
The Parliament of the Commonwealth of Australia

2014 Annual Report of the Australian Taxation Office

First Report

House of Representatives
Standing Committee on Tax and Revenue

May 2015
Canberra

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Foreword

As the Committee enters into its second year scrutinising the Australian Taxation Office, I am pleased to note that the ATO's enthusiasm and drive to improve its services has continued. The ATO has made good progress towards achieving its goal of being 'relevant and valuable to the Australian community for the long term - trusted and respected here and internationally and considered a leading organisation by all stakeholders.'¹

I note the ATO's clearly articulated strategic direction and its commitment to link its corporate goals and priorities to meaningful performance indicators. A clear strategic direction together with robust performance measurement and reporting are key elements of an efficient and transparent tax administration. Our taxation system relies on the Australia people's trust that the system is fair, equitable and well administered.

My colleagues on the Committee and I commend the ATO on the steps that it has taken, and continues to take, to 'reinvent' the client experience. Particularly encouraging is the ATO incorporating modern technology into its systems in its efforts to improve both the accuracy of tax information and the taxpayer experience, as demonstrated by the development and introduction of initiatives such as: Single Touch Payroll, Standard Business Reporting, and no-touch tax returns.

I congratulate the ATO for its achievements towards 'no-touch' tax returns with its successful launch of *myTax*, which has been well received by taxpayers. The ATO's plans to expand the *myTax* to taxpayers with medium complexity in 2015 and to all individual taxpayers, including those with complex affairs, in 2016 will make it easier for taxpayers to engage with the Australian taxation system.

This Committee has maintained a focus on the Australian people's perceptions of fairness in tax disputes, as evidenced by the Committee's inquiry into tax disputes. I am encouraged by the ongoing research being undertaken by the ATO in this matter and pleased to note the ATO has announced new statistics of perceptions

¹ ATO, *ATO strategic intent*, p. 1.

of fairness in disputes. The current perception of fairness is only moderate, but the development of a robust survey regarding the perception of fairness in tax disputes will provide a strong foundation from which the ATO can refine and improve its processes to continue to work towards raising the perception of fairness in tax disputes.

Our taxation system relies on the Australian people's trust that the system is fair and equitable. Non-compliance, such as demonstrated by those operating within the cash economy, robs Australia of much needed revenue and disadvantages honest and hard-working Australians who are doing the right thing. More must be done to tackle non-compliance.

The cash economy, despite being small when compared with other nations, remains an endemic issue that is present in a large number of industries. The Committee is concerned with the unfair advantage that the cash economy grants non-compliant businesses and the impact that this has on the community's perceptions and confidence in a fair and equitable tax system. The Committee is further concerned that there is a community perception that the cash economy is growing.

As such, the Committee supports the ATO's pursuit of comprehensive tax gap estimations. The tax gap is the difference between the amount of tax legally payable (assuming full compliance by all taxpayers) and the amount of tax actually collected. Reliable tax gap estimation will assist the ATO in identifying and addressing problematic areas of the taxation system as well as enabling the ATO to provide better advice to government, parliament and the community.

The ATO's progress with tax gap measurement is promising. At the Committee's first biannual hearing with the ATO, in March 2014, the Committee was told that the ATO was consulting with international experts regarding the feasibility of Tax Gap estimations. At the second hearing, in October 2014, the ATO announced the implementation of a phased approach to Tax Gap assessment, guided by a definitive timetable. At this hearing, the ATO provided the Committee with refreshed estimates for the Goods and Services Tax gap and the Luxury Car Tax gap as well as outlining its plans for tax gap estimations in a variety of areas in 2015 and 2016. My colleagues on the Committee and I eagerly look forward to discussing the ATO's progress and results at the next hearing.

On behalf of the Committee, I would like to sincerely thank the Commissioner, his executive, the Inspector-General of Taxation, and industry stakeholders for engaging with the Committee and supporting this inquiry into the 2014 Annual Report of the Australian Taxation Office.

Bert van Manen MP
Chair



Membership of the Committee

Chair Mr Bert van Manen MP

Deputy Chair Dr Jim Chalmers MP

Members Mr John Alexander OAM MP

Mr Ian Goodenough MP

Ms Clare O'Neil MP

Mr Tim Watts MP

Ms Terri Butler MP

Mr Michael Sukkar MP

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Mr Matt Williams MP

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Terms of reference

Under Standing Order 215(c), the Committee is authorised to examine annual reports of agencies allocated to it by the Speaker. The Speaker's schedule of 10 December 2013 allocates the Australian Taxation Office, as well as other agencies, to the Committee.



List of abbreviations

ABS	Australian Bureau of Statistics
ANAO	Australian National Audit Office
ANZSIC	Australian and New Zealand Standard Industrial Classification
ATO	Australian Taxation Office
ATPAG	Australian Tax Practitioner Advisory Group
ATPF	Australian Tax Practitioner Forum
CEO	Chief Executive Officer
FBT	Fringe Benefits Tax
GDP	Gross Domestic Product
GST	Goods and Services Tax
JCPAA	Joint Committee of Public Accounts and Audit
KPI	Key Performance Indicator
LCT	Luxury Car Tax
MYEFO	Mid-Year Economic and Fiscal Outlook
OECD	Organisation for Economic Cooperation and Development
PAYG	Pay As You Go
SBR	Standard Business Reporting