

Good morning,

I have been looking forward to this opportunity – to talk about important developments in the tax and super systems and to provide you with an update about the ATO.

We are now preparing for Tax Time '18 and are in the lead up to implementation of measures relating to the Black Economy, illicit tobacco, illegal Phoenix activity, the Superannuation Guarantee amnesty for employers, work on modernisation of the business registers, and implementation of Single Touch Payroll among others.

The recent measures by Government show we are continually refreshing approaches to tax system integrity risks in this very dynamic environment; and we see investments like these as a very strong indicator of confidence in our capabilities and ability to deliver results – and we are very proud of that.

We continue to perform well in the large and multinational markets, and we expect large corporates to pay roughly \$10 billion more in company income tax for the 2017-18 income year than they did in the previous year.

While this increase can be attributable to economic growth and commodity price changes, we know that we have contributed to some of the increase from better taxpayer compliance – both voluntary and 'ATO assisted' – which shows that our approaches in the large market are working.

590 taxpayers are currently under review or audit as part of the focus on wealthy individuals and associated groups, including trusts and aggressive tax planning. For this year to the end of March, we have raised almost \$1.5 billion in liabilities against wealthy individuals and associated groups.

Another success since we saw you last was the landmark case in the Supreme Court of NSW involving Michael Issakidis who was sentenced to 10 years and 3 months for his involvement in the largest prosecuted tax fraud case in Australia's history. His co-conspirator, Anthony Dickson, who was originally sentenced to 11 years but on appeal was sentenced to 14 years' jail – the longest ever jail time for tax fraud and money laundering.

Their scheme deliberately absorbed \$450 million of otherwise assessable income through falsely created losses to evade \$135 million in tax.

This successful case is a result of us working effectively over a long period of time with other authorities, and is a public demonstration that we pursue those who are doing the wrong thing. And while long and complicated, we will not give up – for the system and for all those who are doing the right thing.

While we are talking about results of our compliance work, I also want to mention employer compliance with Super Guarantee obligations.

We have nearly doubled our coverage and completion of cases compared with the same period last year. We have contacted nearly 20,000 employers as a result of reviews or audits, and have raised over \$660 million from all our SG case work compared with around \$480 million for all of 2016–17. We have also issued over 2,800 superannuation guarantee charge director penalty notices with a combined value of nearly \$275 million in relation to around 2,700 companies.

With the ATO having been given funding for an SG Task Force from 1 July and the announcement of the proposed 12 month SG amnesty, if ever there was a time to come forward to voluntarily disclose and pay outstanding super guarantee, it is now. The SG amnesty is an opportunity to clear up outstanding matters and get things on the right track.

And moving on to what will be an even bigger focus for us this coming year – the Black economy - we have this year already conducted over 6,700 reviews and audits resulting in nearly \$190 million in tax and penalties.

We have been very active in areas with a prevalence of ‘cash only’ and low use of merchant banking facilities; with almost 6,000 businesses visited in Cabramatta, Liverpool, Bateman’s Bay, Chatswood, Werribee, Glen Waverley, Melbourne, Sunnybank, Toowoomba, Mandurah, Glenelg and north-west Adelaide.

In these visits, we have found the full spectrum of behaviour – from some simply not understanding their employer obligations, not registering for PAYGW and not paying superannuation, to some not keeping proper records, and some not recording their sales appropriately, to those with no records at all, and then some operating outside of the whole system, without ABN and/or GST registrations.

Interestingly and overwhelmingly, when we have been in in these locations, people are willing to share local knowledge of those who appear not to be doing the right thing and not operating on a level playing field, including paying cash wages and not recording all sales. It is so true that people want to know that we hold others to account.

While we are talking about small businesses I suppose it is time to mention the recent criticism of the ATO in the ABC, Four Corners and Fairfax media.

This came as a surprise to us because the work we have been doing over the past few years with the small business community and their representatives has been very constructive and positive and we have been receiving pleasing feedback direct from clients and their agents.

We are a large organisation running complex tax and superannuation systems. We have around 17 million tax returns lodged each year, and when you add in BAS and activity statements the number of lodgements is over 35 million. Inevitably in such a large system, human error will result in mistakes being made however nothing like the unsubstantiated claims that we get 1 in 20 things wrong. That would be in the vicinity of 830,000 tax returns or 1.75 million of all lodgements each year - alleged that we get wrong.

There is no evidence for this. But I will say we could probably be better at acknowledging our real mistakes, apologising, compensating for any actual financial loss and moving on.

Having said that, we have very much enhanced our services to help small businesses, in particular – an after-hours call back service, the small business newsroom, the small business roadshows, community conversations, simplified BAS reporting requirements, made regular connections with state Small Business Commissioners and other credible representatives, and more recently introduced the cash flow management coaching kit for accountants to use with their clients – which we are about to digitise because of its popularity. We also promote our benchmarks so a business can compare how it is going against similar businesses, and we have introduced Dispute Assist.

This Dispute Assist service recognises that some taxpayers, whose business may not be going well, are also sometimes going through other stressful issues in their lives, such as a family break up, physical or mental health issues. This service is for unrepresented taxpayers, where our people are trained to recognise the signs, and we allocate them a Guide who helps them through the process of a dispute. As far as we can see, this is the first of a kind for tax authorities anywhere, and the feedback on this has been outstanding from the small business community and their representatives.

Like I have said many times before, our job is to collect money from people and most people are willing to do the right thing - because the benefits of a functioning tax system are evident – especially when you compare Australia with countries where that is not the case.

But not everyone does the right thing. And some, when caught out, go to great lengths to criticise the ATO.

Sometimes the way we go about our job is not perfect either – although we compare very well against other tax authorities around the world.

Whilst acknowledging we are not perfect and we make mistakes, the allegations that were raised in the Four Corners program and surrounding media commentary in the ABC and Fairfax gave a distorted picture of what is happening with, and at, the ATO; particularly without regard for those who need to come forward and work with us to resolve issues in a constructive and cooperative way.

Scaring or deterring anyone from facing up to tax obligations and working with us to resolve issues is irresponsible.

Disappointingly we have seen the ABC produce a story that we think is contrary to the [ABC Code of Practice and Editorial policies](#) – where journalism is meant to meet the standards that include:

- Independence, integrity and responsibility
- Accuracy
- Impartiality and diversity of perspectives
- Fair and honest dealing

Seriously, how appropriate is it to have the title of the Four Corners Program ‘A Mongrel Bunch of Bastards’? It is highly offensive and inaccurate. How would staff of the ABC feel if News Limited splashed across its front pages the ABC is a “mongrel bunch of bastards” or said that the whole of Fairfax is nothing but a “mongrel bunch of bastards”? I am sure the indignation would be palpable. So why did the ABC think it was OK to call the staff of the ATO a mongrel bunch of bastards?

I can assure you the people working at the ATO are not mongrels or bastards. They are normal people trying to do a good job for the benefit of the country. They do not systematically destroy small businesses, they do not pick on “100% innocent”, vulnerable people, or slowly boil people until they are roasted to death, and they most certainly do not just make up debts, add 90% penalties and sell people’s homes without them being able to dispute the debt. These are such ridiculous allegations that it beggars belief that the ABC would present them as somehow the result of an investigation.

For a start, you need a court order to seize a property, and 90% penalties are generally for organised criminal activities and severe offshore tax evasion. People at the ATO do not get up in the morning thinking who can I destroy today or boil to death.

I just don't understand why the ABC would simply pick up a dossier of five or six mostly old cases known to us (and most also known to the IGT), compiled by an organisation which stands to make financial gain by scaring small businesses to join it. Small business people are encouraged to buy different levels of membership with this organisation including 'protected' membership - which is in effect purchase of insurance – which is called tax investigation insurance.

What I don't understand is why an organisation that is purported to have small business interests at heart wouldn't be more focussed on helping small business get it right early and resolve disputes quickly – rather than selling membership/insurance cover.

There was no real investigation by Four Corners, just a regurgitation of some known, fairly extreme cases to achieve an overblown, sensational story.

Despite the manner in which this story has been created, our response has been to maintain our positive connections with key stakeholders in the small business community and stay open to hearing feedback. We know this is really important.

In the interests of restoring confidence in the system and in the ATO, we have decided to take the following actions:

- We are implementing improvements to our administration of the Australian Business Register (ABR) – which we were already proceeding with, but will now fast-track

- Objections to do with ABN cancellations will be moved to our Review and Dispute Resolution area in a separate Business Group managed separately by Second Commissioner Andrew Mills. This means that reviews of decisions are made independent of the original decision maker – the case now for all objections
- We are going to trial an independent review process for certain small business audits from 1 July –with the intention over time that businesses, regardless of size, have access and rights to a fit-for-purpose review prior to finalisation of audit
- And we have asked the Australian National Audit Office (ANAO) to review our whole debt collection practices
- And we are encouraging ideas through groups like our Small Business Stewardship Group to ensure a good client experience for small businesses.

Have there been cases we should look into and see what we can do to resolve issues quicker or circuit-break a process that seems to be bogged down? Yes.

Is there a systemic problem of abuse of small business? Absolutely not.

In fact our relationship with most small businesses, and credible representatives of the small business community is healthy and robust - and none of them in our Stewardship Groups including Kate Carnell, the Small Business and Family Enterprise Ombudsman and State Small Business Commissioners have raised systemic abuse of small business.

In all the scrutineer reviews done in the past five or so years while I have been Commissioner, no finding of systemic abuse of small business has been found. This is out of 44 reports and more than 4700 pages from just the Inspector General of Taxation and the ANAO. This does not even include reviews or inquiries by the House of Representatives Standing Committee on Tax and Revenue or your own Senate Inquiries.

So, none of our consultation processes or Small Business Stewardship Group members and none of the multitude of reviews done on us have found systemic abuse of small business. None of this fact was mentioned on Four Corners.

Since the Four Corners story aired and since the Small Business and Family Enterprise Ombudsman and Inspector General of Taxation publicly called for people to come forward with complaints, a number of approaches have been received, but only 62 actual complaints have emerged since 9 April from all sources (IGT, ASBFEO and ATO direct).

The majority of those came direct to us and we have resolved about half of them so far. Many of them have been able to be dealt with in just one phone call. Again I reiterate there has been no systemic issue of abuse found in these complaints.

We do take complaints seriously. Inevitably things do go awry every now and then, and we need to be quicker to acknowledge mistakes or misunderstandings, apologise if necessary, remedy and get things on track.

The various cases you saw reported on Four Corners represent the spectrum of behaviour we see – those who just don't understand what they are meant to do, or those who get in a mess because they leave things too late or long, or those who don't pay attention to their admin, put their head in the sand, or are struggling without the right help, or worse are deliberately being evasive. Let me explain some of the behaviours we saw in this group of mainly old cases:

- Some people claimed significant expenses and did not provide proof of their expenditure, saying the invoices were secret, even though they were given a number of opportunities to show the necessary paperwork over a period of time
- They could not show us the assets that related to these expenses – the assets had apparently been destroyed
- They did not respond to repeated attempts by us to contact them or their agent
- There was abuse of company and trust structures so they did not have to pay tax on their income, and
- Expenses were concocted and invoices falsified.

What do you expect us to do – just let it go?

Paying tax is not optional when you are in business and not a wage and salary earner.

Our current strategies are focused on working with viable small businesses to help and support them in meeting their obligations so they can both survive and thrive. As you can appreciate, there are a small number of people who do not meet their obligations or pay the right amount. They resort to game-playing and tactics to avoid paying taxes. It is in these circumstances we do need strong powers to be able to bring those kinds of people to account. Australians expect us to. You expect us to.

And by the way, our powers are consistent with tax authorities across the globe. We are no different. Much has been said about our so called extraordinary powers. But nothing is new in this area and they are typical of the powers of revenue authorities around the world for the reasons I have mentioned.

I am, we are, getting on with our job, rather than getting distracted or over-reacting to this story. We will resolve the remaining small number of complaints and move on.

We are happy to work with those legitimate representatives of small business who have the interests of small businesses at heart – those people who are in it for the good of the system and in the interests of helping people and businesses do the right thing. We are very happy to work with the Small Business and Family Enterprise Ombudsman, the state based Small Business Commissioners, COSBOA, the Minister for Small Business and of course the Inspector General of Taxation.

Finally, I have appeared before you now for more than five years openly answering questions, as fulsomely and helpfully as I could. I have made very clear my intentions and commitment to transform the ATO and tax and super administration in Australia; and have regularly given you updates about that progress. This transformation is not a short term or easy project, but it has been going well, and has been recognised as such by many in the community, stakeholders and scrutineers – which include very favourable worldwide comparisons.

My officers and I are proud of the work we do, knowing we are not perfect, but we are here, open and ready to answer your questions.