



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

**Reference: Biannual hearing with Commissioner of Taxation**

FRIDAY, 20 APRIL 2007

MELBOURNE

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**JOINT STATUTORY COMMITTEE OF  
PUBLIC ACCOUNTS AND AUDIT**

**Friday, 20 April 2007**

**Members:** Mr Barresi (*Chair*), Ms Grierson (*Deputy Chair*), Senators Mark Bishop, Hogg, Humphries, Murray, Nash and Watson and Mrs Bronwyn Bishop, Mr Broadbent, Dr Emerson, Dr Jensen, Miss Jackie Kelly, Ms King, Mr Laming and Mr Tanner

**Members in attendance:** Senators Hogg, Humphries and Watson and Mr Barresi, Mrs Bronwyn Bishop and Ms Grierson

**Terms of reference for the inquiry:**

Biannual hearing with the Commissioner of Taxation

**WITNESSES**

**D’ASCENZO, Mr Michael, Commissioner of Taxation, Australian Taxation Office ..... 2**

**GRANGER, Ms Jennie, Second Commissioner of Taxation, Australian Taxation Office ..... 2**

**KONZA, Mr Mark, Deputy Commissioner, Small and Medium Enterprises, Australian Taxation Office ..... 2**

**MARTIN, Ms Stephanie, Deputy Commissioner, Aggressive Tax Planning, Australian Taxation Office ..... 2**

**QUIGLEY, Mr Bruce, Second Commissioner of Taxation, Australian Taxation Office ..... 2**



**Committee met at 10.59 am**

**CHAIR (Mr Barresi)**—These meetings had their origin in a public hearing between the committee and the commissioner last November. The committee noted that the tax office would benefit from having a formal occasion to have ongoing and regular communication with the community. The House economics committee has set a precedent in its meetings with the Reserve Bank. The committee believes such a model can be adapted to the tax office. The ATO has publicly stated that it is prepared to be accountable and believes that it has a positive story to tell about tax administration in this country. These meetings are likely to evolve over time. Possible topics include the ATO's performance, current and emerging threats to the revenue, and how the ATO is responding to its external reviews. The committee is open to feedback and comment from the public on how it can get the most from these hearings.

The second part of this public hearing will be devoted to the committee's inquiry into certain taxation matters. This will be the third time that the tax office has appeared before the committee with regard to that specific inquiry. The tax office has a number of areas in which to update the committee. One topic we are likely to discuss in the second half of today's meeting is how the ATO has responded to its loss in the full Federal Court in the Indooroopilly case, which upheld the principle established in 2002 by Essenbourne.

I remind participants the committee will be looking at policy and administration matters only. We are not seeking to act as a review panel for any individual case studies or grievances with the tax office. By law, the ATO cannot disclose details of an individual's tax matters. I advise witnesses that the hearings today are legal proceedings of the parliament and warrant the same respect as the proceedings of the House itself. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The evidence given today will be recorded by Hansard and will attract parliamentary privilege.

[11.01 am]

**D'ASCENZO, Mr Michael, Commissioner of Taxation, Australian Taxation Office**

**GRANGER, Ms Jennie, Second Commissioner of Taxation, Australian Taxation Office**

**KONZA, Mr Mark, Deputy Commissioner, Small and Medium Enterprises, Australian Taxation Office**

**MARTIN, Ms Stephanie, Deputy Commissioner, Aggressive Tax Planning, Australian Taxation Office**

**QUIGLEY, Mr Bruce, Second Commissioner of Taxation, Australian Taxation Office**

**CHAIR**—Mr D'Ascenzo, do you have any opening comments to make?

**Mr D'Ascenzo**—Yes. First, thank you for the invitation to attend this public hearing. As you rightly point out, our aspiration is to work with the community in the fair administration and effective management of the tax system and the Australian superannuation system to add value to our nation. We are committed to being open and accountable in administering the community's tax and superannuation system. Our renewed emphasis and organisational commitment to delivering our values—particularly our aspiration to consult, collaborate and be willing to codesign—has been well received both within the tax office and externally. It places us in a good position to build community trust in our administration and to reduce compliance costs. We now have enhanced collaborative arrangements in place. In 2006 we reviewed our tax practitioner and other stakeholder consultative forums to provide more opportunities to help support taxpayers and tax agents. We have made significant progress in developing a cooperative approach with large business. We held a large business symposium and, in collaboration with the Corporate Tax Association, developed a new large business and tax compliance booklet. We have also pioneered forward compliance agreements with two large companies. They are designed to reduce tax compliance costs, promoting better practices to effectively manage taxation risks.

A priority has been the implementation of our transformational change program. When we began our change program, our first priority was to deliver some immediate improvements that would make a big difference to how taxpayers and tax professionals interact with us, including the tax agent and business portals. We have now implemented the first two major releases of our program. Our program assurer, Capgemini, has told us that our achievements in doing this should not be underestimated. The change program has delivered improvements that make a considerable difference to how taxpayers and tax professionals interact with us.

In addition to the original plan, we now need to ensure delivery of the government's package, simplified superannuation measures, by July 2008. To ensure we can effectively implement the superannuation simplification, by July 2008 we need to adopt a staged approach for our release three, which, instead of a single deployment, is a rolled out deployment over time. Although a progressive rollout of the change program provides us with more agility and reduces risk, release

three will still be challenging and there is a risk that there may be some productivity dips as we bed down the new systems.

We have also continued to focus on making it easier for individuals to comply with their tax obligations through expanding e-tax and the pre-filling of some items in electronic tax returns. In 2007-08 we will be expanding pre-filling using extra funding announced by government in last year's budget. The user will be able to download more information into their tax return, including dividend information from share registries. It will also be giving the same facility to tax agents.

We are at an important phase in our annual corporate planning and reporting cycle. We are currently making decisions on our high-level risks and priorities for 2007-08 and reviewing our progress in meeting corporate outcomes for 2006-2007. Our plenary governance forum, which monitors our performance against our corporate priorities, met on Tuesday and our results so far this year reflect a strong record of achievement. The robust outcomes and outputs framework that we have in place to track performance and to escalate emerging risks and opportunities focuses the organisation on high levels of accountability and real-time risk management. The results are preliminary and our end of year outcome will, of course, be fully accounted for in my annual report to parliament.

As at the end of February 2007, we are ahead of schedule for meeting our end of year plans for 42 of our 61 corporate priorities. The end of year outlook, as forecast at the end of February, is that, all things going according to plan, we will meet 59 of the 61 priorities. There are, however, two priorities where the outlook is that we are likely to be slightly behind our planned targets by the end of the year. In relation to super guarantee, we expect to complete around 90 per cent of our planned compliance actions by the end of the financial year. There may also be marginally lower collections in specific projects relating to capital gains tax. However, in relation to that project, we have exceeded our coverage and promoted voluntary compliance, which is our fundamental mission.

Achievement against the tax office service standard index is currently 1.12, which is above our benchmark of one—a good outcome given the scale and complexity of our transformational change program. As at February 2007, we have equalled or exceeded benchmarks in 13 of our 23 service standards, with a further five only marginally under their benchmark. Of the 13, 10 have consistently achieved above benchmark performance since July 2006. Relevant to the committee's terms of reference, we are significantly above our benchmark for the provision of private binding advice, finalisation of objections and resolution of complaints.

Four of our service standards have been slightly affected by the implementation of a change program and, while below benchmark, performance has been good given the circumstances. I would like to table to the committee a summary of our performance standards as published on our website together with some additional information.

As the committee will appreciate, our change program will provide a platform to lift the bar in excellence in tax and superannuation administration, so it is worth the effort to make that happen. Into 2007-08 we will be strongly focused on promoting a capable and more regulated tax profession. The tax profession plays a vital role in influencing levels of voluntary compliance and in facilitating efficient transactions with the tax office. A capable and more

regulated tax profession can best be achieved by an effective commitment between the tax office, tax professionals and the tax agent boards. We see it as a true tripartite arrangement.

In the compliance area, key focus areas in 2007-08 will include: ensuring that private groups, high-wealth individuals and high-income individuals pay their fair share of tax; shifting our focus on the cash economy more towards business to consumer transactions; improving our support services; increasing certainty for very small businesses; addressing the risks of increasing restructure, merge and acquisition activity and internalisation; and the use of tax havens and Wickenby type arrangements.

I asked to defer the timing of this public meeting from March to enable us to share with the committee our current thinking on high-level priorities for the coming year. Our report provides our draft corporate plan for 2007-08. The draft plan is an evolving document which we refined and added to through our ongoing planning processes. It is not intended to cover everything we expect to do in the coming year but points to the areas where we believe extra focus is needed and where we are committed to investing scarce resources. Also, it does not seek to reflect every risk that we may face or every compliance risk that we may identify. These are considered and picked up in our cascading suite of corporate planning documents. It is in this context that we welcome the committee's views on our performance and current thinking of our future priorities. Thank you.

**CHAIR**—Thank you very much, Mr D'Ascenzo. We appreciate you coming to talk to us. This is an inaugural meeting, and it is certainly in the best interests of all here today to make sure that these hearings are productive and achieve the results intended for taxpayers of Australia. As no other witnesses would like to make a statement, I will start with a general question. Mr D'Ascenzo, what do you assess as being the greatest risk to revenue at the moment?

**Mr D'Ascenzo**—I think the greatest risk to revenue is if we ultimately do not maintain and enhance the high levels of voluntary compliance that we have in this country. The trick to good tax administration is to focus on how you maintain that culture of good compliance, both within your own country and with people who interact with the country. To do that you need high levels of confidence. Those high levels of confidence are reflected by a very well-rounded program that has focused not just on active compliance or enforcement activities but also on providing support, assistance and education. It also focuses on trying to make it easy for taxpayers to comply. It does have, at the end of it, a very important role in trying to ensure that we support honest taxpayers by having effective deterrent strategies.

In the area of deterrent strategies, the first question is: what is the cause of noncompliance? We have a compliance model which says: work out what you think the causes are. If the cause is misunderstanding, system problems or issues that are addressed by some means other than active compliance or active enforcement, then we should use those means. It could be education, provision of guidance, further support activities or making proposals to government to reflect consequences that are not intended to operate in terms of how the law operates on the ground; or it may be that people are trying to take sharp positions which need to be challenged through courts or addressed in some other way; or it could be that people are actually trying to avoid and evade their liabilities, in which case some firm action is required.

In relation to the risks, we have gone through a very extensive risk assessment. We look at it across a whole range of market segments and product types. In the area of a large business, for instance, we see the future more in terms of trying to create a good relationship with business that enables them to grow and in that way help support our economy. On the other hand, we note a high level of activity in restructuring, mergers and acquisitions, and all of those have possible tax consequences, so we will need to place scrutiny there. We have embarked on a large analysis of those, but we want to work with large business to do that.

In terms of small business there are two areas of risk. One area is people's understanding of how they can comply with the law and the ease with which they can do that. We are putting new emphasis on that. In business to consumer transaction, we need to make sure that there is a lid on the level of non-reported cash payments. We are going to refocus our attention from business to business, which in large measure is covered by some of the GST implications, to a business consumer focus.

**CHAIR**—One of the things we heard earlier on was that the advent of globalisation and e-commerce is one of the threats to our revenue base. Would you agree with that, and, if so, what is the tax office doing to counter that particular risk?

**Mr D'Ascenzo**—Australia has been at the forefront of doing some early thinking in the area of e-commerce. In fact, we drafted the OECD's two reports on e-commerce back in the late nineties. We have found that the impact of e-commerce has not been as dramatic in the Australian context as we had expected. At the moment it is not high on our lists in terms of risk to the revenue. It is something that has to be monitored. The recent newspaper articles that saw our activity in connection with people using internet type transactions shows that we are active in that field, but at this stage in aggregate figures it has not been as much of a concern to Australia as was predicted. But it is one of those areas that could very easily inflate over time.

One of the things about e-commerce is that, if it is in relation to goods and services, you do have something tangible that you can apply your own activities to. So the risk to e-commerce comes more at the services, copyright-intangible end of our activities. If it is done through large companies, it falls within transfer pricing reviews that remain a high priority for us. Internationalisation is important in other areas. Again, at the top end of town, the questions of mergers, acquisitions and private equity, both domestic and foreign, raise tax issues that need to be addressed. Compliance at that end is important because a misunderstanding of our provisions could lead to significant tax consequences for our country.

**CHAIR**—In the audit report the ANAO noted that the targets for liabilities raised by active compliance during 2005-06 were revised twice. Were these adjustments up or down and why were the adjustments made?

**Ms Granger**—I would need to look at the reference. I am not sure if that is referring to the KPMG review and report on large business liabilities. I am sorry; I just do not have the reference. There was a definitional issue about how certain activities in our operational area were counted around refund checking, and we agreed on a new definition that led to a redefining of what are liabilities in connection with those issues. Essentially we were having some difficulties in disaggregating some of the information from what were potentially refund overstatements to what were form design issues in that area. I think that is what that is referring to.

**CHAIR**—I understand it was included in the ANAO report that was released in September 2006.

**Mr D'Ascenzo**—It is the ANAO report of 2006. I am not sure of that, but, if it did relate to—

**CHAIR**—It is okay. We will move on.

**Mr D'Ascenzo**—It was adjusted down because it picked up items which were in the course of our operations side rather than our compliance side. It was coming through the system, although there was an annual checking by our operations people, and was included in the outcome of our work as active compliance work. We have made some amendments to that to reflect the ANAO's reports. We have taken that through the Corporate Tax Association. It is very important to us to make sure we are telling people the true and accurate story. We did not want to mislead unintentionally, and there was a capacity for that in adding some operational fixes to the active compliance amount that might give a misleading take. The reality in terms of large corporates is that over many years the amount of tax to GDP has remained high. Large corporates pay more tax to GDP in Australia than most other OECD countries. I think that is a reflection of high levels of voluntary compliance. So there is an opportunity to work with them to maintain those levels but, at the same time, when you work in areas where a difference of opinion could mean hundreds of millions of dollars, it cannot avoid close scrutiny. That is what we do.

**CHAIR**—We are going to have to move on. I am very conscious of time. All members of the committee have a lot of questions to ask. Can I ask that questions be short and, Mr D'Ascenzo, could your answers be succinct otherwise we are not going to get through this morning.

**Ms GRIERSON**—You have spoken on risks to revenue. I want to explore that a little more. You mentioned cash payments, so we are still talking about a black economy. Can you quantify that and give us any trend in those quantifications?

**Mr D'Ascenzo**—We do not involve ourselves in the quantification of the cash economy. I think the ABS has done some work in that area some years ago.

**Ms GRIERSON**—It does set a benchmark for you.

**Mr D'Ascenzo**—It provides a benchmark in terms of a level of cash economy. I am sure the ABS might be doing other studies over time. The problem with doing studies in this area is that you start to have a difference of opinion of how effective and non-effective it is. We have tried to target the risk and address that risk in a very real way.

**Ms GRIERSON**—It has been reported in the media that there are some estimates of BAS fraud, deliberate fraud—companies setting up and therefore seeking the legal tax refunds—and a quantity of \$5 billion was suggested. Do you have some information or views on that, or can you give us any information regarding that? Is that a practice you are monitoring; is it a risk to revenue?

**Mr D'Ascenzo**—It was in a report by an ex-officer which extrapolated figures that did not have any firm basis. There does not seem to be any dip of anything like that order in our collections. We have a range of specific checks and balances and in fact some of the claims that

were made in that report are not correct or do not reflect the level of checks and balances that we have. We have had ANAO review of our refund approaches and, again, that did not indicate any defect of the order that was mentioned. My answer to that is: we have not seen any reliability in that figure and we do have checks and balances that we think are working reasonably well.

**Ms GRIERSON**—Is it identified by you as a risk?

**Ms Granger**—Yes, it is and, as the commissioner said, we have a range of checks including computer checks that are run over claims for refunds before they issue. In fact, a point of tension is delay while those checks are checked out a lot of the time. That is reasonably effective. We have said in terms of this area of refund fraud that one of our real concerns is also the associated identity fraud that goes on. You may well have heard that we campaign quite a bit with both the agents and the community more generally about the care they need to take with their private information. To put identity fraud in context when we are talking about this issue, there were about 120 cases we investigated last year. So it is not big numbers but it is the kind of thing that everyone needs to be vigilant about. As I said, we have significant checks, but that is something that is under continuous scrutiny for us.

**Ms GRIERSON**—When you talk about identity fraud, we are talking in terms of BAS fraud: companies that are registered but perhaps have not done so genuinely or rigorously, are checked to be real, are operating and therefore able to claim tax refunds. Do you have relationships with ASIC in terms of the registering of companies and those processes?

**Mr D'Ascenzo**—One of our checks is to make sure that the company in seeking to get onto our register is active where its position is, so you just cannot get an ABN file number without going through those sorts of checks. We have that sort of link that you mentioned.

**Ms GRIERSON**—It has been suggested by some commentators that much of our revenue flows overseas in terms of avoiding domestic tax. Is that still the case for this nation? There is the US example where a one-off amnesty on corporate tax drew a lot of money back to the country. Have you explored that sort of option and the implications or the need for that in our economy?

**Mr D'Ascenzo**—I am not sure of the US position and whether it actually did bring back much.

**Ms GRIERSON**—\$350 billion, I think it was claimed, by dropping it one-off to five per cent corporate tax.

**Mr D'Ascenzo**—This is at the level of policy issues in terms of what sort of legislative proposals you have, and that is outside our realm. We are the administrators.

**Ms GRIERSON**—In terms of risk to taxpayers, I have some quick issues that I think affect ordinary people often. It has been suggested to you with liquidations—and there has been a rise in liquidations in the construction sector—that your small business compliance section may be the first to see grave difficulties that are going to end up that way. Do you have a role in alerting ASIC or whoever to those sorts of developments?

**Mr D'Ascenzo**—There is a limit to how much we can share information with ASIC in relation to the reliability issue. I am not sure we have a role there, but we are one of the first to see debt that is not being met on time. I am not sure that we have that link in the way that you mention.

**Ms GRIERSON**—You mentioned that superannuation guarantee was one of the areas in which you have not achieved your full goals. Could you elaborate on that for us please?

**Mr D'Ascenzo**—We had funding to do 22,000 cases and we have done 21,200-odd, so we are slightly below the task. Chasing down the complaints and then tracking them back to the employers is taking a bit longer than we expected.

**Ms GRIERSON**—Can you give us statistics on compliance with putting away the super guarantee every three months? Can you give us some rates?

**Mr D'Ascenzo**—It comes very much from what is expected in terms of the normal budget estimate figures. We are not tracking below any of those budget estimates figures for superannuation or company tax. The one area where it is tracking below estimates is in relation to non-incorporated small business.

**Ms GRIERSON**—Can you tell me the rate of fines and penalties because I think it is in your powers to put out penalties. I raise this because of a recent death in my area where a worker was killed. A death benefit was not payable because the employer had not been putting away entitlements. We are interested in the penalty rate, the application of fines and penalties and the success rate in making sure people do put those guaranteed benefits away.

**Ms Granger**—One of the broad indicators with super guarantee investigations is we are at the end of where it is not working, where it is not just flowing through the system. We get roughly 10,000 complaints a year from employees of that. That is against the context of millions of people engaged in the system. In terms of what the consequences are where we do take action, the design of that legislation is that essentially the administrative charge plus the super that was owed effectively doubles, so that it is quite heavily engineered towards encouraging to get it right upfront.

**Ms GRIERSON**—There is an incentive to do it.

**Ms Granger**—Yes. One of the things we have done in the last couple of years in this area is to lift our focus, when we go out to business, to look at them as employers across a range of obligations, and we have skilled our teams that do that work to be able to do basic checks for superannuation. It had been done separately. Our focus in super has been shifting over the last couple of years to do a lot more of the scrutiny activities. We have some additional funding from government. It does take a while to skill people up to it, but the coverage is increasing.

When I say 10,000 complaints, when we go out there we check for all employees and not just the one who complained. That is another reason why it can take us a little while to work through it. The major issue when we do investigate it is that employers are often struggling financially, and that can take a while too.

**CHAIR**—Before I ask Ms Bishop to commence questions, Mr D’Ascenzo, you said in your opening statement that the ATO is committed to living its values, particularly your ‘aspiration to consult, collaborate and be willing to codesign’, yet one of the constant criticisms that we receive is a lack of consultation that takes place. You are trying to achieve this objective but the public do not see that. How do you respond to that?

**Mr D’Ascenzo**—I was at a recent conference—

**CHAIR**—Are you consulting widely enough or is the consultation too narrow?

**Mr D’Ascenzo**—We have something like 80 forums with the tax profession, business groups, community groups—a whole range of parties. I do not think any other organisation in Australia consults as much as we do. I wonder whether or not what you are getting in this committee is representative of the wider community.

**CHAIR**—That is why I asked for your response to the question.

**Mrs BRONWYN BISHOP**—I was interested in your opening statement when you said:

We have made significant progress in developing a cooperative approach with large business ... We have also pioneered forward compliance agreements with two large companies. They are designed to reduce tax compliance costs, promoting better practices to effectively manage taxation risks.

I read in this morning’s *Financial Review* that you said:

Last year, Australia and New Zealand Banking Group and BP signed forward compliance agreements that exchange a high level of tax scrutiny and communication with the ATO for reduced audit risk.

And, further, that you are:

... looking at other projects, such as companies providing full and true disclosure on the elements of a transaction or disclosure on any reasonably contentious positions in return for a promise by the ATO not to charge culpable penalties.

I am aware that there has been a considerable amount of discussion between people who are interested in these matters that the idea of a ‘full and true disclosure’ should be allowed to be made by ordinary taxpayers where there is some contention concerning issues and that this would be a way of militating against what occurs when we get compounding varieties of interests to pay—the general interest charge and so on—and would be a fairer way of perhaps protecting taxpayers against what can almost result in them paying 98 per cent penalty on their original failure to disclose, as you determine it. With this new way that you are developing, it would not be acceptable in my view just to have such an arrangement for big business. It would also have to be available to small business and individuals, and the question I want to ask first up is: could it in fact be an alternative to seeking a private ruling, which, as I have taken evidence from other people at different hearings, can cost up to \$50,000 to prepare and get an answer from?

**Mr D'Ascenzo**—All I can say is that I am looking for ways of providing certainty to people in a way that is cost-effective to them and cost-effective to the community. If Mrs Bishop is saying we should go back to a full assessment system—

**Mrs BRONWYN BISHOP**—I did not ask you that. I am just reading out what you say you are doing.

**Mr D'Ascenzo**—I am saying in a sense what we have for taxpayers is the opportunity to get certainty through the private ruling system. That still exists. All this can be is an extension of that that allows that to be facilitated so the costs are reduced.

**Mrs BRONWYN BISHOP**—I am not proposing that we get rid of the private ruling system; I am just saying it is not practical for small people. I am simply asking: are you proposing to introduce the reported full and true disclosure proposal? Is that a solid proposal?

**Mr D'Ascenzo**—We are working with the Corporate Tax Association to see what avenues of certainty we can provide to them to enable them to comply with their obligations in a cost-effective way.

**Mrs BRONWYN BISHOP**—But it would be unacceptable to me that you would only make that available to big business. Would you also make it available to small business and individuals?

**Mr D'Ascenzo**—If that proves to be of benefit then of course we would look at whether or not it could be extended across the community. That may require different resourcing from government.

**Mrs BRONWYN BISHOP**—How far along the track have you gone in developing this proposal?

**Mr D'Ascenzo**—We have had preliminary meetings with the Corporate Tax Association.

**CHAIR**—Have any other companies approached you for a similar type of arrangement?

**Mr D'Ascenzo**—We have a number of arrangements on forward compliance agreements, but that is a different arrangement to what Mrs Bishop is talking about.

**Mrs BRONWYN BISHOP**—What I am talking about here is the second proposal, which I think is a good proposal, but it would be totally unacceptable to restrict it to large corporations.

**Mr D'Ascenzo**—I am saying that we are just exploring ways of providing certainty, and this is an area that we can explore where it makes good sense to do so. If there are opportunities that we can extend more widely, that would be good. There might be resourcing issues associated with that. That might be subject to a bid to government for further funding. What is available under our current system is the private ruling system. We have provided to the committee a copy of the forms. The forms say to an individual taxpayer, 'Just give us full and true disclosure.' So individuals can do that under our current arrangements.

**Mrs BRONWYN BISHOP**—But the important part of this proposal is that that would be in return for a promise by the ATO not to charge culpable penalties.

**Mr D'Ascenzo**—Those words are not in fact quoted. What happens is, of course—

**Mrs BRONWYN BISHOP**—You are not telling me that the newspaper has got it wrong, are you?

**Mr D'Ascenzo**—Far be it from me! Actually, it is not a promise from us. If you do have your full and true disclosure of that nature—in other words, if you do provide the information in the return and you are reasonable in the way that you are trying to—

**Mrs BRONWYN BISHOP**—Let's be specific. Someone puts in a fair and true disclosure and they say, 'That's in return for you not imposing the general interest charge.'

**Mr D'Ascenzo**—I think under the current law, if you put a private ruling request in and—

**Mrs BRONWYN BISHOP**—No, this is the private ruling. This is different.

**Mr D'Ascenzo**—you make full and true disclosure, you cannot get culpability penalties.

**Mrs BRONWYN BISHOP**—I said this is an alternative to private rulings. With private rulings, how much does it cost you in the tax office in resources to make private rulings and how many a year do you make?

**Mr D'Ascenzo**—We make about 13,000 a year. I am not sure of the cost. Bruce, I don't know whether you know the cost.

**Mr Quigley**—No, I would not have an exact cost.

**Mrs BRONWYN BISHOP**—Perhaps you can take that on notice and let me know the precise cost.

**Mr Quigley**—We will be able to provide the number of resources that go into that and the levels.

**Mrs BRONWYN BISHOP**—That would be good.

**CHAIR**—Is the number of private rulings increasing each year?

**Mr D'Ascenzo**—No, it is not. It has stabilised. If anything, there is a very slight decline.

**Mrs BRONWYN BISHOP**—I took evidence in another hearing that with large private rulings it can cost \$50,000 for someone to prepare an application and—

**Mr D'Ascenzo**—You took evidence from that taxpayer about what they might have thought their costs were. I do not know how complex that arrangement was, but the private ruling system

gives an ordinary individual the opportunity of making a full and true disclosure about what they want to do and, if they do that, the law itself does not impose culpability penalties.

**Ms Granger**—Where the request for private rulings is increasing is in our large business area. So there has been a bit of a shift in where the demand is, but the overall numbers are reducing.

**Mrs BRONWYN BISHOP**—That was going to be my next question. When you are taking on notice the cost of it, would you also break it down into the number that have come in from large corporations? Perhaps you can have a separate category for government departments, because I know they make them too, and then small business and individuals. If we could have that break-up that would be great.

I have started to explore this with you once before, but I wonder if you could tell me the policy that you have with regard to use by other people of public rulings that you have already made, and where they develop what are seen by you subsequently as schemes. What protocols do you have in place to deal with them earlier rather than later?

Last time we discussed it I was talking about EBAs. Today I think I might talk about MISs. Our government policy was that we would like people who lived in cities to invest in agriculture. So we developed the managed investment schemes. They have run for a considerable amount of time. Now we get complaints. We get some farmers who say, 'If a managed investment scheme buys up the land here, the value goes up and I cannot afford my next paddock.' Then you get people who complain, 'Well, it was okay when it was blue gums, but we do not like olives much.'

But there are two that empirically seem to be quite successful in the marketplace: almonds and Indian sandalwood, because they give a good return and because they are products which are going to increase in value of usage—not pulping. Indian sandalwood is used right across India for religious purposes, for instance. Under the new crackdown, they will be out. They will not be able to be MISs any more. It is only going to be blue gums.

The point that I have made all along is that the original MIS was our policy so if we find a problem with that policy we have to manage it so that we are not disadvantaging people. But that scheme was allowed to run for a long time—several years—before people started to whinge. I guess the tax office had a whinge too. What I want to know is: is it always about five years that you let a scheme run and then you crack down on it? What are the protocols? What are the indicators you set in place? When does something get flagged to you as it is starting to build as something that is going to cost more revenue?

**Mr D'Ascenzo**—I think there is an underlying assumption there that we have taken these to be schemes of an aggressive tax planning nature. What we have actually had is indications from the court—one by the Supreme Court in Environ and another one by the Federal Court in Puzey—to say that our view of the law was wrong.

**Mrs BRONWYN BISHOP**—Did you know that straight away? That is new.

**Mr D'Ascenzo**—Actually, it has taken some time. We then referred the matter to government because it was really a government issue of how it wanted these areas taxed. The government

made its decision in relation to afforestation and decided that we should just test the law—it said it would not do anything in relation to agriculture or agribusiness. That left the tax office with views expressed by the judiciary that our previous view was not right. We have gone through an extensive process of trying to review our position. We think a better view now is that we were wrong. Therefore, we are trying now to have a test case to clarify that over the next 12 months.

**Mr Quigley**—Last week we issued a draft ruling reflecting that change of view.

**Mrs BRONWYN BISHOP**—Good. With the little bit of time that is left to me I would like to revisit a question that was asked by the deputy chair. It relates to the gap. As I understand it, internationally the trend for taxation offices or inland revenue offices, call them what you will, is to again publish the gap figure—that is, what the tax office reasonably estimates it should collect by way of taxation and what it in fact does collect. That used to be published up until about 1987-88 when Paul Keating decided it was not a good idea any more. It went out of fashion. But I understand that internationally it is coming back. I wonder if we can expect to see those figures published not only for income tax but also for GST. My understanding is that there are still a lot of people who are not filing the BAS and not complying with their GST arrangements. Can you give me any indication as to what the non-compliance figure with GST returns is I would be obliged for that too.

**Ms Granger**—First of all, in relation to international developments, there are probably two things to note. Certainly the UK has developed a methodology around that. They have some very specific issues in relation to carousel fraud, which we are not sure play out in our environment, but that has been a particular concern. The US does surveys which are based on random audits. The difficulty for us in doing that and why we have gone down the other methodology path has been that to have a statistically relevant sample would be very resource intensive in terms of the overall program and it would also mean auditing people who are compliant, which we feel would be an unacceptable community cost. Having said that, there is an OECD working party of which we are members that is working through what ought to be a standard approach to measurement, whether it is done by a revenue authority or outside a revenue authority. As you can imagine, there is a fair bit of debate about what will be in those processes. We are part of that working party and we are engaging in what might be a good measure. We have put on the table that we also believe that, as well as focusing on that work, you need to look at effectiveness measures to see whether your strategies are making a difference, which may be a different measure to what is a gap overall. Obviously, when they are ready to be published, we can look at whether that is something that is practical and feasible for us consider.

**Mr D’Ascenzo**—What has been found in the past is that the measures are not very reliable and the cost to honest taxpayers are high out of gap measures.

**Ms Granger**—I am talking off the top of my head here as to the actual numbers, but I think the last time the ABS looked at this they were talking about two per cent of GDP, which is a much lower figure than—

**Mrs BRONWYN BISHOP**—On the amount of revenue collected, I think the figures in this morning’s paper are for 2004-05. I want to ask about the deductions and the amount of revenue collected. The estimates in budget paper No. 1 show individuals’ and other withholding tax at \$103.8 billion and refunds at around \$15 billion. I am intrigued at the number of pieces in the

newspapers this morning drawing attention to the fact that there is a \$4 billion cost for negative gearing when other deductions are much bigger than that particular item, with work related expenses up around \$11.5 billion. I am wondering why there is this great accent again in the papers this morning on negative gearing when I think we are all fully aware that, if you get rid of negative gearing, you do not have any rental properties. I am just hoping it is not yet another attack.

**Mr D'Ascenzo**—I do not know how the papers are approaching it. We did publish our tax statistics and people have been looking through those tax statistics and coming up with their own conclusions.

**CHAIR**—Senator Hogg?

**Senator HOGG**—I want to cover a very broad area, as I am interested in your view. Mr D'Ascenzo, if I heard you correctly, you said that you are the administrators of the law. As such, I want to look briefly at the interaction between the legislation, the ATO, parliament, the judiciary, business, the community and so on. The tax laws are described, fairly generously, as being complex. I think that is an understatement. However, in their complexity, even in your words uttered earlier, there are unintended consequences—challenges in court and people who set out deliberately to avoid the law. In addition, we know that there are public and private rulings.

Given that you are the administrators of the law and we are its makers, are the processes adequate whereby the laws are made, in that failings seem to come through the system anyway? As I understand the Senate system, we in the Senate inquire into and have a fairly lengthy committee stage before passing legislation. Is there a problem with the scrutiny applied to legislation? Is there a problem with the drafting of legislation taking into account the things we have referred to—unintended consequences, challenges in court, avoidance and public and private rulings? To make our tax system less complex, do we need to look at the legislative process?

**Mr D'Ascenzo**—The complexity can be looked at from two angles. One angle is whether, at a policy level, trade-offs between simplicity and equity play out in greater complexity, particularly in an increasingly complex society. Ultimately, they are matters for government, so I really have nothing to say about that end. However, at the other end, regarding how the laws are made and operate, the Board of Taxation recently reviewed that and provided a report to the Treasurer. I am not at liberty to share the outcome of that review; it is an area of focus.

**Senator HOGG**—So that report is not publicly available?

**Mr D'Ascenzo**—Yes, the Board of Taxation prepared it and has provided it to the Treasurer for the Treasurer to release over time. It was undertaken in response to a reference by the Treasurer to the Board of Taxation. One of the roles of the tax office is that, because we see things operating and the law sometimes gives rise to unintended consequences. Policy is drafted with a range of scenarios in mind. The law is drafted in that way and the variety of life is such that there will always be circumstances which fall outside that drafting. Indeed, if people look at those circumstances, they may or may not say that they were intended to be within or without that law. Our role in the tax office is that, where we see an unintended consequence—whether it

is to the benefit of the revenue or of the taxpayer—we will refer that through to Treasury for remedial action, if the government so wishes.

As for the law-making process, we in the tax office are strong believers in integrated tax design; in other words, we like to and do work very closely with Treasury and the Office of Parliamentary Counsel in trying to ensure that the words reflect government policy. Where we add some skill is, firstly, in understanding how it will play out in the community, so perhaps it could be drafted in a way which might reduce people's compliance costs; and, secondly, in relation to our knowledge and understanding of the interpretation of the law—because, if you use certain words, we can say, 'Well, we think the courts might read it this way.'

**Senator HOGG**—However, despite all that, we are still left with the laws being described—as I said, generously—as complex, which is an understatement. There are unintended consequences—challenges in court and, as you know, a raft of public and private rulings—so it seems to me that something is failing in either the law's drafting or scrutiny process. I am not asking you a policy question. It seems to me there is a fundamental breakdown that needs to be addressed somehow. Either the drafters are not drafting it properly or we, as legislators, are not having it scrutinised sufficiently, whether it be openly and transparently through the Senate committee process, through a rigorous committee stage of the bill when it is before the Senate or through consideration in detail in the other chamber.

**Mr D'Ascenzo**—The focus on trying to improve the level of consultation and collaboration in developing the law is part of that answer. I would like to make the point that everything you said is correct: there are some unintended consequences, there is some complexity and there are all the other matters that you mentioned. It also underestimates how many things go through very efficiently—in other words, how many people are not misled by the law and comply with it. We often focus at the pointy end where something is wrong, and there is a big iceberg behind it where the system is working very well for people.

**Senator HOGG**—I accept that, but people will always focus on the tip; they will not focus on the rest of the iceberg, as you call it. Therein lies the difficulty for you as administrators and for us as legislators. The public will not worry about what we are getting right; they will worry about what we are getting wrong. I threw that challenge to you because I think this is that sort of forum. We are not going to settle this issue today and I never expected to, but it seems to me that it is a fertile area for debate to take place in this country if we are to have a more equitable, fairer and understandable taxation system, which is craved for by the business community, you, us and undoubtedly the judiciary, although I do not speak on behalf of the judiciary. But I never want to see the role of parliament suborned to someone else because we have lost the capability of putting forward good legislation. You and your taxation office play an integral role in that.

**Mr D'Ascenzo**—I do not disagree with anything you said.

**CHAIR**—Following on from Senator Hogg's comment and question, we have heard evidence that perhaps one of the recorders of all this includes the language and intent in the legislation. Perhaps if we moved to something which is more about the purpose of drafting rather than principles or plain English we may resolve the issue. What are your thoughts about that?

**Mr D'Ascenzo**—To highlight the policy intent as clearly as possible in the law goes a long way in helping to guide people in the way that they apply the law. One of the criticisms of a more purposive approach to drafting is that sometimes it does not give people the certainty that they may want. It actually might increase the number of rulings and other support processes. It is about balance. People say that the laws in the US system are that thick—it has about 10 rooms of regulations behind it. You do not want to get to that point. You achieve nothing by replacing a law with a range of rulings. Having the purpose very clear in legislation is very important. Our record is that we interpret the tax law with a purposive approach; in other words, if the words of the law allow us to reflect the policy, where we can ascertain that, then we will try to apply the law in that way.

**Senator HOGG**—On that point, how much does the committee stage of the passage of a bill through the Senate assist you in forming a view as to what the government intended with a piece of legislation? Obviously a minister at the table is asked questions and explains the intent of a certain section, passage, certain words or whatever it might be—

**Mr D'Ascenzo**—That would be part of the extrinsic material that we would take into account.

**Senator HOGG**—So that part of the process is very important for you?

**Mr D'Ascenzo**—That is helpful in understanding the policy intent—the object, the mischief—

**Senator HOGG**—That was part of the question that I asked earlier. Therefore, is the current process in the parliament prescriptive enough to draw out all the pros and cons of a particular clause before the chair of the committee or is it just something that gets lost in the ether because of the volume of legislation that might pass through?

**Mr D'Ascenzo**—To be honest, I have not focused on that aspect of how the committees have worked.

**Mrs BRONWYN BISHOP**—To follow up on that point, the Acts Interpretation Act requires that a court must look at the primary legislation and the explanatory memorandum. It was amended in the last several years to require it to look also at the second reading speech. That is it; it does not go any further than that. Are you seriously telling us that you pay attention to the debate in the committee stages of a bill—you extend yourself further than the requirements the Acts Interpretation Act?

**Mr D'Ascenzo**—I do not think the Acts Interpretation Act necessarily covers—

**Mrs BRONWYN BISHOP**—It does not cover you but it is a good indicator.

**Mr D'Ascenzo**—It does not necessarily cover the common law extent to which people do look at the object and purpose of a law in understanding what it means. I think it is wider than that, and the recent judicial review in the Canterbury-Bankstown case, I think it is—

**Mr Quigley**—CIC Insurance.

**Mr D'Ascenzo**—That is the one. It talks about looking at the context in its wider sense, and that is what we are talking about.

**Senator WATSON**—I refer to the highly contrived arrangements by the partners taking over Qantas, which is a public company. I understand that taxpayers are now looking into adopting similar techniques. Given the significant loss of revenue through debt borrowing deductibility, overseas interest payments not attracting withholding taxes and capital gains being essentially exempt when they go to overseas people, can the ATO implement the general anti avoidance arrangements formerly known under section 260 to protect the revenue in circumstances such as those?

**Mr D'Ascenzo**—Not if the deductions are legitimate business deductions.

**Senator WATSON**—Even though they are usually arrangements to minimise tax?

**Mr D'Ascenzo**—I am not sure that they are necessarily arrangements of that ilk. If they are for the purpose of avoiding tax and if our anti avoidance provisions apply then we will apply them, but if it is just someone who has a loan from overseas, and pays interest on that loan, to acquire a business activity in Australia for the purpose of deriving assessable income then that deduction would be deductible.

**Senator WATSON**—Would it come under the provisions of the old section 260?

**Mr D'Ascenzo**—I do not think it would come under that provision; nor would it come under the newer provision of part IVA.

**Senator WATSON**—What action has the tax office taken to overcome some court criticism of the ATO not following court precedent?

**Mr D'Ascenzo**—We have sought advice from the Solicitor-General. We have draft advice and we are hoping to get some final advice soon.

**Senator WATSON**—Haven't you made certain arrangements with tax agents, for example?

**Mr D'Ascenzo**—Is this a specific matter or are you speaking more generally?

**Senator WATSON**—It follows from some court criticism of the tax office in relation to not following accepted court precedent.

**Mr D'Ascenzo**—We have sought advice on that matter and we have accepted the court's decision and applied it to similar matters.

**Mrs BRONWYN BISHOP**—These are the matters raised by the Inspector-General.

**Mr D'Ascenzo**—In relation to?

**Mrs BRONWYN BISHOP**—Following court precedent—raised by Mr Voss in his report and in evidence to us.

**Mr Konza**—The Inspector-General commented on that case but it was not raised by the Inspector-General.

**Mrs BRONWYN BISHOP**—He gave evidence to us.

**Mr D’Ascenzo**—The short answer is that if you are talking about the issue in the recent Indooroopilly case then the court made some criticisms. I think we have covered that in our report to you. What we put there is what we believe to be the case. We have since gone to the Solicitor-General to see what more we can do. In fact, the explanation there is that what we did was in accordance with the advice of the Solicitor-General in the first place.

**Senator WATSON**—Why is it that the cancellation of GST BAS forms cannot be done electronically unless the tax agent has a tax portal access? You might like to take it on notice.

**Ms Granger**—Yes, thank you.

**Senator WATSON**—What are the protocols for the tax office sending information direct to the client in circumstances where the return refers to the tax agent—received notices?

**Mr D’Ascenzo**—This might be in our debt area. We have sent notices to both the tax agent and the tax agent’s client. Is that the case you are referring to?

**Senator WATSON**—My understanding is that they were sent to the client and not to the tax agent. I have no objection if they are sent to both.

**Mr Konza**—We consult with tax agents and have been consulting with them for five or six years about this topic. We have built a facility which allows them to specify the postal address for different types of notices if they choose to do so, and they do use it a lot. Some agents, for example, ask that all pay-as-you-go withholding material, which applies to a taxpayer’s employment obligations, go directly to the taxpayer, because they are not interested in being a part of that. However, it still comes up from time to time. It plays out in two ways. Firstly, sometimes agents complain to us that we send them a lot of material about new initiatives such as choice and super guarantee and things of that nature. We have sent it to the postal address and they do not necessarily want it; they have to send it on. Secondly, we also have to be careful because taxpayers sometimes complain that we send material to their agent and it is not forwarded on to them. Sometimes warnings that we send out are not forwarded. So we make judgements about some particular mail-outs. The general rule, though, is that accountants are able to control the direction of the great majority of our correspondence.

**Senator WATSON**—Has the relationship with the Inspector-General of Taxation improved since parliamentary meetings last year?

**Mr D’Ascenzo**—We are working out a new protocol with the Inspector-General. I do not know whether there are any issues or complaints he has of us.

**CHAIR**—I notice that on page 14 of your submission you talk about the protocol you are developing. Further to Senator Watson’s question, will this protocol operate in a similar way to that which is in place with the ANAO and the Tax Ombudsman? Will it be different in any way?

**Mr Quigley**—It certainly is based on similar terms, similar arrangements. It has been negotiated over some time with the Inspector-General. We have quarterly meetings with the Inspector-General, and we expect that the protocol will be mutually signed at the next quarterly meeting.

**CHAIR**—When will that take place.

**Mr Quigley**—I am not sure of the exact date; I am sorry.

**Senator WATSON**—I asked a question of Professor Krever just before this meeting took place. I said that when our tax laws were rewritten several years ago the basis explained to the committee at the time was that it was plain English and principle based drafting. The professor reminded us that both of these principles went out very early in the piece. What, therefore, has been the benefit of the rewriting of the tax laws? The whole purpose has since been annulled.

**Mr D'Ascenzo**—I think the discussion we had beforehand about writing it in a more purposive way was to reflect a more principle based approach to the drafting of the law, but that matter is now in the hands of our Treasury colleagues.

**Senator WATSON**—‘In the hands of our Treasury colleagues’?

**CHAIR**—I might just come back to you in a moment, if that is okay.

**Senator WATSON**—All right.

**Senator HUMPHRIES**—I see that you ran a pilot last year to outsource the debt collection function of the office and that you are now looking at letting a tender to build on that experience. When is that tender likely to be operative so that you have people outside Taxation actually collecting debts?

**Mr D'Ascenzo**—I am not sure exactly when—we are planning that way. When we are talking about the outsourcing, we referred only a small number of cases, which were cases under \$7,500, I think. The pilot is not intended to do more than address certain cases that are below a certain amount, and it is convenient for us to have a third party, rather than us, to work through those issues. It is only a very small part of our operation.

**Senator HUMPHRIES**—So you would not expect, when this tender is let, that there would be anything other than a small proportion of the total debts owing to Taxation?

**Mr D'Ascenzo**—Very much so, and really it is at the very low end in terms of the amount of debt. It is just another facility for someone else to help ring phones. At the same time, we have got fully engaged staff using dialler technology doing similar jobs for higher level debts.

**Ms Granger**—The actual pilot was for debts of less than \$7½ thousand, so it does complement the work that we are doing in relation to others. There were about 11,000 cases involved in the initial pilot. The request for tender is still being developed, so we do not have the date yet for you.

**Senator HUMPHRIES**—Some would say that the collection of tax is a core function for the tax office, and they would also say, no doubt, that the tax collection industry has a certain reputation. Do you have special measures in place to ensure that debts collected through this device will be collected in an ethical way and with a good value-for-money element?

**Mr D'Ascenzo**—That is the issue that arises when you try to outsource functions of this nature, so we have had a range of integrity checks, rules and procedures. What the debt collectors can do is just basically ask for and remind people of their obligations. They have no other powers and no other opportunity to compromise or otherwise the debt. So basically it is just an additional resource to help us contact taxpayers to make sure that they are aware of their liabilities and aware that the tax office is seeking to procure requirement of those amounts. We keep track of complaints. I think in this case there were very few complaints in our pilot.

**Senator HUMPHRIES**—So they cannot say, 'I'm from the tax office; hand over—'

**Mr D'Ascenzo**—No, they do not identify themselves as from the tax office. They have the whole set of protocols and procedures to address the very concerns you raised, because we share those concerns.

**Senator HUMPHRIES**—Okay. What is the dialler technology pilot?

**Ms Granger**—That is where we have new technology in our call centres that delivers to the operator with someone on the line. It screens out a lot of the calls where nobody is home or where you might have got the fax machine by mistake et cetera. It is just a very efficient way, if you like, of ensuring that our collection officers are quickly talking to the taxpayer affected. It has had some quite good results. In fact, all three of the initiatives—this is also combined with some more after-hours contact work that we have been doing as well—have had some quite good results in their pilots. But, in relation to the dialler pilot, there have been about 172,000 taxpayer contacts, with about 41,000 promises to pay by instalments out of that, worth about \$950 million. So it has been significant.

The aim of a lot of this is that we realise that the sooner we can contact in a relatively low-key way—these are never completely low key—rather than it escalating, the earlier we can make that contact, the better it is for people getting back on track, not leaving it. So we are looking at how we can most efficiently get that early contact, including on those debts under \$7½ thousand where we may not have the resources to stretch to it but we can complement ourselves with this. So all three of these are aimed at that.

**Mr D'Ascenzo**—The full potential of dialler technology will not come about until our change program, because you will have the dialler technology filtering out no answers, wrong numbers and so on, and you will have our person there with the taxpayer's position on the screen so that they are able to have a conversation with the taxpayer in a very efficient way.

**Senator HUMPHRIES**—You will still have the phenomenon, though, of people picking up the phone and there is a machine at the other end, and they have got to wait to be connected to a real person.

**CHAIR**—We are running out of time. We will start with you in the next session, if you would like. We will have a couple more questions before we take a brief adjournment.

**Ms GRIERSON**—On page 17 of your submission—something rather topical—you note that you will have a role in costing election commitments. Could you please give us an overview of the role you will have in the process of costing election commitments and how you will be able to assure impartiality and that the public can be confident of the impartiality of that advice?

**CHAIR**—They are a professional body.

**Mr D'Ascenzo**—It is done very much in conjunction with Treasury, so it is not as if we do it ourselves, but we do costings for measures, and we have a group in the ATO whose role and experience it is to do those costings. We do it, as any good public servant does, in accordance with the ethical standards.

**Ms GRIERSON**—So you pass that on to Treasury and then Treasury release that?

**Mr D'Ascenzo**—Through Treasury. That is right.

**Ms Granger**—This is in relation to administrative style costs and doability, where Treasury needs that kind of information. They are doing the overall costing process.

**Mrs BRONWYN BISHOP**—Commissioner, there is an issue out there in the public that is of great concern to them at the moment. It has been a topic on talkback radio and the concerns are very real. It relates to superannuation employer payments. I have had constituents come to me with the problem where they will get a PAYG slip that tells them that the superannuation payment—the nine per cent—has been made, but when they make the inquiry they find that it has not been paid at all. The point is being made that perhaps the tax office ought to have as much concern about that as they do when the withholding tax that an employer has to remit is not remitted and that there should be something in the system that protects employees against unscrupulous employers who are pretending that they are paying it and it is not being paid—

**Ms GRIERSON**—Or it is underpaid.

**Mrs BRONWYN BISHOP**—Or underpaid, as my colleague says. Their first point of call is usually to the tax office, and they are told, 'I am sorry; we cannot do anything about that.' The point I am making is that there ought to be some ability of the tax office to be involved in this issue, and I do take the point that others have made that it ought to be treated with the same degree of importance as the need to remit the withholding tax, which they are responsible for remitting as well.

**Mr D'Ascenzo**—I think it is the same issue that Ms Grierson talked about—the super guarantee. We certainly have a very big responsibility to help ensure high levels of compliance. We are lifting the level of compliance focus there, and the government has given us more money to do that. It is an area that we take as seriously as, if not more seriously than, other obligations.

**Mrs BRONWYN BISHOP**—I am raising it particularly because I have heard it said that the tax office says, 'We cannot help you.'

**Ms Granger**—That can be the case. One of the frustrations for us is that we often do not hear from employees until after they have left employment. So apart from the fact that we are, with this additional funding, covering 100 per cent of any complaints to us, we are also trying to market very strongly to employees to check their contribution statement every year and to talk to us quickly if they are having no success with their employer. We cannot check every employer in the community. We certainly are lifting our game in relation to the number of employers we can look at, but we also need that help in terms of people letting us know more quickly, before things have developed.

**Mr D'Ascenzo**—But the short answer, Mrs Bishop, is that we agree with you; it is an important area and we are focusing our attention there. It is one of the things that we want to do going forward.

**Mrs BRONWYN BISHOP**—In thinking about it, is there some way that, perhaps jointly, we—or you separately—can think of ways to strengthen the powers that you may need to intervene? Because it is really theft; it is just appalling. And it is when they leave, because they believe what they see on their documentation.

**Mr D'Ascenzo**—I agree.

**Mrs BRONWYN BISHOP**—If we could put our attention to that, I think we would help a lot of folk.

**Mr D'Ascenzo**—This is the sort of confirmation that I was looking for of the direction going forward and the input that I was looking for in this process. This is an important area, and we should ensure that we have the right level of focus.

**CHAIR**—This relates back to the article in the paper today that Mrs Bishop referred to regarding employee deductions: is there somewhere we can get a snapshot of the types and the quantum number of deductions that taxpayers are making?

**Mr D'Ascenzo**—Those are the statistics that we released. They are now online; it is a thick booklet that has all our information about all the statistics that we have. It is a very open and transparent tax system.

**CHAIR**—If, for example, because of the current policy debate on Work Choices that is taking place, I wanted to find out the number of taxpayers making deductions and also the dollar figure of those deductions for union fees, because that is my interest—and Ms Grierson might want information on some other form of deductions—is that available in those figures?

**Mr D'Ascenzo**—I am not sure that union fees are available. What is available is what is in the label on the return. Mark might have more information.

**Mr Konza**—In order to simplify compliance, we have only certain labels. Union fees go into work related expenses with a great many other expenses. We do tease out, for example, self-education expenses and travel expenses, which are very major expenses, but most other expenses are aggregated.

**Mr D'Ascenzo**—If you have a request that ties up with the sorts of items on the return, we can give you a lot better data than on the things that are not on the return.

**Mrs BRONWYN BISHOP**—I think it is a legitimate request in light of the current debate, and I wonder if you would not mind teasing out the amount that is paid by way of union dues as a tax deduction. You do car expenses at \$4.7 billion, clothing at \$1.1 billion and tax agent fees at \$1.2 billion—that is a big item that people are paying to give you the money—so I think it is fair to ask how much is paid in union fees. If you would not mind taking it on notice and getting back to us, that would be terrific.

**Ms GRIERSON**—And I would like a costing of any of Mrs Bishop's requests. I think it is also worth us knowing the cost to you.

**Mrs BRONWYN BISHOP**—Sharon wants it secret, but I want to know.

**CHAIR**—Mr D'Ascenzo, I share your sense of optimism with regard to the direction and how we are heading with these public biannual hearings. This is the first one and it has been a bit of a trial to see which way it is going to go; I think it has been a productive process. We could easily spend another hour teasing out different issues and going down various paths, but as a first meeting in this new venture I do thank you for a most productive time that we have had here today. I look forward to the second meeting, which will take place sometime in September or October, give or take other things impeding on our diary around that time. I think the next meeting is listed for September. We thank you and all your colleagues for being with us today.

**Mr D'Ascenzo**—I thank the committee for taking on quite a sizeable amount of information about our directions. One of the things that clearly came out was the interest in trying to ensure that employees are not disadvantaged in their superannuation; that was a very important one. I think the discussion about the structural features of the system, whether it be around self-assessment or the legislative processes, is a useful dialogue.

**Mrs BRONWYN BISHOP**—It has been a very useful process.

**CHAIR**—Yes, it has been a fantastic process. I remind you that there are certain things that have been asked for. If you can make them available at some stage, that would be great. Is it the wish of the committee that the report provided by the Commissioner of Taxation dated 17 April 2007 be accepted as a submission and authorised for publication, with the associated corporate planning documents to be accepted as exhibits? There being no objection, it is so ordered.

**Committee adjourned at 12.25 pm**