

Inquiry into the 2013–14 Annual Report of the Australian Taxation Office

2.1 The following issues are considered in this chapter:

- Tax Agent Portal;
 - ⇒ Client Correspondence List tool;
 - ⇒ Standard Business Reporting;
- Single Touch Payroll;
- No-touch tax returns;
- Stakeholder consultation;
- Client service improvements;
- ATO correspondence program;
- Complaints to the Inspector-General of Taxation;
- Measuring the Tax Gap;
- Cash economy;
- Tax implications of the sharing economy;
- ATO recovery practices;
- Tax transparency reporting;
- Performance measurement and reporting; and
- Gender diversity in the ATO workforce.

2.2 At the conclusion of this chapter the Committee comments on these issues and flags areas of interest to be reviewed at its next biannual hearing with the ATO in early 2016.

Tax Agent Portal

- 2.3 The Tax Agent Portal introduced in 2002 is a secure website through which tax professionals and their staff can access a range of ATO systems and client records in order to communicate with the ATO on behalf of their clients.¹
- 2.4 In the future, the ATO plans to progressively migrate Portal services to a new and more robust online system called ATO Online, although no date has yet been set for this migration. Given the limited future of the Tax Agent Portal, the Inspector-General of Taxation has previously stated that significant enhancements to the Portal may not be practical however the ATO should focus maintaining the operability of the Portal until the migration to ATO Online.²
- 2.5 To maintain its operability, the ATO released an update to the Tax Agent Portal in March 2015 and a follow up release in May 2015.³ The ATO claimed the new update ‘provides improved stability, performance and maintainability to the portal.’⁴
- 2.6 However tax practitioner representative bodies advised the Committee that a range of technical issues, particularly difficulties gaining access to the Portal, are negatively affecting their members’ businesses. The Tax Institute advised that these issues have been particularly affecting tax practitioners in recent months as they now rely on the Tax Agent Portal to receive client correspondence from the ATO (discussed below).⁵
- 2.7 The Tax Institute told the Committee ‘in recent months we have continued to see a steady flow of complaints from our members regarding technical difficulties plaguing the Portal.’⁶ Typical complaints from its members are that the technology ‘does not function properly, or is difficult to administer/streamline, or does not work/not available/drops out/ is not seamless.’⁷ Similarly, Tax Services Australia described the Portal as

1 Australian Taxation Office (ATO), *Submission 2.2*, p. 9.

2 Inspector-General of Taxation, ‘Chapter 4: ATO’s tax practitioner services’, *The Australian Taxation Office’s services and support for tax practitioners*, 20 July 2015, <http://igt.gov.au/publications/reports-of-reviews/atos-services-and-support-for-tax-practitioners-2/chapter-4-atos-tax-practitioner-services/#P1252_143011>, accessed 21 October 2015.

3 ATO, *Submission 2.2*, p. 9.

4 ATO, *Submission 2.2*, p. 10.

5 The Tax Institute, *Submission 3.2*, p. 2.

6 The Tax Institute, *Submission 3.2*, p. 2.

7 The Tax Institute, *Submission 3.2*, pp. 2–3.

‘variously and regularly unavailable, slow, and extremely costly for tax professionals to interact with’.⁸

2.8 The Institute of Public Accountants told the Committee ‘practitioners and agents have become increasingly frustrated due to its instability, slowness and unreliability.’⁹ As a result of these issues gaining access to the Portal, tax practitioners have suffered ‘productivity loss, missed deadlines, irrecoverable costs as well as damage to their reputations and relationships with their clients.’¹⁰

2.9 The Institute of Public Accountants acknowledged that, through the planned migration of Portal services to the new ATO Online System, the ATO is responding to broader concerns around the Tax Agent Portal:

The ATO has now acknowledged that the current state of the portal is far from best practice and is actively working on a long term solution by migrating to a new, more functional solution.¹¹

2.10 However Inspector-General of Taxation, Mr Ali Noroozi, told the Committee this long-term migration to the new online system is likely to continue to cause dissatisfaction amongst practitioners as over the last two years the ATO has focused its energy on enabling the planned migration rather than building capability within the old Portal:

So we have highlighted in there that in the short term there are likely to be angst and dissatisfaction because during these two years, most of the work the Tax Office was doing to the existing system was maintenance work, not developing the new features or key improvements that the tax practitioners were seeking.¹²

2.11 General Manager Technical Policy, Institute of Public Accountants, Mr Tony Greco, told the Committee the issues with the Portal need addressing as tax practitioners will have to work with it for another two years until ATO Online becomes operational:

It is not optimal and it is not best practice. Unfortunately, we have to live with this system probably for another two years but we are dealing with a substandard system. As the ATO increases its digital interactions with taxpayers, it places more load on the portal.¹³

8 Tax Services Australia, *Submission 6*, p. 1.

9 Institute of Public Accountants, *Submission 5*, p. 2.

10 Institute of Public Accountants, *Submission 5*, p. 4.

11 Institute of Public Accountants, *Submission 5*, p. 2.

12 *Committee Hansard*, Canberra, 16 September 2015, p. 6.

13 *Committee Hansard*, Canberra, 16 September 2015, p. 4.

- 2.12 The ATO acknowledged that tax practitioners are experiencing difficulties gaining access to the Portal and assured the Committee it is being transparent about these issues by reporting them on the ATO's website. Commissioner of Taxation, Mr Chris Jordan, said:

We are very conscious of the issues and problems that are being experienced with this old architecture that we have. We are doing our best to maintain its operability, and we have made a decision to be totally transparent on this, and to publish on our website and, on the entry page to the Portal when people check in, what its availability time has been and what the response time is and has been over the last week, day, month and quarter.¹⁴

- 2.13 The ATO assured the Committee that addressing technical issues with the Portal is a priority:

As with any production system there will be some issues with the portal from time to time. Fixing these issues promptly remains our priority and we have staff dedicated to resolving these. We have been working closely with a number of key tax professionals for earlier issues identification and testing solutions to these. We will continue to work in partnership with agents to develop longer term solutions that improve their experience, ensure that any solution we implement is workable and enhance their ability to conduct transactions on behalf of their clients.¹⁵

Client Correspondence List tool

- 2.14 myGov is a secure online portal which links clients with a range of Australian Government services, including those provided by the ATO.¹⁶ Prior to the implementation of myGov, where a client was represented by a tax practitioner, the ATO sent correspondence directly to the tax practitioner who could then discuss it with the client.¹⁷ As a result of the implementation of myGov, clients now receive correspondence directly into their online myGov inbox rather than through their tax practitioner.
- 2.15 As tax practitioners are not receiving client correspondence directly from the ATO, they now need to access the Tax Agent Portal in order to view correspondence through the Portal's Client Correspondence List tool. The

14 *Committee Hansard*, Canberra, 16 September 2015, p. 2.

15 ATO, *Submission 2.2*, p. 9.

16 Australian Government, 'About myGov', <<https://my.gov.au/mygov/content/html/about.html>>, accessed 12 October 2015.

17 The Tax Institute, *Submission 3.2*, pp. 3–4.

Tax Institute advised the Committee this has led to tax practitioners becoming even more reliant on the Portal to correspond with the ATO.¹⁸

- 2.16 Tax practitioners have reported problems with the accuracy and completeness of client correspondence viewable in the Client Correspondence List. The Tax Institute told the Committee:
- ... the Client Correspondence List on the Portal has not been operating well technically, with agents not being able to access the list, or only being able to access an incomplete list.¹⁹
- 2.17 Similarly, Tax Services Australia stated:
- The ATO says these documents are ‘available’ via client correspondence on the unreliable Tax Agent Portal, but we have found this to be highly unreliable. For example, the search results for a previous day/week (etc) vary from time to time, depending upon when you conduct the search (more/less search results appears).²⁰
- 2.18 Inspector-General of Taxation, Mr Noroozi, informed the Committee that ‘the reduced tax practitioner visibility of ATO correspondence with clients where they have myGov accounts’ is an emerging area of complaints and concerns for this office.²¹
- 2.19 Despite these complaints, Commissioner of Taxation, Mr Jordan, assured the Committee that the ATO has now resolved the specific issues with viewing a complete list of correspondence:
- There have been some teething problems, I shall describe it, in terms of the agents’ ability to search and see all of that correspondence that has gone to their clients. I now understand that that is all rectified, that agents can look at their total client list; they can look at an individual client’s correspondence.²²
- 2.20 Tax practitioner representative bodies also raised concerns about the practical difficulties tax practitioners are now facing as the Tax Agent Portal does not notify practitioners when a new piece of client correspondence has been received into their Client Correspondence List.

18 The Tax Institute, *Submission 3.2*, p. 2.

19 The Tax Institute, *Submission 3.2*, p. 5.

20 Tax Services Australia, *Submission 6*, p. 1

21 *Committee Hansard*, Canberra, 16 September 2015, p. 15.

22 *Committee Hansard*, Canberra, 16 September 2015, p. 2.

- 2.21 The Tax Institute said that tax practitioners now need to ‘continuously access Client Correspondence List on the Portal to check whether their clients have received correspondence to their myGov inbox.’²³
- 2.22 This was supported by Mr Greco of the Institute of Public Accountants, who told the Committee that, as there is no prompt for the tax practitioner, searching the Client Correspondence Portal:
- ... almost has to happen on a daily basis, because some of these letters require a seven-day turnaround. It puts a lot of pressure on their work practices instead of making it more efficient.²⁴
- 2.23 Mr Jordan admitted that the ATO had not adequately considered the impact the implementation of myGov would have on tax practitioners:
- ... it probably was not our best example of co-design – trying to do something for the benefit of the citizen, the individual taxpayer, and probably not taking into account sufficiently the impact on the business model of the agent.²⁵
- 2.24 Mr Jordan explained that unnecessary pressure has been put on the system by very large tax agents attempting to access client correspondence through the Portal and that the ATO needs to provide further education on proper use of the Client Correspondence List to address this:
- We have to do a little bit more education on how to use that, on agents, because we are finding some very large agents that have something like 350,000 clients are getting in, in the morning, and pressing the refresh button for all 350,000 clients going back over the last 60 days, when really they should only be looking at the last day, if they do it every day.
- There has been some incredible, probably unnecessary, pressure put on the system that has overloaded it. There is a little bit of education needed on our part, particularly to some of these. We are going to do this face-to-face.²⁶
- 2.25 President of The Tax Institute, Mr Stephen Healey, suggested a potential short-term solution to the issue would be the introduction of a ‘push notification’ to advise tax practitioners when a client has received correspondence into their myGov inbox.²⁷

23 The Tax Institute, *Submission 3.2*, p. 4.

24 *Committee Hansard*, Canberra, 16 September 2015, p. 4.

25 *Committee Hansard*, Canberra, 16 September 2015, p. 3.

26 *Committee Hansard*, Canberra, 16 September 2015, p. 2.

27 *Committee Hansard*, Canberra, 16 September 2015, p. 5.

- 2.26 In response to this suggestion, Mr Jordan assured the Committee the ATO is seeking to rectify issues with the Client Correspondence List as a priority and would consider the possibility of a push notification:

I am certainly willing as Commissioner to commit some of Neil's and Robert's resources to do everything we can to fix this ... We have to acknowledge that this was not done in the best way. We think we have nearly fixed it. I agree with the push notification, individually. It does not always have to be a copy of the correspondence but a flag that this client has been sent something as correspondence. I am very happy to prioritise that in response to your first comment.²⁸

Standard Business Reporting

- 2.27 Standard Business Reporting (SBR) was introduced in 2010 to simplify business reporting obligations. SBR extracts information that has been recorded in SBR-enabled business/accounting software, prefills this into a report and allows businesses to directly lodge reports with the ATO.²⁹

- 2.28 From 1 July 2015, the ATO has been able to receive Company Tax Return, Partnership Return, Self-Managed Super Fund Annual Return, Activity Statements and Fringe Benefits Tax Return lodgements through SBR. The ATO expects to be able to receive Individual Income Tax Return lodgements through SBR by the end of September 2015.³⁰

- 2.29 The ATO informed the Committee the number of lodgements submitted through SBR is dependent on software developers having incorporated, tested and released the relevant code in their commercial software packages. Second Commissioner Compliance, Mr Neil Olesen, told the Committee:

We make the interface available but the lodgement is through tax agent practice software, what tax agents called their ELS software. It requires software developers ... to build that into their practice management software.³¹

- 2.30 The ATO noted that it is working to support software developers to achieve this, but not all will do so:

We are continuing to work closely with software developers to support them in developing SBR-enabled software. While most

28 *Committee Hansard*, Canberra, 16 September 2015, p. 16.

29 ATO, 'What is SBR?', <<http://www.sbr.gov.au/about-sbr/what-is-sbr>> accessed 7 October 2015.

30 ATO, *Submission 2.2*, p. 6.

31 *Committee Hansard*, Canberra, 16 September 2015, p. 7.

software developers are developing SBR-enabled products, the significant investment required means that some may choose not to invest in updating their software packages.³²

- 2.31 The Tax Institute informed the Committee that many of its members remained concerned and 'confused' about the impact of SBR on tax practitioners. As The Tax Institute's consultations with the ATO on upcoming technological changes are confidential, this has affected the Institute's ability to discuss changes with its members and minimise their anxiety. The Tax Institute said there is a need for 'clear and transparent communication with tax practitioners about these changes.'³³
- 2.32 Inspector-General of Taxation, Mr Noroozi, told the Committee it is important the ATO continues to work with tax practitioners and software developers because the SBR system is dependent on the adoption of SBR-related software:

The Tax Office needs the tax practitioners on side to make sure that they themselves adopt it and encourage their clients to also acquire SBR software.³⁴

Single Touch Payroll

- 2.33 Under Single Touch Payroll, employers' accounting software will automatically report payroll information to the ATO when employees are paid, eliminating the need for employers to report employee-related Pay As You Go (PAYG) Withholding in their activity statements throughout the year and employee payment summaries at the end of the year.³⁵
- 2.34 The ATO advised that, following feedback received during consultations, the Government has acknowledged that the intended start date of 1 July 2016 would not be achievable for many businesses and has been delayed.
- 2.35 The Tax Institute commented favourably on the ATO's consultation with stakeholders in making the decision to push back the start date:

The proposal to further test the initiative with a pilot program is welcome news, and shows that the feedback of smaller businesses has been taken on board and their need for further support and

32 ATO, *Submission 2.2*, p. 7.

33 The Tax Institute, *Submission 3.2*, p. 3.

34 *Committee Hansard*, Canberra, 16 September 2015, p. 6.

35 ATO, *Submission 2.2*, p. 4.

assistance to prepare for Single Touch Payroll is being recognised.³⁶

- 2.36 The Tax Institute also welcomed the announcement that Single Touch Payroll will only be mandatory in relation to reporting and not in relation to payment obligations. The Tax Institute said this 'addressed one of the main concerns raised by our members in relation to the initiative.'³⁷
- 2.37 The ATO informed the Committee it is continuing consultations on the scope and timing for Single Touch Payroll and a possible pilot program in 2016, subject to the final Government decision to proceed with the initiative.³⁸

No-touch tax returns

- 2.38 *myTax* is the ATO's streamlined online tax return product within myGov for people with straightforward to medium complexity tax affairs. *myTax* automatically pre-fills most of the income details required into the online tax return form, including relevant salary, interest, dividends, managed investment funds and superannuation payments.³⁹
- 2.39 For Tax Time 2015, the ATO expanded *myTax* to taxpayers with medium complexity affairs, including those with more complex investment income, superannuation and foreign pensions. Functionality was also added to allow taxpayers to view and amend their 2015 tax returns and lodge claims for a refund of franking credits online.⁴⁰
- 2.40 The ATO advised the Committee that, as of 14 August 2015, around 940,000 people had lodged their 2014–15 tax return using *myTax*. By 2016, the ATO anticipates that *myTax* will be available for all individual taxpayers, including those with business income, and the ATO will retire the e-tax product.⁴¹
- 2.41 The ATO noted its July 2015 launch of *myDeductions*, an online tool to help Australians keep track of their tax deductions. Commissioner for Taxation, Mr Jordan, told the Committee this tool allows people to take a photo of

36 The Tax Institute, *Submission 3.2*, p. 2.

37 The Tax Institute, *Submission 3.2*, p. 2.

38 ATO, *Submission 2.2*, p. 5.

39 *Committee Hansard*, Canberra, 16 September 2015, pp. 1–2.

40 ATO, *Submission 2.2*, p. 18.

41 ATO, *Submission 2.2*, p. 18.

receipts for audit purposes and to upload expenses directly in their tax return.⁴²

- 2.42 Mr Jordan also advised that, in late September 2015, the ATO intends to release a voice authentication system for their contact centre. This will enable taxpayers to use their voice on their smart device to more quickly and easily log into their account and conduct transactions through the contact centre.⁴³

Stakeholder consultation

- 2.43 From July 2013, the ATO implemented new consultation arrangements following a review undertaken in the first half of 2013. These consultation arrangements were designed to ensure that:

- the ATO consults with the right people, at the right time about the right issues and in a timely way
- consultation provides enduring benefits and adds value to Australia's taxation and superannuation systems.⁴⁴

- 2.44 An independent post-implementation review of the consultation arrangements was conducted from the end of March 2015 through to May 2015 by Russell Miller AM from the Centre for Strategy and Governance. The review consisted of interviews with 36 external and ATO participants and a short online survey sent to 188 consultation participants.⁴⁵

- 2.45 The ATO advised that the review concluded the new consultation arrangements are far more effective than those in 2013. The key findings from the review were:

- The current consultation system is fit for purpose with no significant change required. The focus should be on refining the ATO's consultation processes to improve the efficiency of the system and the outcomes it produces.
- The current governance framework is appropriate. It is a coherent structure with flexibility to engage stakeholders in the full range of appropriate consultative approaches.⁴⁶

42 *Committee Hansard*, Canberra, 16 September 2015, p. 2.

43 *Committee Hansard*, Canberra, 16 September 2015, p. 2.

44 *ATO, Submission 2.2*, p. 13.

45 *ATO, Submission 2.2*, p. 13.

46 *ATO, Submission 2.2*, p. 13.

Client service improvements

- 2.46 The Committee was interested in the level of client service provided by the ATO to resolve client enquiries and complaints. In response, the ATO outlined several client service improvements which it has implemented with the aim of providing a better client experience to taxpayers.
- 2.47 Commissioner of Taxation, Mr Jordan, described a new after-hours ‘click to chat’ facility on the ATO website. Through this tool, clients having difficulty navigating the website can seek assistance from an ATO staff member online to find what they are looking for.⁴⁷
- 2.48 The ATO informed the Committee that all call centre staff are trained at different defined skills levels and skill groups. Deputy Commissioner ATO People, Ms Jacqui Curtis, noted the ATO has introduced a workflow distribution system which allows the ATO to send work to staff who are appropriately trained and have the capability to address the particular issue.⁴⁸
- 2.49 Deputy Commissioner Service Delivery, Mr Robert Ravello, described the ATO’s quality assurance processes for call centre transactions:
- Every staff member has quality assurance done on their calls each month. Their calls are listened to with a coach. The coach can not only listen to the call but also see what the operator is doing on the screen ... Feedback is given to staff members about how they applied the scripts and whether they followed the procedures and standards ... The other thing is that all calls are recorded. So if there is ever an issue or a dispute about advice provided, we are able to use that recording to get to the bottom of what the advice was and whether it was accurate.⁴⁹

ATO correspondence program

- 2.50 The ATO updated the Committee on the progress of the ATO’s review of its correspondence inventory in order to simplify correspondence and reduce duplication. This rationalisation work commenced in June 2015 and is expected to continue well into 2016.⁵⁰
- 2.51 Deputy Commissioner ATO People, Ms Curtis, told the Committee:

47 *Committee Hansard*, Canberra, 16 September 2015, p. 14.

48 *Committee Hansard*, Canberra, 16 September 2015, p. 14.

49 *Committee Hansard*, Canberra, 16 September 2015, p. 14.

50 ATO, *Submission 2.2*, p. 15.

We have been looking at, in particular, any duplication in correspondence or overlaps. We are streamlining the correspondence and rewriting it so that it is more user-friendly and in plain English.⁵¹

- 2.52 The ATO also advised it intends migrate all rationalised correspondence to a single digital platform, which will make it easier to manage and update as required. This new digital platform would also enable correspondence to be issued by multiple channels, including through myGov, SMS and email.⁵²

Complaints to the Inspector-General of Taxation

- 2.53 On 1 May 2015, the tax complaints function of the Commonwealth Ombudsman was transferred to the Office of the Inspector-General of Taxation (IGT). The scope of the IGT's scrutineering function was also expanded to include the Tax Practitioners Board from 1 May 2015.
- 2.54 Inspector-General of Taxation, Mr Noorozi, updated the Committee on the progress of the transition of complaints to the IGT:
- In the first four months of operation, the IGT has received 747 complaints, of which 633 have been finalised, with the remainder in progress. We are also continuing to fine-tune our processes and interaction with the ATO and Tax Practitioners Board as well as taxpayers and tax practitioners to improve their experience. Whilst it is early days, the initial progress is pleasing, and we have also received substantial positive feedback.⁵³
- 2.55 Deputy Inspector-General of Taxation, Mr Andrew McLoughlin, said that the IGT had been working closely with the ATO to minimise the impact of the transfer of functions on the timely resolution of client complaints:

I think we can also say that through the setup and implementation of the complaints-handling function, we did work very closely with the Tax Office to try to improve the outcome for taxpayers or anyone else who may wish to make a complaint about the tax system. That has helped us to reduce significantly cycle times, which clients would otherwise have experienced. That has been helpful because of the system interface and the way we have

51 *Committee Hansard*, Canberra, 16 September 2015, p. 3.

52 *ATO, Submission 2.2*, p. 16.

53 *Committee Hansard*, Canberra, 16 September 2015, pp. 12-13.

worked to redesign our internal work processes and our system processes.⁵⁴

- 2.56 Deputy Commissioner ATO People, Ms Curtis, confirmed that the level of consultation with the IGT during the transfer of functions has been beneficial for the ATO as well:

We have put in place a number of measures in order to look at what the complaints are and how we have handled them; we learn from them and we share those learnings with the Inspector-General's office. We think the transition has been pretty smooth, and we are still able to handle 90 per cent of our complaints within 15 days.⁵⁵

- 2.57 Mr Noroozi outlined the main areas of complaints received by the IGT since May. They relate to:

- the ATO's debt collection activities (over 30 per cent of complaints);
- lodgement and processing issues including myGov (approximately 22 per cent of complaints)
- audit and review activities (over 13 per cent of complaints)
- superannuation issues (approximately six per cent of complaints).⁵⁶

- 2.58 Mr Noorozi told the Committee another emerging area of complaints is the impact of the ATO's digital platforms on tax practitioners:

Another emerging area of concern relates to the impact that the ATO's digital interaction is having upon the ATO tax practitioner relationship. This includes reduced tax practitioner visibility of the ATO correspondence with their clients where they have myGov accounts.⁵⁷

Measuring the Tax Gap

- 2.59 The ATO defines the 'Tax Gap' as the difference between the actual tax liability reported to the ATO and the tax liability that should be reported if all businesses and individuals fully complied with their tax-reporting

54 *Committee Hansard*, Canberra, 16 September 2015, p. 13.

55 *Committee Hansard*, Canberra, 16 September 2015, p. 13.

56 *Committee Hansard*, Canberra, 16 September 2015, p. 14.

57 *Committee Hansard*, Canberra, 16 September 2015, p. 13.

obligations. Essentially, the tax gap is an estimate of the level of theoretical tax losses through non-reporting of tax.⁵⁸

- 2.60 For 2012-13, the Goods and Services Tax (GST) gap was estimated to be 6 per cent, equating to a revenue gap of \$3.1 billion, and the Luxury Car Tax (LCT) gap was estimated to be 4.8 per cent, equating to a revenue gap of \$21.4 million.⁵⁹
- 2.61 The ATO informed the Committee that it has now refreshed the estimates for the GST and LCT and has developed draft estimates and methodologies for:
- large company income tax
 - tobacco excise and excise equivalent goods
 - petroleum and diesel excise and equivalent goods
 - beer excise and excise equivalent goods
 - pay as you go withholding
 - wine equalisation tax payable.⁶⁰
- 2.62 The ATO advised the Committee that it expected to give final consideration to these estimates in September 2015 and to publish the results in the ATO's 2014–15 annual report. Furthermore, in 2016 the ATO intends to produce tax gap estimates of:
- individuals income tax
 - small and medium business income tax
 - superannuation income tax
 - fringe benefits tax
 - superannuation guarantee
 - petroleum resource rent tax
 - fuel tax credits
 - wine equalisation tax rebate.⁶¹
- 2.63 In October after the hearing, the *ATO Annual Report 2014-15* was published. It included estimates from 2008-09 to 2013-14 for most of the six items listed above. The differences were that it did not provide estimates for large company income tax or tobacco excise. It did, however, give estimates for fuel tax credits. In percentage terms, the largest tax gap is for the GST at 4.9 per cent.⁶²

58 ATO, 'Tax gap overview', < [https://www.ato.gov.au/Business/Bus/Measuring-tax-gaps-in-Australia-for-the-goods-and-services-tax-\(GST\)-and-the-luxury-car-tax-\(LCT\)/?anchor=Tax_gap_overview](https://www.ato.gov.au/Business/Bus/Measuring-tax-gaps-in-Australia-for-the-goods-and-services-tax-(GST)-and-the-luxury-car-tax-(LCT)/?anchor=Tax_gap_overview)>, accessed 9 October 2015.

59 Commissioner of Taxation, *Annual Report 2013–14*, p. iv.

60 ATO, *Submission 2.2*, p. 24.

61 ATO, *Submission 2.2*, p. 24.

62 ATO, *Annual Report 2014-15*, p. 42.

High wealth individuals tax gap estimate

- 2.64 The ATO informed the Committee it has delayed the publication of the high wealth individuals tax gap estimate from 2015 until 2016 as the model developed to create the estimate requires further refinement.⁶³ Second Commissioner Compliance, Mr Olesen, advised the Committee:

As we have worked through the processes we have designed, and looked at the data we have, we have found that we have gaps that we need to do some further work on before we can get to a methodology that we think is a credible and reliable result that would be meaningful to publish. We are not giving up. We are just signalling that that time frame was too ambitious for that particular part of the tax gap estimate at this stage.⁶⁴

Fringe benefits tax gap estimate

- 2.65 In August 2014, the ATO advised the Committee that the fringe benefits tax (FBT) gap estimate was scheduled to be developed in 2015.⁶⁵
- 2.66 However, the ATO has now advised the Committee that the FBT gap estimate will be produced in 2016.⁶⁶ The ATO did not advise the Committee of its reasons for delaying the production of this estimate.

Cash economy

- 2.67 The ATO defines the ‘cash economy’ (also commonly known as the ‘shadow economy’ or ‘hidden economy’) as businesses that deliberately hide income in order to avoid paying the right amount of tax or superannuation. Businesses mainly do this by not recording or reporting all of their cash or electronic transactions.⁶⁷
- 2.68 In response to a query from the Committee about whether the ATO has an overarching strategy for addressing the cash economy, the ATO advised the Committee it has an overarching strategy in place to protect honest businesses in industries where cash economy behaviours have been

63 ATO, *Submission 2.2*, p. 24.

64 *Committee Hansard*, Canberra, 16 September 2015, p. 9.

65 ATO, *Inquiry into the 2013 Annual Report of the Australian Tax Office*, *Submission 4.3*, p. 20.

66 ATO, *Submission 2.2*, p. 24.

67 ATO, ‘About the cash and hidden economy’, < <https://www.ato.gov.au/General/How-we-check-compliance/In-detail/Cash-economy/Overview/About-the-cash-economy/>>, accessed 9 October 2015.

identified.⁶⁸ The strategy is designed to address and respond to the drivers for cash economy behaviours.

2.69 Second Commissioner Compliance, Mr Olesen, noted that the main drivers for cash economy behaviours are very broad and include the following:

Some of those drivers are around societal norms about taxpaying behaviours. A lot of people find justifications for their reasons to not pay tax. They see people around them doing it. Their family and friends say it is okay not to pay your tax. They think it is a victimless crime ...

There are other drivers at a more local level for businesses: the customers might demand to take a share of poor taxpaying behaviour or they might have some personal thoughts about how fair the system is and whether their taxes are being spent properly. Lastly, there is a key driver around the prospect of being caught ...⁶⁹

2.70 The ATO advised that it is implementing a range of strategies designed to target each of these drivers, including:

- promotion of small business benchmarks as a business performance tool, which Mr Olesen said ‘gives people a bit of a sense they in fact might get caught’;⁷⁰
- social media campaigns to promote fairness;⁷¹
- review and audit program, which included 280,000 cash economy related activities in 2014–15⁷² with further activities planned in Victoria and Queensland during the remainder of the 2015–16 financial year;⁷³ and
- collecting third party data, for example from merchant terminals, online payment systems (eg PayPal) and online auction houses (eg eBay) in order to identify businesses that are not reporting all of their income.⁷⁴

2.71 Deputy Inspector-General of Taxation, Mr McLoughlin, was supportive of the ATO’s overarching cash economy strategy:

68 ATO, *Submission 2.2*, p. 25.

69 *Committee Hansard*, Canberra, 16 September 2015, p. 9.

70 *Committee Hansard*, Canberra, 16 September 2015, p. 9.

71 ATO, *Submission 2.2*, p. 25.

72 ATO, *Submission 2.2*, p. 26.

73 *Committee Hansard*, Canberra, 16 September 2015, p. 9.

74 ATO, *Submission 2.2*, p. 26.

... we certainly do support the nature of the overall program as we have seen it, because it is quite a diverse program. It picks up things like serious noncompliance. There are all sorts of elements of a cash economy that are possibly not so easy to visualise when you are sitting outside the system. There is quite a complex arrangement.⁷⁵

2.72 However, Mr Olesen advised the Committee that the cash economy has remained constant over the past decade, and that the ATO's focus is on preventing the cash economy from growing rather than eliminating it entirely:

... I do not think we should ever expect that we could ever completely defeat the cash economy. There are some very big drivers that sit behind those behaviours on the macro measures for the cash economy. On the ones that are available, it would seem that the cash economy has held pretty constant over the last decade. It is certainly our ambition to keep it at that and continue to shrink it if we can.⁷⁶

Tax implications of the sharing economy

2.73 Accordingly to the ATO, the 'sharing economy' (also referred to as 'collaborative consumption', 'peer-to-peer' or similar terms) is a new way of connecting buyers and sellers for economic activity. Sharing economy arrangements are generally booked through a facilitator using a website or app. Common examples include renting out or letting a room for accommodation (eg Airbnb) and using a car to transport members of the public for a fee (eg UberX).⁷⁷

2.74 The ATO informed the Committee that, in May 2015, the ATO came to a view on the GST and income tax implications of sharing economy services. To assist taxpayers to comply with their tax obligations and understand their entitlements, the ATO published general guidance on the sharing economy and specific material on taxi travel services through ride-sourcing.⁷⁸ These matters, including whether Uber is a taxi service, are yet to be resolved.

⁷⁵ *Committee Hansard*, Canberra, 16 September 2015, p. 11.

⁷⁶ *Committee Hansard*, Canberra, 16 September 2015, p. 10.

⁷⁷ ATO, *Submission 2.2*, p. 27.

⁷⁸ ATO, *Submission 2.2*, p. 27.

- 2.75 In relation to ride-sourcing services, the ATO provided a period of grace until 1 August 2015 before compliance would be enforced. This period of grace was designed to give taxpayers an opportunity to arrange their tax affairs and register for GST.⁷⁹
- 2.76 The ATO informed the Committee that Uber B.V., a ride-sourcing facilitator based in the Netherlands, has challenged the ATO's view of the tax implications of ride-sourcing services in the Federal Court of Australia. Despite this, the ATO 'remains committed to continued consultation with the industry, including drivers and ride-sourcing facilitators, to ensure compliance with the law.'⁸⁰
- 2.77 Second Commissioner Compliance, Mr Olesen, said that, at this stage, the ATO is focusing on education rather than enforcing compliance against ride-sourcing drivers. However, he confirmed the ATO has the power to obtain driver details in order to enforce compliance with tax obligations if necessary:
- We do not yet need to use any formal powers particularly at the moment but we are looking at ways in which we can get hold of data that allows us to identify drivers and then get in contact with those drivers to help explain to them what we think their obligations are, help them with the registration process and go forward constructively ...
- We will have the means to identify drivers that have not done it voluntarily. If we need to, we can use formal powers to do that and pursue that. But that is not our focus at the moment.⁸¹

ATO recovery practices

- 2.78 The Committee asked the ATO to comment on recent media reports claiming there had been a significant increase in the number of applications by the ATO to wind up businesses in order to recover outstanding tax liabilities.
- 2.79 In response, Commissioner of Taxation, Mr Jordan, told the Committee that a third party reviews 20 percent of cases where the ATO has pursued a bankruptcy or winding-up order. Mr Jordan said that common feedback received from these reviews is that the ATO has acted 'a bit too late, rather

79 ATO, *Submission 2.2*, p. 27.

80 ATO, *Submission 2.2*, p. 28.

81 *Committee Hansard*, Canberra, 16 September 2015, p. 8.

than too early' which has allowed some businesses who are not paying tax to have an unfair advantage over others in the community.⁸²

- 2.80 Second Commissioner Compliance, Mr Olesen, rejected the claim the ATO was driving a large percentage of bankruptcy and winding-up applications. Mr Olesen told the Committee that, while the ATO is a party to a large percentage of applications as a creditor, only a minority of these applications are initiated by the ATO:

We initiated 1.8 per cent of bankruptcies in 2014–15 ... We were a creditor in 26.6 per cent of those cases – so about a quarter. In 2014–15 we initiated 13.7 per cent of wind-ups and were a creditor in just under 70 per cent of those cases. So that impression that we are driving a lot of wind-ups and bankruptcies is something we should correct, because we are not the primary driver.⁸³

- 2.81 The Committee drew the ATO's attention to a media article which suggested the ATO's threshold before pursuing a winding-up order against a business of \$300,000 of outstanding tax debt had been reduced to \$30,000 of debt.⁸⁴

- 2.82 In response, Mr Jordan, confirmed that previously there was a threshold of debt in excess of \$300,000 for corporates before the ATO would pursue winding-up order.⁸⁵ Mr Jordan also confirmed the ATO had removed the \$300,000 debt threshold and explained the reasons underlying decision:

We did some work and we realised that the average that the private sector would take action on was around \$90,000. So there was quite a disparity between the point of debt at which we would initiate action versus what people would do in the private sector.

This is exacerbated by the fact that there is no credit reference reporting of debts to us, so people were often putting us as the last person to pay, letting our debt grow and trying to get themselves out of some difficulties ... So we are in a difficult position there because we cannot disclose the debt ... And others used to say to us, 'You are letting these debts get too high. You should be taking action earlier.'⁸⁶

82 *Committee Hansard*, Canberra, 16 September 2015, p. 17.

83 *Committee Hansard*, Canberra, 16 September 2015, p. 18.

84 Smart Company, 'Taxman to axeman: small business 'carnage' as ATO wind-ups soar', <<http://www.smartcompany.com.au/finance/tax/48042-taxman-to-axeman-small-business-carnage-as-ato-wind-ups-soar.html>>, accessed 25 August 2015.

85 *Committee Hansard*, Canberra, 16 September 2015, p. 17.

86 *Committee Hansard*, Canberra, 16 September 2015, p. 17.

- 2.83 However, the ATO advised the Committee after the hearing that, contrary to the media report, it no longer initiates wind-up proceedings based on any specific debt thresholds. Instead, the ATO advised it considers each case on its merits having regard to a range of factors including:
- the asset position of the business
 - the size and nature of the debt
 - the future income of the business
 - the risk to the revenue
 - the cost of wind-up and the likely return.⁸⁷
- 2.84 At the hearing, the Committee queried what could be done to pick up insolvent businesses earlier. This would help prevent a situation where, by the time a business is wound up, there is not enough money left to pay the ATO, employees and other creditors. In response, Tax Leader Australia of the Chartered Accountants of Australia and New Zealand (CAANZ), Mr Michael Croker, told the Committee that both the ATO and practitioners need to intervene early and effectively to prevent these businesses from continuing to trade:

The mantra from both ATO debt and insolvency specialists is to intervene early and effectively ... We have to have some bright-line rules that say, 'Okay, no more extensions. Three is the limit' ... We have to have some bright-line rule for the professional to intervene as much as the ATO does.⁸⁸

Tax transparency reporting

- 2.85 Under the *Tax Administration Act 1953* (Cth), the ATO is required to report information about corporate tax entities with a total income of \$100 million or more in a financial year. The first tax transparency report is due to be published in mid-December 2015.⁸⁹
- 2.86 On 20 August 2015, the Tax and Superannuation Laws Amendment (Better Targeting the Income Tax Transparency Laws) Bill 2015 was introduced to Parliament to exclude some entities from the requirement to publish their information. At the time of the hearing, the bill had not yet

87 ATO, *Submission 2.3*, p. 2.

88 *Committee Hansard*, Canberra, 16 September 2015, p. 18.

89 ATO, 'Tax transparency: report of income tax and resource rent tax information for entities', <<https://www.ato.gov.au/Business/Large-business/In-detail/Tax-transparency/Tax-transparency--report-of-income-tax-and-resource-rent-tax-information-for-entities/>>, accessed 15 October 2015.

passed through Parliament; however it subsequently passed on 15 October 2015.

2.87 The Committee enquired about the impact of the introduction of the bill on the ATO's preparation of the first tax transparency report. In response, Second Commissioner Compliance, Mr Olesen, confirmed that the ATO is currently preparing the report on the basis of the current legislation however the ATO is also prepared for the change in reporting requirements to be reflected in the report should the bill pass Parliament prior to the report being published.⁹⁰

2.88 Mr Olesen confirmed the ATO has been consulting with affected corporate entities over the past five months with the intention to publish the first report in December 2015, regardless of any change to the legislation:

Our intention is to publish the first report in December. We have been consulting with the affected corporates about the processes that would be adopted for that. That would see us looking to publish data that has been processed by us until 1 September. We would then be looking to write to the affected corporates with a copy of the data that we propose to publish and give them a little bit of time to verify that to make sure there is no slip between cup and lip and what we publish. That sees us expecting to publish in about December this year.⁹¹

2.89 Mr Croker of CAANZ commented favourably on the ATO's consultation with affected corporate entities prior to the publication of the first report:

... the ATO has been working very hard to put some words and some explanation around these three bits of data that are going to be published.

... I applaud the ATO for being careful about how it goes about the first publication in particular, because we as practitioners are trying to work with the affected companies and, in the private company space, families and individuals, to say 'How are you going to respond to this?' ... We think it is important that, if it is going to happen, then, depending on the progress of this legislation, it happens, at least the first time, in a well thought out way.⁹²

90 *Committee Hansard*, Canberra, 16 September 2015, p. 5.

91 *Committee Hansard*, Canberra, 16 September 2015, p. 5.

92 *Committee Hansard*, Canberra, 16 September 2015, p. 15.

Performance measurement and reporting

2.90 In May 2015, the ATO published a third quarter performance report which included performance information against its 12 strategic key performance indicators (KPIs) outlined in the *ATO Strategic Intent*. Data on the ATO's performance against its 12 strategic KPIs can be found at Appendix D.

2.91 The ATO told the Committee the ATO performed well across its 12 KPIs in the January–March 2015 quarter:

Across the 12 performance measures, the ATO is performing as well as or better than in mid-2013. In most cases the improvement has been modest, but this is contextualised against a tighter resourcing environment, including a 16% reduction in full-time equivalent staff.⁹³

2.92 The ATO has now incorporated the 12 KPIs from the *ATO Strategic Intent* into the *ATO Corporate Plan 2015–19*. The ATO advised that the *ATO Corporate Plan 2015–19* will be the basis for its public reporting in 2015–16, which will include monthly performance results for service commitments and quarterly performance reports published on the website and the 2015–16 annual report.⁹⁴

Perceptions of fairness in disputes performance measure

2.93 The ATO has included 'Fairness – perceptions of fairness in disputes' as a new performance measure of integrity in the *ATO Corporate Plan 2015–19* and has set a target of 60% overall perceptions of fairness in disputes to be achieved over a 12 month period to 30 June 2016.⁹⁵

2.94 The ATO has continued to conduct research into perceptions of fairness in tax disputes. The ATO reported that it has surveyed taxpayers who had finalised a dispute with the ATO within a three month period in 2014 across three waves of surveys. Wave 1 of the surveys comprised 231 respondents, Wave 2 comprised 154 respondents and Wave 3 comprised 182 telephone interviews.⁹⁶

2.95 The ATO reported the survey results confirm that taxpayers have a higher perception of fairness when decisions support them, and a lower perception of fairness when the decision favours the ATO. The surveys also provided the ATO with a better understanding of opportunities for

93 ATO, *Submission 2.2*, p. 19.

94 ATO, *Submission 2.2*, pp. 19–20.

95 ATO, *Submission 2.2*, p. 21.

96 ATO, *Submission 2.2*, p. 22.

improvement in dispute resolution processes which may help improve future perceptions of fairness, including:

- Better explanation of our processes
- Ensuring individual circumstances are taken into account in any decision processes and the way the objection is handled so the taxpayer has some control in that process
- Making appropriate interest and penalty decisions
- Ensuring there is transparency in internal discussions.⁹⁷

2.96 The ATO advised the Committee it is continuing to undertake work more broadly to understand the perceptions of fairness in other taxpayer interactions, such as audit, advice and debt, to identify further opportunities to improve its processes.⁹⁸

Gender diversity in the ATO workforce

2.97 Despite the majority of the ATO's workforce being female, a greater percentage of the ATO's senior executives and middle managers are male. The table below outlines the number of women and men at each level in the ATO workforce.

Table 2.1 ATO employees, at 30 June 2014

Classification	Full time		Part time		Irregular/ Intermittent		TOTAL
	Female	Male	Female	Male	Female	Male	
Senior Executive Service 2	10	20	–	–	–	–	30
Senior Executive Service 1	65	128	8	2	–	–	203
Executive Level 2	620	981	107	12	–	–	1,720
Executive Level 1	1,579	2,065	374	46	–	–	4,064
Valuer broadband	7	34	–	1	–	–	42
APS6	1,948	2,038	417	52	–	1	4,456
APS5	983	882	251	23	–	–	2,139
APS4	1,722	1,349	358	49	–	–	3,478
APS3	1,746	1,122	597	101	39	31	3,636
APS2	491	239	121	20	526	286	1,683
APS1	139	130	12	8	1,158	492	1,939
Graduates	84	151	–	–	–	–	235
Cadets	3	3	–	–	–	–	6
TOTAL	9,397	9,142	2,245	314	1,723	810	23,631

Source Commissioner of Taxation, Annual Report 2013–14, p. 130

97 ATO, Submission 2.2, pp. 22–23.

98 ATO, Submission 2.2, p. 23.

2.98 The Committee asked how these numbers compare to other government agencies and private sector companies. In response, Deputy Commissioner ATO People, Ms Curtis, told the Committee that the ATO is:

... faring pretty well compared to other agencies with the ratio of women to men in the workforce ... We, like many other organisations, still do have a slight imbalance in the senior ranks of the ATO, but even there women are pretty well represented compared to the private sector. In our SES ranks we are a little bit lower than some of the other agencies. I guess the story is we are not doing too badly.⁹⁹

2.99 Ms Curtis outlined a number of strategies that it has in place to improve the gender balance within the senior levels of its workforce:

- Learning and development programs to ‘support women to have more confidence to apply for positions in senior roles’;
- Supporting flexible working arrangements, including part-time work and job sharing;
- Piloting a ‘future workplace trial’ to examine teleworking and the possibility of advertising all jobs on a flexible, part-time or tele-working basis; and
- Coaching and mentoring by senior leaders for junior female staff.¹⁰⁰

2.100 Commissioner for Taxation, Mr Jordan, told the Committee the ATO’s flexible work hours was also beneficial for dealing with peaks in workloads around Tax Time from July to October each year. For example staff may work shifts that fall outside of usual business hours, which allows more processing work to be done across a single day.¹⁰¹

Committee comment

Tax Agent Portal

2.101 The Committee recognises that the Tax Agent Portal is a crucial tool of the trade for many tax practitioners and, as the ATO increases its number of digital transactions with taxpayers, tax practitioners are likely to become more reliant on the Tax Agent Portal to carry on their business.

⁹⁹ *Committee Hansard*, Canberra, 16 September 2015, pp. 11-12.

¹⁰⁰ *Committee Hansard*, Canberra, 16 September 2015, p. 12.

¹⁰¹ *Committee Hansard*, Canberra, 16 September 2015, p. 12.

- 2.102 The Committee is concerned about the issues raised by tax bodies in relation to the Tax Agent Portal and Client Correspondence List within the Portal and the impact of these issues on tax practitioners. This is particularly so because some 70 per cent of individual taxpayers and 95 per cent of businesses rely on a practitioner to conduct their tax affairs.¹⁰²
- 2.103 While the Committee appreciates that high volume digital platforms will always experience some technical difficulties, the Committee points to the fact that a large number of tax practitioners are being negatively impacted by technical issues with the Portal. This appears to have been exacerbated by the implementation of myGov and the resulting need for tax practitioners to access client correspondence through the Portal.
- 2.104 In view of this, the Committee strongly suggests that the ATO develop a solution for notifying tax practitioners when correspondence is sent to their clients through myGov so that practitioners can be made aware of correspondence despite any technical difficulties experienced with accessing the Portal.
- 2.105 In view of the ATO's admission that the implementation of myGov for ATO services was not adequately designed in consultation with tax practitioners, the Committee is pleased the ATO has committed to working closely with tax practitioners to address and resolve these issues as a priority. In particular, the Committee is encouraged by the ATO's promise to rectify the issues with accessing client correspondence as a priority and notes the need for further education for large tax agents in the use of the Portal in order to reduce pressure on the system.
- 2.106 The Committee considers this a serious issue and will continue to monitor the ATO's efforts to address the problems identified with the Portal as a priority.

Standard Business Reporting

- 2.107 The Committee appreciates that the number of SBR-enabled lodgements will depend on the availability and uptake of SBR-enabled software, and is pleased that the ATO is working to assist software developers to make this software available to businesses.
- 2.108 The Committee also recognises the concerns of tax practitioners regarding the potential future impact of SBR on their business models and encourages the ATO to be as open and transparent as possible in its communications with tax practitioners about the SBR system.

102 Mr Greco, Institute of Public Accountants, *Committee Hansard*, Canberra, 16 September 2015, p. 4.

Single touch payroll

- 2.109 The Committee notes that the ATO has delayed the 1 July 2016 start date for the introduction of Single Touch Payroll, following consultation with stakeholders.
- 2.110 The Committee is pleased to hear that the ATO has been flexible and consultative in its approach to revising the intended implementation date for the Single Touch Payroll initiative, and that a broad range of key stakeholders have been consulted.

No-touch tax returns

- 2.111 The Committee is pleased that *myTax* is being strongly utilised by taxpayers and notes the ATO's plans to expand *myTax* to all individual taxpayers, including those with complex affairs, in 2016.
- 2.112 The Committee notes the ATO is focusing on making taxpayer interactions with the ATO as streamlined as possible and that initiatives aimed at achieving this include the introduction of *myDeductions* in July 2015 and anticipated introduction of voice authentication through smart devices in September 2015.
- 2.113 The Committee will continue to monitor the expansion of the availability of *myTax* in 2016 and would like to be updated on the ATO's progress of this work at the next hearing.

Stakeholder consultation

- 2.114 The Committee is pleased to note that the independent review of the new consultation arrangements has reported favourably on the implementation of the system.

ATO correspondence program

- 2.115 While the Committee is pleased to hear that the ATO has undertaken to systematically review its correspondence, the Committee notes that the content of ATO correspondence has been a long-standing issue of concern for stakeholders. For example, The Tax Institute previously advised the Committee that its members have raised concerns regarding the tenor and accuracy of the ATO's correspondence with their clients.¹⁰³
- 2.116 The Committee will continue to follow the ATO's work reviewing and rationalising its correspondence and would like to be updated on this at the next hearing. In particular, the Committee would like to be updated on the volume and types of correspondence that have been updated and

103 The Tax Institute, *Submission 3*, p. 5.

requests detail on the consultation processes the ATO is undertaking with taxpayers and tax practitioners in order to improve its correspondence.

Complaints to the Inspector-General of Taxation

- 2.117 The Committee notes the transfer of tax complaints functions from the Commonwealth Ombudsman to the IGT from May 2015 and is pleased to note that the IGT and ATO have been working closely together to effect the transfer.
- 2.118 The Committee will continue to monitor the types and number of complaints received by the IGT and the ATO's efforts to work with the IGT to resolve these complaints.

Measuring the tax gap

- 2.119 The Committee maintains its interest in the measurement of the tax gap and commends the ATO's continuing efforts to improve its measurement and reporting of the tax gap.
- 2.120 The Committee notes that the ATO has refreshed the estimates for the GST and LCT gaps as scheduled and is pleased to note the ATO plans to produce estimates in its 2014–15 annual report for large company income tax, tobacco excise, petroleum and diesel excise, beer excise, PAYG withholding and wine equalisation tax payable.
- 2.121 The Committee is also pleased the ATO has now committed to producing several additional estimates in 2016, including in relation to superannuation income tax, superannuation guarantee, petroleum resource rent tax, fuel tax credits and wine equalisation tax rebate.
- 2.122 The Committee is strongly interested in the ATO's work to develop and refine its estimate of the tax gap in Australia and looks forward to observing the development of estimates of the tax gap in 2016.

High wealth individuals and fringe benefits tax gap estimates

- 2.123 The Committee appreciates that the ATO has needed to delay publication of the high wealth individuals tax gap estimate until 2016 in order to ensure the methodology used to calculate the estimate is as robust and accurate as possible.
- 2.124 However the Committee notes the ATO appears to have also delayed the publication of the FBT gap estimate until 2016 without bringing this delay to the attention of the Committee or explaining the reasons for the delay.

Cash economy

- 2.125 The Committee acknowledges that a number of complex factors drive businesses to participate in the cash economy and deliberately avoid tax. As a result, it may not be a realistic goal to eliminate the cash economy altogether.
- 2.126 The Committee commends the ATO on its commitment to protecting honest businesses and its efforts to reduce cash economy behaviours. The Committee notes the ATO's aim is to address the key drivers of the cash economy. In particular, the Committee acknowledges the ATO's efforts to raise community awareness and engagement and make better use of third party data.
- 2.127 The Committee considers the cash economy a key issue and would like to be updated at the next hearing on the ATO's progress in addressing the cash economy. In particular, the Committee requests further detail on the performance measures for specific cash economy initiatives, recent performance against these measures and explanation of the rationale behind employing those particular performance measures.

Tax implications of the sharing economy

- 2.128 The Committee notes the ATO has come to a view on the tax implications of the sharing economy and has published guidance to assist taxpayers in complying with their obligations.
- 2.129 The Committee acknowledges that engaging in the sharing economy has GST and income tax implications and is supportive of the ATO initially focusing its efforts on educating taxpayers on these tax implications, rather than strict enforcement action.
- 2.130 The Committee views the emergence of the sharing economy as a key issue and as such would like to be updated on the ATO's progress regarding its initiatives and any policy developments in this area at the next hearing.

ATO recovery practices

- 2.131 The Committee acknowledges the need for the ATO to find a balance between pursuing legal action too early, where less severe measures such as payment plans may still be an option, and intervening too late after businesses owe significant debts to the ATO as well as their own employees and other businesses.
- 2.132 The Committee recognises the unfair advantage that may be granted to businesses where the ATO does not take timely and effective debt recovery action. As such, the Committee commends the ATO for its

commitment to targeting legal recovery action where there is evidence a business is not viable and is putting other businesses and their employees at risk.

- 2.133 The Committee considers this an important issue and requests the ATO provide data on the number of winding-up and bankruptcy applications initiated for the next hearing. The Committee would also appreciate an update on the ATO's implementation of the recommendations on the IGT's *Debt Collection* report published in July 2015.

Tax transparency reporting

- 2.134 The Committee notes the ATO's intention to publish the first tax transparency report in December 2015, and is pleased the ATO is adequately prepared to meet the change in legislative requirements should they come into effect before that time.

Performance measurement and reporting

- 2.135 The Committee notes the ATO's efforts to improve its performance measurement by placing greater emphasis on measuring effectiveness by focusing on the impact of its activities rather than just measuring the activities alone. In particular, it is pleasing that the ATO will be reporting performance information every quarter in addition to in its annual report.
- 2.136 The Committee will continue to follow the ATO's efforts to improve its performance measurement and reporting. The Committee will also continue to monitor the ATO's performance against its 12 KPIs with a view to updating the data on the ATO's performance contained at Appendix D.

Perception of fairness KPI

- 2.137 The Committee maintains an interest in taxpayers' perception of fairness in tax disputes and is pleased that the ATO has developed a new 'perceptions of fairness in tax disputes' performance measure and has included it in the *ATO Corporate Plan 2015–19*.
- 2.138 The Committee also acknowledges the research undertaken by the ATO on this matter and is pleased that the ATO is committed to improving its average overall perception of fairness.
- 2.139 The Committee will follow the ATO's performance in relation to its new perceptions of fairness in tax disputes performance measure and would like to be updated on this at the next hearing.

Gender diversity in the ATO workforce

- 2.140 The Committee notes the strategies that the ATO has in place to increase female participation at the senior ranks of its workforce and is satisfied that the ATO is committed to maintaining and improving its gender diversity. The Committee also notes that the gender ratio is 2:1 at the SES levels.

Next hearing

- 2.141 The ATO is making good progress on the road to achieving its goal to be ‘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.’¹⁰⁴
- 2.142 The ATO is continuing to introduce initiatives to improve the client experience for individual taxpayers, has developed defined strategies for addressing the cash economy and sharing economy and has made significant progress towards formally estimating Australia’s Tax Gap. The Committee looks forward to this momentum continuing in 2016.
- 2.143 The Committee plans to next meet with the ATO, its scrutineers, and peak tax bodies in early 2016 and requests that the ATO’s submission provide information on its progress in the following areas:
- addressing issues raised in relation to the **Tax Agent Portal**, including:
 - ⇒ detail on the number and types of complaints received in relation to the Portal
 - ⇒ detail on action taken by the ATO to address issues with the Portal and an update on education initiatives for large tax agents
 - ⇒ the ATO’s assessment of the success of these initiatives
 - ⇒ update on the status of consideration and implementation of a push notification or other solution to inform tax practitioners when client correspondence has been sent to clients
 - improvements to the ATO’s **correspondence program** generally and, specifically, detail on:
 - ⇒ the achievements of the rationalisation project and which types of correspondence have been improved
 - ⇒ consultation with tax practitioners and taxpayers to improve correspondence

104 ATO, *ATO Corporate Plan 2015–19*, p. 1.

- ⇒ the timeline and performance indicators for the rationalisation work
- initiatives to address the **cash economy**, including:
 - ⇒ any official ATO cash economy strategy or summary of key initiatives
 - ⇒ KPIs for the strategy and specific initiatives, along with recent performance results against those KPIs and an explanation of the rationale behind employing those particular KPIs
- implementation of **ATO recovery practices**, including:
 - ⇒ data on the volume of recovery action, including the number of winding-up and bankruptcy applications initiated
 - ⇒ implementation of Recommendations 2.3b and 4.2 of the IGT's *Debt Collection* report generally and, specifically, an update on the Analytics for Client Engagement program and detail of the initiatives designed to prompt company directors to address impending insolvency
- addressing the **sharing economy**, including:
 - ⇒ any further guidance or education initiatives and consultation with taxpayers
 - ⇒ the ATO's compliance strategy to ensure taxpayers comply with their tax obligations
 - ⇒ any policy developments or new initiatives to address new sharing services that may emerge
- development and take-up of **SBR-enabled software**
- improving **Tax Gap** measurements, including updates on the progress of the Fringe Benefits Tax and High Wealth Individuals estimates
- **transparency** on the tax affairs of companies earning over \$100 million and comment on the first tax transparency report
- **performance** against the perception of fairness in dispute resolution performance measure.

