



ASSISTANT TREASURER

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IMPROVEMENTS TO TAXATION RUNNING BALANCE ACCOUNTS AND INTEREST ON OVERPAYMENTS

The Assistant Treasurer, Senator Nick Sherry, today announced the Rudd Government would rewrite the tax law's running balance account provisions to provide the flexibility to manage tax debts and entitlements more efficiently and in a way that is more useful for taxpayers.

"I'm pleased to see that we are getting close to the aim of having a single running balance account system that's easier to understand and simpler to use," the Assistant Treasurer said.

"The rewriting process is part of the Rudd Government's commitment to slashing red-tape and reducing complexity."

The running balance account provisions play an important role in determining how the Australian Tax Office accounts for tax debts and entitlements.

The running balance account system, enacted in 1999, was originally intended to provide taxpayers with a single tax account statement that covered all their tax debts, like a credit card statement.

However the current system has not achieved its original goal, partly due to limitations in the running balance account provisions. For instance, the system prevents certain debts such as general interest charge being brought into the running balance system and limits the Tax Office's ability to manage running balance accounts to meet specific taxpayer preferences.

"Rewriting the running balance account provisions to increase flexibility in establishing and managing the accounts is an important measure that will help taxpayers through a simpler tax system," said the Assistant Treasurer.

This proposal will also provide for:

- all debts and entitlements arising in relation to tax laws the ATO administers to be accounted for through the running balance account; and
- a better result by ensuring greater flexibility in how running balance accounts are managed.

This change will help the Tax Office to amalgamate a taxpayer's tax position into a single running balance account or dissect it into several accounts according to circumstances, which could include a consideration of the taxpayer's preferences.

The changes will also provide greater certainty about the extent of the Tax Office's ability to amend, adjust or reconstruct accounts.

The Assistant Treasurer also released a discussion paper seeking the public's views on how best to streamline and improve the operation of those provisions.

"This is an important measure that will help taxpayers through a simpler tax system and provide more certainty in some areas," said the Assistant Treasurer.

The paper also seeks comments on ways to improve and simplify the rules that entitle taxpayers to interest when they overpay their tax debts – for example, when an income tax assessment is reduced after a taxpayer successfully objects to the assessment.

This includes whether interest on these overpayments should be payable on more tax debts and the longer term possibility of integrating it with the running balance account provisions. Such an approach could result in a simplification of the law in this area and its administration.

"Consultation plays a valuable role in developing changes in the tax law and I encourage interested parties to provide their views on these reforms," the Assistant Treasurer said.

Copies of the discussion paper are available at www.treasury.gov.au.

The consultation period closes on 8 August 2010.

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