

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Budget Estimates 2012

18 October 2012

**Question:**       **SBT 69-71**

**Topic:**           **Small Business Audits (ATO)**

**Hansard Page:**   **written**

**Senator RYAN asked:**

I refer to a report on page 4 of the business section of The Age on 22 October 2012 that states that the ATO is using advanced scrutiny previously reserved for global firms and the super-rich to ensure small businesses are paying their fair share of tax.

69. Can the ATO please estimate the increased cost (including time costs) that the raised focus of targeting SMEs is costing the tax office?
70. Can the ATO also provide the KPIs that have been formulated around this increased focused given it has moved 38 staff into its SME section?
71. Can the ATO advise whether the Government instructed the ATO to increase tax revenue intake and whether it was told to target SMEs?

**Answer:**

69. The Australian Taxation Office's (ATO) focus this year is outlined in the Compliance Program, which is available on the ATO website. This includes increasing visibility in the small to medium enterprises (SME) market through a program of compliance and support activities. SME businesses are those with an annual turnover of \$2 million to \$250 million. Many of these businesses are owned and controlled by wealthy Australians. No additional resources have been allocated to the ATO other than those which have been provided by specific Government funded programs. In addition, the use of the risk differentiation framework (RDF) together with sophisticated data mining techniques that access external and internal information ensure existing resources are invested in the areas of greatest compliance risk. The risk differentiation approach also ensures the costs of compliance for low risk taxpayers are reduced by minimising the possible intrusiveness of ATO compliance activities. Visibility also includes engaging with taxpayers, industry groups and tax practitioners.
70. In May 2012, the ATO transferred 38 staff from the Law and Practice business line to the Small and Medium Enterprises business line to enhance technical capability and facilitate earlier engagement with taxpayers and their representatives. This ensures the timeliness and accuracy of tax technical decision making.

The 38 staff members support key performance indicators relating to the delivery of compliance and advice activities and are directed to:

- improve efficiency through the earlier resolution of issues under audit
- improve the speed and accuracy of ATO advice and practical guidance
- lower the cost of compliance
- reduce non-compliant behaviour through deterring, detecting and dealing with taxpayers not willing to comply.

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Further detail relating to the key performance indicators of the ATO can be found in the Commissioner of Taxation Annual Report 2011-12, available at [www.ato.gov.au](http://www.ato.gov.au)

71. The Commissioner has statutory authority to make all decisions in relation to the administration of the taxation system. The ATO did not receive instruction from the Government to increase its income tax revenue intake and was not told to target SMEs.