumstances.

**NEIL MITCHELL:** Thanks for your time. Assistant Treasurer Senator Nick Sherry.

It is - I said yesterday, we're only just starting to see how big this is. It is a nightmare.