Department/Agency: ATO
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Topic: Tax gap

Question:

Ms BANKS: You mentioned in your submission and you have mentioned today random inquiry programs, which are best practice internationally. What percentage of the 12 million population, or pro rata, do they generally cover in relation to audits, random inquiries? Currently it is 6,000 of 12 million. What is your rough estimate of that number?
Ms Lendon: This is where we get advice from, as I mentioned, the Tax Gap Expert Panel. They advise us on what number of audits we need to do of a random nature to get a figure that can be relied upon. I would have to take on notice exactly what that number is, but certainly we are following and learning from what other countries have done around that tax gap measure, to make sure that we do build and get a figure that is reliable and credible.

Answer:

Our current 2017 random enquiry program builds on the results of the previous 2016 program. Last year was a pilot year with expanded numbers selected this year. To date we have in progress or completed in excess of 3,000 cases. We have segmented the taxpayer population (for example, individuals not in business, small businesses) so that the results from small sample sizes are indicative of the broader population. The 3,000 random enquiries includes over 1,000 individuals as well as companies and covers the range of obligations administered by the ATO not just work related expenses.

The results of the random enquiry program are also complemented by our understanding gained from industry and community consultation, the results of our compliance activities and the analysis of third party data.

While the random enquiries constitute less than 1% of the 12 million individuals our ATO Gap Expert panel has supported the approach we have taken and expect that it will deliver reliable and credible results once completed.