



16 August 2010

Dear tax practitioners

Tax time 2010 processing and refunds for your clients

On the 28 June 2010 the Commissioner wrote to you seeking your assistance in managing your clients' expectations on the processing of their income tax return, in the lead up to this year's tax time.

As is normally the case the ATO aims to process income tax returns in a way that balances the need to achieve good service standards for taxpayers while maintaining the integrity of our tax and superannuation systems.

It has been raised with me that there is concern that some of your clients have yet to receive their refunds, despite you having lodged their 2010 income tax return with the ATO in July.

I can confirm that while there have been a significant number and amount of refunds issued, there does remain a number of returns still going through our processing and verification actions. This is normal during this period every financial year. It should be remembered these verifications may be for a variety of reasons.

While our processing times are often shorter than our published service standards, it is important that tax agents and taxpayers do not rely on any expectation for processing of electronically filed returns in less than 14 days. This is particularly important for agents who use taxpayers' refunds as payment for their fees.

Up to 29 July 2010, the ATO had issued more than 1.25 million notices of assessment, including just over 1.04 million refunds. By Friday 6 August, we had finalised a further 800,000 assessments, the vast majority resulted in electronic funds transfer (EFT) payments. As these refunds issue this week, the ATO will have paid out over \$4 billion in refunds and issued some 1.9 million refunds since 9 July 2010.

As is the case every year, we could not begin processing returns straight away, because we had to test the new software installed for the 2010-2011 year. This happens every year because it is necessary to install new software for any changes in the tax laws. This year, we did not begin processing income tax returns until 9 July 2010. If you lodged your return prior to this date, processing would have been delayed.

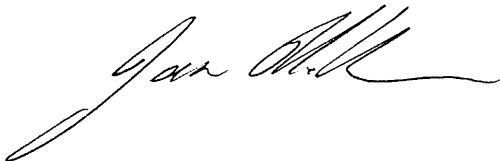
As previously advised, up until 23 July 2010, there had been delays with the processing of returns for taxpayers who have Higher Education Loan Program (HELP) and Student Financial Supplement Scheme (SFSS) obligations. We needed to carry out extended testing of the accuracy of assessments for these returns. Processing of these returns commenced on 23 July 2010, therefore, if you filed a return before 23 July 2010 and you had a HELP or SFSS obligation, your assessment would take longer to complete.

During the week commencing 2 August 2010, we had more returns on hand than we were able to process. While refunds were issued most days, with some catch up processing, we were able to finalise an additional 800,000 assessments by Friday 6 August 2010. The majority of these refunds are now available in bank accounts or on their way via Australia Post.

Overall, the regular flow of assessments and refunds has not been as consistent during our first four weeks of processing as we would have liked and we are taking steps to smooth out these fluctuations. This letter may assist you to advise your clients of the current situation.

We apologise for any inconvenience these delays may have caused to you and your clients.

Yours sincerely

A handwritten signature in black ink, appearing to read 'James O'Halloran', with a long, sweeping underline.

James O'Halloran
Deputy Commissioner