



11 March 2016

Standing Committee on Tax and Revenue
Committee Secretariat
PO Box 6021
Parliament House
CANBERRA ACT 2600

CPA Australia Ltd
ABN 64 008 392 452
Level 20, 28 Freshwater Place
Southbank VIC 3006
Australia
GPO Box 2820
Melbourne VIC 3001
Australia
Phone 1300 737 373
Outside Aust +613 9606 9677
Website cpaaustralia.com.au

By email: TaxRev.reps@aph.gov.au

Dear Sir/ Madam

SUBJECT: Inquiry into the External Scrutiny of the Australian Taxation Office

CPA Australia represents the diverse interests of more than 155,000 members in 118 countries. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders.

Against this background, we welcome the opportunity to provide this submission to the Inquiry into the External Scrutiny of the Australian Taxation Office.

As noted in the House of Representatives Standing Committee on Tax and Revenue's "Review of the 2013 Annual Report of the Australian Taxation Office: First Report"¹ (tabled November 2014) the ATO is subject to scrutiny from a number of different angles.

The report also observed that "much of this scrutiny is similar to other agencies. For example, almost all agencies are subject to the Auditor-General and the Ombudsman and appear before Senate Estimates. The fact that these agencies often focus more on the ATO reflects the importance of the ATO's role."²

Notwithstanding that the scrutiny is similar to other organisations, it is appropriate to consider if the level of scrutiny represents value for money, or whether it is excessive.

There is no doubt that the current level of scrutiny is resource intensive for all parties involved. These parties include not only the ATO, but also the Parliament, the Inspector General of Taxation, the Australian National Audit Office, the Joint Committee of Parliamentary Accounts and Audit, and also the external participating professional and industry bodies amongst others.

Further, it is inevitable that there is some overlap regarding the reviewing powers of the various reviewing bodies. Accordingly, it is important that the roles of the various reviewing bodies are clear and that any duplication is kept to a minimum.

We consider that there is some overlap/duplication that could possibly be eliminated. However we are also of the view that a nuanced response is required and that savings may be potentially minor.

We also note that technology advancement and adoption presents opportunities to reduce the 'scrutiny burden'. The reviewing agencies should seek to exploit technology to make their reviews as efficient as possible, saving both time and money for the reviewer and reviewee.

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http://www.aph.gov.au/Parliamentary_Business/Committees/House/Tax_and_Revenue/2013_Annual_Report/First_Report

² ibid

House of Representatives Standing Committee on Tax and Revenue

CPA Australia believes improvements - and moderate savings - could be made by winding back the current bi-annual meeting of the House of Representatives Standing Committee on Tax and Revenue with the ATO and other stakeholders.

Based on our recent experience an annual meeting may be more appropriate.

Alternatively we suggest the matters that are generally covered in this forum may be able to be effectively covered in other fora - such as at the Senate Estimates Committee.

However we note that this format does not enable external professional and/ or industry body participation.

Either of the options discussed above have the potential to deliver some moderate savings of both time and resources to the relevant stakeholders.

Inspector General of Taxation

The office of Inspector General of Taxation (IGT) was formally set up by the Inspector-General of Taxation Act 2003 following an earlier announcement by the then Prime Minister in 2001.

Its genesis under Prime Minister John Howard followed the public furore over the design of the business activity statement when the GST was introduced in the year 2000. Since its establishment, the office of the IGT has performed an important role in its examination of and delivering improvements to tax administration.

Further, the IGT's role was recently extended with the Commonwealth Ombudsman's investigative and complaint-handling function relating to the tax law being transferred to the office of the IGT.

As was announced by former Assistant Treasurer Josh Frydenberg MP at that time "the transfer will concentrate scarce tax expertise in a single agency, enabling more efficient use of that expertise and improved customer focus. The changes will simplify the scrutiny landscape."³

The change was welcomed by the Opposition with Mr Tony Smith MP noting that the combining of the two functions was "an important step forward."⁴

Further, Mr Scott Buccholz MP also spoke in favour of the amalgamation and the value of having "...a single, specialised scrutiny agent for handling both individual tax complaints and systemic tax reviews. All investigations and complaint-handling powers and functions relating to taxation administration by tax officials will now be handled by the Inspector-General of Taxation. Centralising these functions will purely provide efficiencies in that department."⁵

We also note the Inspector General's recent evidence before the House of Representatives Standing Committee on Tax and Revenue's committee where he outlined the work his office had been undertaking since it formally commenced its role from 1 May 2015. He said "As at 12 February 2016, we have received a total of 1,779 complaints; 1,708 of these complaints have already been finalised."⁶

Given this amalgamation is less than 12 months old, and it appears prima facie to be functioning well, we submit that paring back the office of the IGT would be premature. In reality the IGT has not been given the opportunity to fully deliver the efficiencies promised by the recent amalgamation of the two functions described above.

³ http://parlinfo.aph.gov.au/parlInfo/genpdf/chamber/hansardr/ed537be9-743e-4c82-9710-d16b59d9ad54/0035/hansard_frag.pdf;fileType=application%2Fpdf at p1253

⁴ Ibid at p 1244

⁵ Ibid at p1237

⁶ Hansard, p2, House of Representatives Standing Committee on Tax and Revenue, Australian Tax Office Annual Report 2015, 24 February 2016

Moreover it would mean - in the absence of reinstating the office of the Commonwealth Ombudsman - consumers would have no similar avenue of formal complaint.

Conversely, we note that re-establishing the Ombudsman's office would not be a cost-free exercise either.

Notwithstanding the comments above, one possible change that may reduce duplication and over-scrutiny would be to give consideration to removing the IGT's power to conduct investigations under his or her own initiative (see sub-section 8(1) of the IGT Act). The IGT would still be able to conduct investigations; however such investigations could only be undertaken if the IGT was asked by the Minister, the Commissioner or the Parliament.

Other options

One form of external scrutiny that is often overlooked is that of the ongoing engagement of the ATO with external bodies through their consultation arrangements. These forums enable professional bodies like CPA Australia to raise issues and scrutinise the ATO on behalf of members and in the broader public interest.

It is our experience that these forums are generally effective and if they are not, there are suitable governance arrangements in place to address any shortcomings. In short, it is our experience that the ATO is an exemplar to other government agencies of appropriate and effective consultation.

Given the ATO's consultation arrangements have recently been thoroughly reviewed - with many 'legacy' committees wound up or reconstructed in the last 18-24 months, we do not have any suggestions for further savings to be made here at this time.

However where duplication and savings are identified, CPA Australia will raise them with the ATO directly.

If you have any questions regarding this submission, please do not hesitate to contact our Head of Policy – Paul Drum at [REDACTED]

Yours faithfully

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Stuart Dignam

General Manager – Policy & Corporate Affairs