
The Parliament of the Commonwealth of Australia

2013 Annual Report of the Australian Taxation Office

First Report

House of Representatives
Standing Committee on Tax and Revenue

March 2014
Canberra

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Foreword

I am delighted to be associated with this inaugural report of the Standing Committee on Tax and Revenue. The Committee has hit the ground running, conducting an inquiry and tabling this report into the 2013 Annual Report of the Australian Taxation Office during the Autumn Sittings.

Firstly, I wish to note the achievements of the Joint Committee of Public Accounts and Audit (JCPAA) in scrutinising tax administration. The JCPAA performed a scrutiny role on a recurrent basis between 2007 and 2013. It generally conducted a hearing or briefing with the Commissioner of Taxation and the ATO's scrutineers and stakeholders. The format developed by the JCPAA over that time has served as the template for this Committee's inaugural public hearing.

This inquiry has come at an opportune time for the Committee and for the ATO itself. The ATO has undergone significant change in senior management over the last two years, and new leadership has brought new aspirations for the ATO.

Commissioner Chris Jordan's goal of transforming the ATO into a contemporary service organisation that will handle most taxpayers' affairs seamlessly is admirable and should be pursued.

Fostering willing participation by simplifying taxpayer interaction serves two goals. It increases compliance (and, thus revenue collection), and also increases public support for the ATO.

I am optimistic about what can be achieved in simplifying taxpayer interaction through innovations such as pre-filling, and simplifying the online process for those with uncomplicated affairs. It is pleasing to see the ATO looking overseas to countries like Norway and Denmark for examples of best practice, and ways to improve the Australian system.

Streamlining tax administration and how taxpayers engage with the system should be seen as a priority.

Following on from previous work by the JCPAA, the Committee scrutinised the ATO on the tax gap. The ATO is researching international practice and consulting with the private sector with a view to developing a position later in the year. I look forward to the ATO providing further information to the Committee on this issue in the near future.

There was discussion at the hearing about the pros and cons of conducting random audits to develop a figure for the tax gap. The Committee considers random audits to potentially have a key role in developing a tax gap estimate, which can then be used as a key performance indicator by which the ATO can accurately monitor the tax gap and address it over time. Further, random audits are a means by which the ATO can assess the effectiveness of its risk assessment tools.

Budgetary pressures appear to be a challenge to the Commissioner's attempts to modernise the ATO. The Committee heard that staff reductions had already been planned due to a deteriorating budgetary position.

While budget reductions can deliver savings in the short term, this needs to be balanced against retaining the capacity necessary to achieve larger long-run benefits. Realising benefits in the future may require continued investment in the short term.

The ATO's determination to prioritise the revenue collection function in the face of staff reductions should be commended. It should remain the priority of the ATO to collect revenues due, within the absolute principle of fair treatment and respect to taxpayers.

Preserving revenue collection may force the ATO to reduce service standards, which is not ideal. Where possible, and with budget permitting, the ATO should continue to innovate and use information technology where possible to achieve efficiencies and improve existing service standards.

It was pleasing to see the ATO moving towards the position of the Inspector-General of Taxation by developing a process for an independent internal review of disputes at an early stage for large business and international taxpayers. Similarly, the ATO has also moved the role of deciding objections out of Compliance Group into the Legal Services and Design Group.

The ATO continues to receive positive feedback from its scrutineers. Further, the ATO has been proactive in responding to the Australian Public Service Commission's recent Capability Review, and has commenced implementing its recommendations. I am glad that the ATO readily undertook to keep the Committee up to date on its progress in responding to the review.

The Committee has requested that the ATO expressly address these issues, and other matters, in its submission for the next hearing in August. I look forward to working through these topics with the ATO in subsequent meetings.

Finally, I thank all witnesses, Committee members and the Secretariat for their assistance in the conduct of this public hearing and the preparation of this report.

John Alexander OAM, MP
Chair



Membership of the Committee

Chair Mr John Alexander OAM

Deputy Chair Dr Jim Chalmers

Members Ms Terri Butler (from 18/3/14)

Mr Ian Goodenough

Mr Stephen Jones (to 18/3/14)

Ms Clare O'Neil

Mr Michael Sukkar

Mr Angus Taylor

Mr Bert van Manen

Mr Tim Watts

Mr Matt Williams

Committee Secretariat

Secretary	Mr David Brunoro
Inquiry Secretary	Mr David Monk
Research Officers	Mr Shane Armstrong
Administrative Officers	Ms Tamara Palmer
	Mr Danny Miletic
	Ms Yvonne Lee
	Ms Antoinette Gardiner



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

ADR	Alternative dispute resolution
APSC	Australian Public Service Commission
ATO	Australian Taxation Office
AVO	Australian Valuation Office
FTE	Full time equivalent
GST	Goods and Services Tax
ICT	Information and communications technology
JCPAA	Joint Committee of Public Accounts and Audit
OECD	Organisation for Economic Co-operation and Development
SES	Senior Executive Service