Australian Government
Australian Taxation Office

Australian Taxation Office Submission

Inquiry into Taxpayer Engagement with the Tax System

February 2017

Contents

Commissioner's foreword

1. Australia is fortunate to have a healthy tax system with high levels of voluntary compliance. Our tax system works on a self-assessment basis, and the vast majority of Australians and businesses do the right thing by meeting their obligations under the law without the need for intervention from the Australian Taxation Office (ATO). Most taxpayers respond well to help and support and the majority lodge and pay their tax on time (or soon after the due date) with over 95 per cent paid within 90 days.

2. There are millions of different people and entities that engage with the tax system through the ATO to meet their obligations. Our clients include 13.4 million individuals, 2.9 million small businesses, 55,000 tax and BAS agents, 557,000 self-managed superannuation funds (SMSF), 850,000 trusts, 905,000 employers, 190,000 medium businesses and 1,400 large businesses and superannuation funds.

3. Taxpayer obligations in Australia can be distilled down to registration, lodgement, reporting and payment – regardless of entity type – an individual, large company or SMSF. All taxpayers are required to apply for a Tax File Number (TFN) and the majority need to lodge an annual tax return. Businesses must also register for an Australian Business Number (ABN) and lodge regular Business Activity Statements (BAS). The more complex or large-scale your affairs, the more likely there are to be additional reporting or payment requirements.

4. Most individuals and businesses (74 per cent of all entities) use a tax professional to help them comply with their obligations. 68 per cent of individuals not in business lodge their annual tax return through a tax agent, 95 per cent of small businesses use an agent for their annual return and a substantial number also use a BAS agent for their PAYG and GST obligations. This means tax practitioners – tax and BAS agents, accountants, lawyers and advisers – have a key role in influencing taxpayer engagement with the system.

5. There are a number of other key influencers of taxpayer behaviour and the way they engage with the tax system including:

    - ease and costs of compliance

    - sense of procedural justice and fairness in how the system works

    - perceptions of other taxpayers' compliance and how non-compliance is dealt with

    - trust and confidence in the ATO

    - social norms

    - personal beliefs such as fulfilling a sense of duty

- risk appetite and the desire to avoid being caught or being penalised
- financial pressure and economic conditions.

6. The ATO's goal is to improve engagement with the system by focusing on those drivers over which we have most control and influence, and those that have the most positive impact.

7. Over the last few years, as part of our transformation program *Reinventing the ATO*, we have consulted widely and often with the community about the kind of service and engagement they want with the ATO. The consistent messages from all market segments has been:

- Fix the basics – help me be aware of my obligations and entitlements, minimise red tape and simplify the information you provide so I can understand it
- Foster confidence and trust – give me certainty and let me know when something isn't right, and deal with those who are not doing the right thing
- Tailor my interactions – make things relevant to me, make them easy to access, timely, and secure
- Help me navigate complexity – give me the right advice at the right time, tailor to my circumstances so I can get it right, and work across Government so service is integrated.

8. In order to meet these expectations, we have implemented a far-reaching and all-encompassing program to provide new and improved products and services, and to change our own culture – all to make the engagement and the experience of the tax system better.

9. Our intent is to have services comparable with the best of large organisations with a diverse client base anywhere in the world. Like these other businesses and international revenue authorities, we are progressing a digital and data agenda so that we can provide contemporary, efficient, smart, online services and better targeted enforcement compliance action.

10. As part of our holistic approach to engagement, our digital push is complemented by a refreshed face-to-face strategy. We have opened up new avenues for our clients to engage and interact with us – showing a friendlier face of the ATO and providing help in the form of 'show me how' sessions for small businesses and agents in both regional and metropolitan locations. We also continue to conduct our schools and migrant education programs which help young people and new arrivals learn about and engage with the tax (and super) system by connecting teachers with resources and expert tax officers. We

also reach out to those in the community that need help trying and using our services through pop-up kiosks staffed by field officers.

11. We continue to lead the cross-government small business 'Fix-it squads' comprised of taxpayers, intermediaries and government (federal and state) representatives who collaborate to design and implement a better experience. These Fix-it squads look at 'life events' take a whole-of-client approach and consider engagement for a variety of systems, regulations and government portfolios.

12. We also have in place a range of channels and forums for taxpayers to voice their feedback and views about the tax system. For example, our Small Business Consultation Panel has more than 500 small businesses who are willing to use their practical insights to help us design an improved experience for others in their market segment. We also have our 'Let's talk' platform where any member of the community can contribute ideas and have their say on tax and superannuation topics, and we have an online testing environment called 'ATO Beta' that lets users test and provide feedback on our new digital offerings.

13. For those who do not engage with the tax system properly, are not transparent in their dealings or deliberately do the wrong thing, we take appropriate and tailored action. The stance and actions we take are based on risk, history and current behaviour. We use a variety of prompting, detection and deterrence strategies and full compliance enforcement if and when necessary.

14. Our approach to the cash and hidden economy is a heightened and deliberate focus on those businesses operating in the higher risk industries. As with other segments of the community, we have a range of tools to encourage the right behaviour such as help and education, reminders, contact calls and visits to provide tailored assistance, through to reviews and full audits.

15. We work with influencers in the relevant industries to better understand the way things work and to leverage our communications. We also look at industry-wide patterns, such as the usual expenses and earnings and make use of third-party data from financial institutions, motor vehicle sales, property data, and other lifestyle purchases to help us identify those who are outliers and potentially doing the wrong thing.

16. We are doing what we can to improve engagement with the tax system. In our words, we describe engagement as 'willing participation' in the tax system and all of our strategies are founded on our mission:

> *to contribute to the social and economic wellbeing of Australians by fostering willing participation in the tax and superannuation systems*

17. In all cases, our intention is to encourage taxpayers to positively engage with the tax system (and the ATO) now and in the future.

18. The recently announced Black Economy Taskforce provides an opportunity to consider how we address perennial risks to engagement with the tax system as well as risks for other areas of regulation across government.

19. We look forward to working with you to ensure engagement with the system for all taxpayers is even more effective and efficient into the future.

Chris Jordan AO
Commissioner of Taxation

Role of the ATO

20.   The Australian Taxation Office (ATO) was established in 1910 and is the government's principal revenue collection agency. The ATO is also responsible for administering the goods and services tax (GST) on behalf of the states and territories, governing a range of programs which result in transfers and benefits back to the community, and administering major aspects of Australia's superannuation system. The ATO also has custodianship of the Australian Business Register (ABR).

21.   We aim to be a leading tax and superannuation administration, known for our contemporary service, expertise and integrity. We are committed to advancing our strategic direction.

22.   We aim to achieve taxpayer confidence in the tax and superannuation systems by helping people understand their rights and obligations, improving ease of compliance and managing non-compliance with the law. The ATO is expected to deliver on commitments to government, work with other entities and implement new budget measures.

23.   In 2015-16 we collected more than $440 billion in revenue, and paid $10.7 billion in administered expenses and $97.4 billion in refunds.

How taxpayers engage with the tax and superannuation systems

24.   The broader environment, including community expectations, has changed rapidly over the last few decades. We have moved from an era of ATO assessment to taxpayers self-assessment: from an emphasis on audit and correction of the past, to prevention, education and engagement for future compliance.

25.   The emergence of personal computers, the internet and mobile devices has seen significant changes to our products and services to make it easier for people to engage with the tax and superannuation system and reduce the compliance burden of doing so.

26.   An excerpt from our Reinventing the ATO Program blueprint, which includes a summary of the key changes by audience as well as an overview of the individuals, small business and intermediaries client experience, is included in Appendix 1.

Individuals

27.   For the majority of taxpayers, their main interactions with the ATO are when they apply for their TFN, complete their TFN Declaration, when they start with a new employer and then

when they complete their tax return each year. Individual taxpayers have a choice of either interacting with the tax and superannuation system directly or through the services of an agent. In 2014-15, approximately 32 per cent of taxpayers not in business[1] lodged their own return.

28. To ensure taxpayers understand their obligations and the tax and superannuation systems more broadly, we employ a number of initiatives to engage future taxpayers before joining the tax system. This includes our Schools Education program, *Tax, Super + You* (our complete online learning resource for high school teachers) and our Migrant Education program.

29. We are currently working to identify gaps in our education and service offerings that create an awareness of the value of tax and superannuation systems and help drive future digital engagement with Government.

30. It is clear that individual clients expect to view and manage their tax and superannuation affairs online. We are working to provide clients with a fully digital end-to-end experience.

31. It is now possible for individuals to access a range of tax and superannuation services in one place, including lodging their tax return and activity statements, and keeping track of their superannuation quickly and easily via ATO Online services. Our online services are accessed through myGov.

32. Over five million individual clients and sole traders have a myGov account linked to the ATO, which means they also receive more of their correspondence digitally as we send more types of correspondence to their myGov Inbox (such as their Notice of Assessment or Statement of Account).

33. myTax is now available for all individual self-preparers to lodge and amend their returns from any device, regardless of the complexity of their tax affairs. For this financial year, as at January 2017, over 3.2 million returns had been lodged via myTax.

34. myTax pre-fills tax returns with information reported by third parties such as financial institutions and employers. Pre-filling also enables the identification of lost or forgotten records and accounts, such as lost bank statements and payment summaries sent to previous addresses. This minimises omitted or incorrectly reported income and other errors for individuals and has been received very positively by the community.

35. Regardless of whether income is pre-filled or manually entered into a tax return it is still the responsibility of the individual to make sure all their income details are included and

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[1]Relates to the 9.25m Individual taxpayers who lodged a return for the 2014-15 year. This excludes sole traders and those that report business income or expenses.

correct. Pre-filled information can be amended or deleted if the taxpayer has information that is more current.

36. The myDeductions tool in the ATO app allows taxpayers to save time and keep deduction records all in one place, regardless of whether they lodge their own return or use a tax practitioner. In 2016, over 55,000 individual clients uploaded their completed deductions to the ATO or provided them to their tax agent to pre-fill their income tax return.

37. We also continue to expand the range of self-help services available and in February 2016 we launched Alex the virtual assistant to answer general questions from clients on the ATO website. To date, Alex has had over one million conversations with 79 per cent of these resolved successfully.

38. While we encourage people to deal with us online, we continue to improve face-to-face and phone services. The ATO has been using voice authentication to verify taxpayers' identity over the phone and access ATO online services. There are over 2.5 million voiceprints enrolled that can be used to verify client identities on the phone, saving time for both the taxpayer and the ATO.

39. In October 2016 we launched web chat and screen-share when using myTax. Clients can share their myTax screen during a phone conversation, so our staff can better understand their enquiry and personalise their response.

40. The ATO recognises that people need different levels of support depending on their circumstances. We also recognise that some will not be able to use digital services, so non-digital options will continue to be available to them. This includes access to help over the phone, to our Tax Help volunteer program and through pop-up booths in shopping centres around Australia that provide support to the local community during Tax Time.

41. To help improve our products and services as well as the experience that individuals have interacting with us, we consult with the community through a number of ways. This includes Let's Talk, participation in design or fix-it squad workshops and through our stewardship group whose members represent or advise a broad cross-section of the community and are individual taxpayers themselves.

42. For the majority of taxpayers, their experience is a once-a-year lodgement of a tax return. Most try to do the right thing and willingly comply. For taxpayers with straightforward affairs, there is minimal interaction with us. However, we have a range of safeguards to protect the integrity of the system and we scrutinise every tax return using our data analytics and risk engines. Our ability to identify unusual or inaccurate claims is becoming more sophisticated due to enhancements in technology and improvements in the volume and quantity of data we receive. The ATO takes firm action against people who

intentionally falsify information on their tax returns, including penalties or prosecution in serious cases.

43. The data we use is more accurate, timely and sourced from a wider range of institutions including employers, banks, government agencies and other third parties. During 2015-16, we matched information reported in tax returns with over 650 million transactions. Expanding the range of data available to us will assist in delivering the best possible experience of the tax and superannuation systems for our taxpayers, our staff and our partners. For those who choose to prepare their own return, myTax will continue to evolve to provide streamlined pre-filled tax returns to the greatest extent possible.

44. As more comprehensive data on individuals' income and deductions is captured in real time, the option to develop a personalised tax withholding rate will be explored. Over time and with some policy changes this could see the elimination of the need for some individuals to lodge a tax return.

Small business

45. There are 2.9 million clients in the core small business market (businesses with an income of less than $2 million) and these account for more than 95 per cent of all businesses in Australia. We work with small business directly and indirectly via their intermediaries to help them succeed while also meeting their obligations.

46. Small businesses key interactions with the tax system are when they lodge their annual income tax return as well as their regular business activity statements. Around 95 per cent of small businesses choose to use a tax practitioner to assist them to manage all or part of their tax affairs. Research shows that small businesses primarily look to agents for tax advice and help due to perceptions of complexity of the system.

47. Sole traders are able to access their information and transact with us digitally in the same way as individuals. However, small businesses who operate as partnerships, trusts or companies still have some limitations to engaging with us directly online. For example small businesses who wish to lodge their own income tax returns, instead of using a tax practitioner, must lodge a paper return. They cannot lodge electronically. Small businesses also cannot amend their income tax returns themselves online even if they were originally lodged electronically by a tax practitioner. There are also some limitations updating aspects of their account details such as preferences for how we communicate with them, backdating their roles and registrations, changing accounting methods and updating the frequency of activity statement reporting cycles.

48. The ATO wants taxpayers to have the choice of either using a tax practitioner (such as a tax agent or BAS agent) to manage their affairs or dealing with us directly for their

individual, and business-related affairs. Our vision is to free up time for business by making it easier for them regardless of what channel they use.

49.   For digital services, there is work to be done across government to ensure that identity, authentication, access and services are more streamlined and integrated – just as they are for individuals through myGov.

50.   We are contributing to the development of the government's Trusted Digital Identity Framework led by the Digital Transformation Agency. The Framework will establish a set of principles and standards for the use of accredited government and third-party digital identities to enable individuals and businesses to access services more readily. This will give individuals and businesses more choice and control, and will mean they will not have to prove their identity to government multiple times when accessing services.

51.   Many of our outbound interactions with business remain paper based and business taxpayers do not yet have access to a secure digital mailbox. The ATO is improving how we communicate with our clients with a key focus the transition from traditional paper to digital correspondence. We are also committed to working across government to provide business owners with access to a secure whole-of-government account with a digital mailbox. Digital communications will be able to be delivered directly to the client's digital mailbox or via a third party representative.

52.   We know a key irritant for businesses interacting directly with the ATO is the use of AUSKey[2]. Over 90,000 myGov accounts are now linked to an Australian Business Number (ABN) through Manage ABN Connections. This allows individuals in business (or those authorised to act on behalf of a business) to access government online business services using their myGov login rather than having to use an AUSkey.

53.   In partnership with software developers we introduced an authentication and authorisation solution for cloud software users that is being expanded across other government agencies reducing the reliance on AUSkey. All existing software providers and taxpayers successfully transitioned to the new platform in 2016.

54.   One of the significant improvements for businesses who are employers is SuperStream, which has streamlined the process of paying superannuation contributions for employees allowing them to use a single channel to pay multiple funds. It is expected to deliver savings to employers of approximately $350 million per annum. Single Touch Payroll will further streamline and automate reporting obligations for employers through their regular payroll events.

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[2] AUSkey is a secure login that identifies you when you use participating government online services on behalf of a business. AUSkey allows you to access and send business information to government online. It simplifies the way you can interact with government – from changing your ABN details, to lodging your business activity statement (BAS).

55. We provide a range of support and education products and tools both directly to small businesses as well as through accountants, tax practitioners and other business support services, to make it as easy as possible for small businesses to understand and meet their obligations.

56. In conjunction with the Department of Industry, Innovation and Science, we have developed new-to-business essentials which are part of a broader education strategy to engage and provide simple educational information and services to new businesses.

57. As with individual taxpayers, myTax is now available for sole traders to lodge and amend their returns from any device. We continue to expand the options available for small business via the ATO app to assist them to manage their affairs anywhere and anytime. Sole traders are now able to capture transactions 'on the go' using myDeductions, including business income, expenses and vehicle trips. The aim of the tool is to help small businesses to develop good record keeping habits. Small businesses can send these records to their tax practitioner at the end of the year, or upload them directly to their return in myTax.

58. We have also developed the Cash Flow Management Education program. This program is a new initiative for small businesses, focusing on helping businesses better understand and manage their cash flow. It has been designed by the ATO and PwC Indigenous Consulting, in consultation with tax practitioners, accountants, bookkeepers and small businesses. It is designed primarily for accountants and other trusted advisors to deliver directly to their small business clients in a one-to-one environment.

59. Feedback from small business has been that the ATO has stepped up its engagement and consultation and has good connections and regular conversations with all kinds of small business, their intermediaries and representatives. The ATO has delivered a number of new products and services to make things easier for small business and feedback has been positive.

60. We have stewardship groups for the small business market. These groups include representatives from across the relevant market and focus on issues and topics that are important to the administration of the tax and superannuation system for those taxpayers or their representatives. They also help to design new products and services to assist taxpayers.

61. We are well connected across all levels of government to the small business market and have used our Fix It Squad process to address issues facing small business that are broader than just tax issues.

Tax practitioners

62.   Tax practitioners play a critical role in the tax and superannuation systems, facilitating willing participation, influencing taxpayer compliance and behaviour and completing the necessary transactions for their clients to meet their obligations. We work with the tax profession to help taxpayers effectively and efficiently navigate the tax system, and recognise that taxpayers engage tax practitioners for a variety of tasks and interactions throughout the year. This regular interaction between taxpayers and tax practitioners is important in maintaining high levels of integrity in the tax system.

63.   Most Australians use a tax practitioner and the proportion lodging through tax practitioners has remained steady for many years. Around 95 per cent of small businesses, 86 per cent of SMSFs and 74 per cent of all individuals choose to use a tax practitioner. Research has found that this is principally because taxpayers:

- either do not have the time or ability to feel confident to do it themselves

- would simply prefer to trust a tax practitioner to do it for them and give them the peace of mind that their tax affairs are being looked after correctly

- use a tax practitioner for a range of accounting, advice, audit and other services as well as related taxation services.

64.   There are three main types of tax practitioners: tax agents, BAS agents and tax (financial) advisers. The number of active tax and BAS agents has increased over time. In February 2017, there were around 24,600 active tax practitioners and 8,937 active BAS agents.

65.   There has been a trend for taxpayers to move to larger tax practices. The number of tax practitioners with more than 1,000 clients has increased from 3,070 in July 2013 to 3,250 in February 2017, with the total number of clients they represent increasing from 7.3 million to almost 8.8 million.

66.   Small businesses may also use the services of bookkeepers and accountants for record keeping, data entry and business management functions. Tax practitioners have a wider scope in their role in many cases, providing other financial and business advice to their taxpayers as well as their traditional tax services.

67.   99.5 per cent of individual tax returns lodged by tax practitioners are lodged electronically. Self-preparers are lodging more electronically, with an increase of around 155,000 in the number of self-prepared returns lodged through channels such as e-tax and myTax from 2013-14 to 2014-15, but the overall percentage of individuals' income tax returns lodged by tax practitioners remained around 74 per cent.

68. The introduction in the late 1980s of the Electronic Lodgment Service enabled tax agents to lodge tax returns through software but much of the return preparation was still paper-based. Over time, practice management software has evolved to digitise much of the return preparation process and the development of the Tax Agent Portal and ATO online has complemented this to digitise more and more interactions with the ATO.

69. The new Practitioner Lodgment Service (PLS) (introduced in 2016) will replace the twenty year old Electronic Lodgment Service and provides a platform where all of a tax practitioner's digital interactions with the ATO can occur within their practice management software. The PLS design provides a much more contemporary platform and allows for much greater and additional functionality to be added over time and all in one place, rather than what has been in place over the last decade with the combination of the Tax Agent Portal, ATO online and practice management software.

70. We will continue to work with tax practitioners to support the transition to digital services, and the use of SBR enabled practice software to allow agents to connect with their clients and the ATO. Agents will experience the benefits of using integrated practice software to deliver improved services to their clients.

71. Tax practitioners are heavily dependent on software developers to provide the software they need to run their business. In recognition of the dependency, we work with software developers to design and develop digital solutions and build systems that interact seamlessly with our technology and systems. We have established our Software Industry Partnership Office as a single point of contact for engagement and have also developed a partnership framework in consultation with the industry.

72. The ATO's relationship with the tax profession has at times been undermined by systems issues and system design that has not supported the client/agent relationship.

73. Over the past year we have put extra effort into working with the tax profession, removing irritants and building better online services to improve their experience. In developing new online services, we undertake a high level of consultation with tax practitioners, to ensure that the services and processes we are developing support them and do not unduly add costs, but rather enhance their ability to service the needs of their clients.

74. Individual taxpayers with a myGov account linked to the ATO receive some communication such as notices of assessment, statements of account, confirmation and reminder notices through their myGov Inbox. When a taxpayer with a myGov Inbox is the client of a tax practitioner, the practitioner does not receive these notices but rather has visibility of the notices by accessing the client correspondence list, a function provided through the Tax Agent Portal.

75. The impact on tax practitioners when this feature was first introduced was significant and led to major unintended impacts on the client/agent relationships. Over the past twelve months, we worked closely with tax professionals to understand and resolve the issues and improved the client correspondence list in the Tax Agent Portal (and introduced this function to the BAS Agent portal) to ensure tax practitioners can access the communications issued by the ATO to their clients. We have seen considerable growth in the take-up and use of the list by agents. We also enhanced the electronic access to communications we issue to clients, including letter, SMS messages, email and myGov mail.

76. Other key achievements we have delivered for agents include expansion of the Open Forums program, improvements in authentication without AUSkey when using Standard Business Reporting-enabled online (cloud) software, real time notifications of portal outages, system enhancements and planned changes, further development of key agent and agent of concern programs and partnering with 30 tax and BAS agents to co-design and pilot new services to improve the experience for the profession.

77. In addition to the services provided for the profession, tax practitioners have access to the tools and services we provide for individual and small business taxpayers. For example, taxpayers using the myDeductions tool are able to provide a copy of this file to their tax practitioner saving time and effort when preparing tax returns. Third party data available for self-preparers through myTax, such as bank account interest, salary and wages, and health insurance information is also available for tax practitioners. As we move to an increasingly online and digital environment, we will continue to work with the tax profession to manage risks and the transition to new services.

ATO digital strategy

78. The ATO has undertaken an extensive transformation program over the past few years to improve the experience clients have when dealing with us. This transformation program has led to the release of a range of new products and services designed to make it as easy as possible for our clients to get things right, and hard not to. The ongoing challenge is to keep pace with rapidly evolving technology and continually improve our digital service offer to deliver the contemporary service that our clients expect.

79. The ATO Digital Strategy, endorsed by the ATO Executive in December 2016, sets out the principles we will adopt as we seek to create new ways individuals, small business and tax professionals engage with us in the future as outlined above. Priorities under the strategy include integrating services with natural systems; improving identity and security; and, supporting clients and staff to transition to digital. A copy of the ATO Digital Strategy is at Appendix 2.

Behavioural insights

80. Behavioural insights help us understand why, when and how people make decisions. From a tax administration perspective, our philosophy in applying behavioural insights is to make it as easy as possible for the community to make the right tax and superannuation decisions in ways that minimise effort and cost.

81. The ATO has been applying behavioural insights for a number of years to achieve a range of outcomes, including to:

   - encourage taxpayers to lodge and report, plus pay debts

   - encourage taxpayers to shift to digital interactions

   - encourage taxpayers to adopt new policies/obligations

   - encourage willing participation and deter non-compliance by taxpayers, and

   - improve staff engagement and internal operations.

82. In establishing and refining our approach we have looked to the experiences of like-minded tax agencies including from Canada, Singapore, the USA, New Zealand and the United Kingdom. We are sharing our approach with numerous agencies and also partnering with the Department of Prime Minister and Cabinet's (PM&C) Behavioural Economics Team, which has been tasked with growing behavioural insights capability across the public service.

83. Some of the key behavioural insights principles we regularly use include:

   - designing processes, systems and approaches that minimise effort to meet obligations

   - providing certainty about our procedures, timeframes and how to fulfil obligations

   - targeting our approach and personalising messages

   - providing transparency about what we know and what we are doing

   - informing people of how their behaviour compares to the general population.

84. For example, we use various behavioural insight approaches to help people repay debts. One example is our 'Purposeful First Action' model, where taxpayers receive more flexible or firmer responses based on analytics of their previous behaviours.

85. In 2015-16, we issued 540,000 text message reminders to clients to pay on time. The use of reminders increased payments on time and led to payment plans being set up earlier than usual. Through this activity, $949 million was raised, and this strategy of gentle reminders to habitual late payers is now part of our business-as-usual approach.

86. We also use behavioural insights to encourage people to transact with us digitally, often resulting in faster processing, more accurate data and a better client experience. During tax time in 2015, we used personalised and targeted messaging to influence the shift from e-tax to myTax and paper lodgments to online lodgments. As part of this activity we sent personalised messages to 2.5 million self-preparers. This resulted in 15 per cent more e-tax lodgers moving to myTax, a seven per cent increase in paper lodgers moving online and a 10 per cent increase in previous online lodgers using online again, compared to those that didn't receive a message.

87. In 2016 we began to use pre-emptive prompts that leverage the concept of transparency. For example, pop-up messages in myTax let taxpayers know if their work-related expense claims appear out-of-step with their peers, enabling them to review their deductions before lodgment of their tax return.

88. We will continue to grow organisational capability and encourage the adoption of behavioural insight thinking across our business. Internally, we are progressively documenting our behavioural insights activities to help share knowledge, improve our approaches and ultimately further encourage willing participation in the tax and superannuation systems.

89. Our advice is also regularly sought to help establish similar frameworks in other organisations. As a result, in 2017 we are working to showcase our approach and activities across government. We also continue to share our learnings with individual agencies.

Cash and Hidden Economy

90. The cash and hidden economy exists when businesses deliberately hide or under report income to avoid paying tax and subsequently honest businesses face unfair competition. This includes paying cash wages without keeping records, not declaring cash sales, not recording online sales and other activities to avoid paying their fair share of tax. These behaviours are symptomatic of poor taxpayer engagement.

91. Drivers of this risk are considered to be those circumstances and motivations which provide the opportunity (access to cash), motivation (financial distress, deliberate manipulation to enable access other benefits in the welfare system, greed) and rationalisation (perception that "others are not doing the right thing, why should I") to engage in the cash and hidden economies. These can manifest themselves into behaviour ranging from under-reporting caused by financial distress through to deliberate criminal-type activity.

92. The Australian Bureau of Statistics estimates the non-observed economy (a proxy cash and hidden economy) to be approximately 1.5 per cent of Gross Domestic Product. In comparative terms, a 2010 World Bank study found Australia had the 11th smallest 'shadow economy' of 120 countries.

93. In its review of the ATO's strategies to address the cash and hidden economy, tabled in April 2016, the Australian National Audit Office (ANAO) noted that the cash economy is a major tax integrity threat for the ATO, with a high risk rating. The ANAO concluded that the ATO's approach is consistent with international best practice, sound and increasingly cost effective.

94. In 2015-2016 the ATO contacted over 127,000 businesses exposed to the cash and hidden economy. Approximately 13,500 compliance activities were conducted, resulting in more than $208 million in tax and penalties raised from businesses engaged in unfair competition. In the first six months of 2016-2017, the ATO has undertaken over 17,000 activities and raised more than $107 million in tax and penalties.

95. Ongoing improvements in our data and analytics capabilities are required to manage the cash and hidden economy risk, and keep pace with the rapid environmental changes. Sourcing new data sets from new non-cash payment platforms, along with new and emerging businesses models from the sharing economy are such examples.

96. We also undertake a number of help and education and communication activities to assist and inform the community. This includes the provision of phone and face-to-face education on the ATO online tools, as well as undertaking various presentations to small businesses and tax practitioners on recordkeeping obligations and other obligations and services. Our communications strategies are designed to inform and change community perceptions and behaviour in relation to the cash and hidden economy and utilises multi-media approaches including social media.

97. The ATO has strategies targeting high-risk industries for cash and hidden economy behaviours. The current industries targeted are cafés and restaurants, hair and beauty, building and construction and online sellers. Strategies range from support, help and education through to enforcement and prosecution actions. These strategies are developed and delivered in collaboration with key intermediaries such as relevant industry associations.

98. The ATO undertakes specific location-based approaches that involve visiting all the restaurants and cafes in one area to see what assistance they need. From 2014 onwards, these have occurred in Haymarket (Sydney), Adelaide, Box Hill (Melbourne) and the Gold Coast (hair and beauty salons were also visited). Additionally, we also undertake regional

strategies identified through high risk clusters. These have occurred in Busselton and Bunbury (Western Australia), Hobart and Darwin.

99. The ATO has also developed benchmarks for approximately one million small businesses to compare their business performance against similar businesses in the same industry. The benchmarks are incorporated into the ATO App and this allows business to quickly calculate how their business compares with their competitors. The development of such products is aimed at a 'self-service' approach for taxpayers.

100. Last year the Government announced the Black Economy Taskforce to be run out of the Treasury Department. The ATO is contributing to the Task Force and it is expected that an interim report will be provided to Government in March 2017 with the final report being presented in October 2017.

Informing a longer-term policy agenda

101. Our connection with taxpayers and tax practitioners provides us with insights into the overall health of the tax and superannuation systems. Through these relationships, we build an understanding of the issues and complexities affecting the integrity and perceptions of fairness in the system. As a trusted and respected administrator, we are able to influence policy and law design to deliver better outcomes.

102. Maintaining a strong relationship with Treasury and other government agencies is a priority, as this assists us to keep Government informed of issues relating to the administration of the tax and superannuation systems. Through our relationship with Treasury, we also advocate for policy and law change that can better support more contemporary ways for taxpayers to engage with the tax and superannuation systems.

The blueprint for the future tax and super systems is being shaped through ongoing consultation and co-design with the community, stakeholders and ATO staff. Final design decisions will be influenced by factors including legislative direction and finance.

SUMMARY
KEY CHANGES TO MEET CLIENT NEEDS

Appendix 1

The future client experience will deliver contemporary products and services that are focused on client needs making it easy to get things right and hard not to. We will fix the basics, foster confidence and trust by acting with integrity, providing certainty, tailoring interactions to taxpayer needs, and help them to navigate the tax and super system. Further client experiences will be explored over time.

REGULATORY FUNCTIONS

INDIVIDUALS	SMALL BUSINESS	PRIVATELY OWNED AND WEALTHY GROUPS	PUBLICLY LISTED BUSINESS	NOT FOR PROFIT: CHARITIES	INTERMEDIARIES: TAX AGENTS	INTERMEDIARIES: SOFTWARE DEVELOPERS	SUPERANNUATION: APRA REGULATED SUPER FUNDS	SUPERANNUATION: SELF-MANAGED SUPER FUNDS	EXCISE PAYERS
Better services across government through an individual profile to deal with government online and in a single place.	**Better services across government** through a single and secure entry point to online government services.	**The value of conversation** through excellent working relationships with the ATO.	**The value of conversation** through excellent working relationships with the ATO.	**Better services across government** with a single and secure entry point to online government services.	**Partners in the tax and super systems** through excellent working relationships with the ATO, and acknowledging agents' collective role in improving compliance.	**Partners in the tax and super systems** by implementing solutions that make compliance with tax and super systems a by-product of core business activities.	**Make it easier** with digital and seamless interactions.	**Make it easier** through a single entry point to access information and services.	**Trusted to manage obligations** by being approved to operate and manage highly valuable commodities.
Make it easy by telling government once and knowing government work together to improve services.	**Make it easy** by telling us once.	**Getting what I need when I need it** with access to the right services for each circumstance.	**Our contribution is recognised** with customised service for Australia's largest taxpayers.	**Strong confidence in the sector** through a transparent public register that provides integrity in the system.	**Adapting to change** with an evolving business model that reflects broader environmental changes.	**Adapting to change** by understanding and responding to the ongoing broader environmental changes.	**Better services across government** by telling us once, through natural processes.	**More time to grow my savings** by having integrated digital solutions which save time.	**Make it easy** by telling government once, through natural systems where possible.
My circumstances are understood with tailored engagement and services based on behaviour and choices.	**More time for business** through integrated digital solutions between ATO, tax agents and business.	**By being open about my affairs, I know where I stand** and the transparency of affairs allows the ATO to help clients and tailor services.	**We know where we stand** through regular and purposeful engagement.	**More time to run my charity** by having the right services when needed.	**One place to interact** with a single and secure entry point for online government services and information.	**Make it easier** with software solutions that seamlessly interact with the ATO and government.	**Getting what I need when I need it** so information and advice is timely and tailored to circumstances.	**Minimise red tape** through streamlined reporting and administrative processes.	**More time for getting on with business** by managing obligations through integrated digital solutions.
Right tax at the right time through a personalised tax rate and withholding at source.	**Getting what I need when I need it** with service anytime.	**My circumstances are understood** with tailored engagement based on tax risk, including behaviour and choices.	**Our circumstances are understood** with tailored engagement based on business size, complexity and behaviour.	**My circumstances are understood** with tailored engagement that includes timely, proactive services.	**Make it easier** with integrated practice software which links to client's software and the ATO.	**Shared journey** by understanding operating environments and working together to capitalise on opportunities.	**The value of conversation** through excellent working relationships with the ATO, resulting in good outcomes.	**My circumstances are understood,** allowing tailored engagement as a result.	**Getting what we need when we need it** by having services available anytime.
A minimal touch through a streamlined tax and super experience.	**My circumstances are understood** with tailored engagement based on circumstances, behaviour and choices.				**My circumstances are understood** with tailored engagement based on circumstances and client preferences.	**Right people, right time** allowing for tailored engagement.			**Our circumstances are understood** allowing for tailored engagement.

Individual - Overview

The blueprint for the future tax and super systems is being shaped through ongoing consultation and co-design with the community, stakeholders and ATO staff. Final design decisions will be influenced by factors including legislative direction and finance.

INDIVIDUALS

These are the key features that will improve and transform the experience of the tax and super systems for individuals, making it easy for them to get things right and hard not to.

" For me, managing my tax and super is straight forward and I can access the services I need conveniently and at a time that suits me. "

Behaviours and values from a segment perspective:

Individuals know that their behaviour and choices will have consequences. If people do the right thing around their tax and super, their experience will be easier. If people choose to do the wrong thing, they can expect a firm response.

Better services across government:	**Make it easy:**	**My circumstances are understood:**	**Right tax at the right time:**	**A minimal touch:**
An individual profile	**Tell us once**	**Tailored engagement and services**	**A personalised tax rate and withholding at source**	**A streamlined tax and super experience**
I can engage with government and access coordinated government information and services through a single and secure digital entry point. My information and dealings are in one place. I know this profile helps me receive tailored services and saves me time.	I provide information to government once through my profile and government services are coordinated, to make it easy for me.	Communications, interactions and service offerings from government are tailored to my circumstances and my behaviour. I know what I need to do and what I am entitled to. I can choose self-service options if I prefer.	My tax and welfare position is adjusted through the year as my circumstances change to minimise end-of-year surprises.	Managing my tax and super is simple as most of the information is provided by others, eg to pre-fill my return. The system is automated which minimises mistakes.

This means:	**This means:**	**This means:**	**This means:**	**This means:**
• The community sees the value of engaging with government digitally, linking relevant agencies to their profile. • Profiles and services are easily accessible across various devices and platforms. • Clients can easily authorise others to act on their behalf via their profile, eg agent or spouse. • Investment to support digital engagement for those unable or who need help to transition. • Simple, secure access and information is stored in one place. • The ATO uses information and technology to prevent issues with identity and refund fraud. The community protect their identity and personal information and expect advisors, service providers and government to do the same.	• The community accepts information sharing across government where necessary for improved services or integrity reasons, and a law change will be needed. • Investment in knowledge, technology and process to share information across government. • Cooperation, collaboration and information sharing across domestic and international government agencies. • Staff have a whole-of-government awareness for a client, where needed. • The tax and transfer system is coordinated. • Preferences for super funds are recorded once on an individual's profile and pushed to employers.	• Easy to find clear and accurate information when needed, eg on ATO website, decision support tools – generally self-service but also the ability to communicate with someone if needed. • Community acceptance of being pushed information to help them get things right, eg being informed they are approaching super contribution caps. • If people get into financial difficulty, they can contact the ATO to discuss their circumstances and available options. • Create an environment so people are confident that the ATO deals with unintentional mistakes in a sensitive and pragmatic manner. • Staff are skilled in excellent service to get the right outcomes. • Interactions are based on behaviour and choices, and when identified as abusing the system, individuals are dealt with firmly.	• Community values moving towards a more accurate tax position throughout the year, to minimise debt and refunds. • Improvements to the Pay As You Go Instalments (PAYGI) experience. • ATO proactively assist where there are obligations across multiple jurisdictions. • To enable personalised tax rates, there will need to be uptake of digital solutions by withholders enabling event based reporting for tax and super, eg single touch payroll. • Automated capability for ATO to calculate and notify personalised tax rates to withholders. • Appropriate tax outcomes, including more accurate withholding, for people with multiple employers.	• Expansion of simplified *myTax* experience for all individuals. • The ATO proactively informs individuals of deductions specific to their circumstances. • Community acceptance of identity and data matching within government and entities. • Law change to support information gathering/matching, timely reporting and/or later lodgment. • Law change to facilitate minimal or low touch return experience, where appropriate. • Expanded data matching. • Capability to capture and pre-fill deductions and other details, eg rental properties. • Certainty is provided around tax and super affairs in a timely manner.

Small Business - Overview

The blueprint for the future tax and super systems is being shaped through ongoing consultation and co-design with the community, stakeholders and ATO staff. Final design decisions will be influenced by factors including legislative direction and finance.

The experience for **small business** builds on the interactions outlined in the **individuals** experience.

SMALL BUSINESS

These are the key features that will improve and transform the experience of the tax and super systems for small business owners, making it easy for them to get things right and hard not to.

" Because many of my tax and super interactions are automated, I have more time to run and grow my business. "

Behaviours and values from a segment perspective:

Small business have confidence that everyone pays the right amount of tax and meets employer obligations, and this influences them to do the same. They understand the importance of making provision for their own super, and it's easy to do so.

Better services across government:	Make it easy:	More time for business:	Getting what I need when I need it:	My circumstances are understood:
A single and secure entry point	**Tell us once**	**Integrated digital solutions**	**Service anytime**	**Tailored engagement**
I can engage with government and access coordinated government information and services through a single and secure digital entry point. My information and dealings are in one place.	I provide information to government once through my profile and government services are coordinated, to make it easy for me and to minimise red tape.	I can easily fulfil my tax and super obligations through integrated software/digital solutions and event based reporting, leaving me with more time to run my business.	I can access information and services in a way, and at a time that suits me.	Communications, interactions and service offerings from government are tailored to my circumstances, behaviour and choices.

This means:

- Building on the myGov platform, there is one point of entry for linked individual and business accounts.
- Simple, secure access which is easy to set up and use.
- Business can easily authorise others to act on their behalf through their profile, eg agents.
- Profiles and government services are easily accessible.
- Investment in technology and processes to support digital engagement.
- The ATO uses information and technology to prevent fraud. Business protect their information, and that of employees and expect advisors, service providers and government to do the same.

This means:

- There is a single point to access and provide information for all government requirements, including starting a business and registrations.
- Business understands and accepts information sharing across government where necessary for improved services and integrity reasons.
- Cooperation, collaboration and information sharing across domestic and international government agencies.
- Staff are aware of the broader obligations on business and services provided across government.
- Business deals with all layers of government and interactions are integrated for business, eg working with state government for business licencing.

This means:

- Use of integrated software and digital record keeping that suits their circumstances.
- Streamlined process for new employees, eg automatic notification of TFN and super choices.
- Uptake of digital solutions to streamline payroll functions, eg management of personalised tax rate for employees, and super obligations.
- Support for contractors to help manage their tax obligations.
- Business returns are tailored based on their circumstances. Digital solutions complete most of the return for business.
- The ATO notifies a business of info/data they may have received through others, eg investment income.
- Event based reporting, with option to pay at the time of the event, to manage cash flow and avoid debt.

This means:

- Communications are relevant and easy to understand. Business knows what to do.
- Easy to find clear and accurate information when needed, eg whole-of-government website, decision support tools, and the ability to communicate with someone if needed.
- Show us how – assistance is real time for the business and support is provided to help manage change and help get things right.
- Self-assist information is accessible across devices and platforms.
- Access to support outside business hours.
- Development of more decision support tools to help business get things right.
- Staff have a holistic view of the business and interactions are timely, efficient and sensitive to the impact on the business.
- Business is supported to engage with government in a digital manner that suits their circumstances.
- Government understands that business are evolving in a global and digital world, and will evolve with them.

This means:

- Data services/analytics are used to provide tailored services, proactive assistance and detect and deal with those not doing the right thing.
- ATO assists to manage tax and super obligations by providing helpful tools and timely reminders that are integrated with my software.
- The ATO works with business who have cash flow issues to provide a solution that is tailored to their circumstances.
- Business has certainty of their tax and super position so they know where they stand. The ATO is transparent about how it views the business' behaviour, and the business is transparent about its affairs.
- The ATO identifies business who are abusing the tax and super systems and deals with them.
- Audit interactions are timely and sensitive to the impacts on business.
- In the event of an issue or dispute, there is early engagement to resolve this and there is support for the business through this process.

Tax Agents - Overview

The blueprint for the future tax and super systems is being shaped through ongoing consultation and co-design with the community, stakeholders and ATO staff. Final design decisions will be influenced by factors including legislative direction and finance.

The experience for **tax agents** builds on the some of the key interactions outlined in the **small business** experience.

INTERMEDIARIES
TAX AGENTS

These are the key features that will improve and transform the experience of the tax and super systems for tax agents, making it easier for them to run their practice, and for their clients to get things right and hard not to.

> " I help make the system work. I work closely with my professional associations, the ATO and my clients, and adapt my business and services to the changing environment. "

Behaviours and values from a segment perspective:

As partners in tax and super administration, we have a significant role in contributing to the effectiveness and efficiency of, and building confidence in these systems.

Partners in the tax and super systems:	**Adapting to change:**	**One place to interact:**	**Make it easier:**	**My circumstances are understood:**
Excellent working relationships	**An evolving business model**	**Single and secure entry point**	**Integrated practice software**	**Tailored engagement and services**
I have an excellent working partnership with the ATO and work together in supporting the tax and super systems, and influence compliant behaviour.	My practice adapts to the changing environment and changing needs of my clients.	I can engage with government and link clients to my practice through a single and secure digital entry point.	I can easily fulfil my clients' tax and super obligations through integrated practice software which links with my clients' software and the ATO's software.	Communications and service offerings are easy to understand, timely and tailored to my circumstances and preferences, and those of my clients.

This means:

- There is a relationship model focused on practice based support.
- Agents have a role in raising their client's awareness and their understanding of their domestic and international obligations and entitlements, and assisting those who need to manage outstanding obligations.
- Communications are relevant, easy to understand and can be tailored and shared with their clients, eg changing laws.
- Through professional associations there is consultation, as appropriate, in the development of legislative and other change. Agents are provided with timely advice and the certainty they need to implement changes and consider impacts on their operations and those of their clients.
- ATO staff have a holistic view of the agent position and focus on working together for the right outcomes.

This means:

- There will be varied roles for tax agents in the future to provide additional assurance or advice capability on behalf of the ATO, eg being able see how much clients owe and the ability to set up payment arrangements.
- Digital environment reduces high volume services and allows tax agents to focus on broader services.
- ATO keeps pace with changes to contemporary business practices and their operating environment.
- Information exchange is more efficient as the agents' software is connected to their clients' software and to ATO software.
- Client based permissions allow portability of historical records and advice included in their individual profile.

This means:

- Profiles and government services have simple, secure access, available across devices/platforms.
- Information on tax agent obligations is in a single place, including links to the Tax Practitioner Board (TPB) and professional associations.
- Clients authorise their agent to act on their behalf and assign access to their profile. Agents can easily assign or withdraw access for staff within their firm.
- Both agents and their clients will have access to ATO advice and information through the client profile.
- Everyone has some responsibilities around identity protection, eg the community protect their information, government protects the information of the community and agents are expected to do the same for their clients.

This means:

- SBR enabled practice software allows agents to connect with their clients, the ATO and across government.
- Agents experience the benefits of using integrated practice software to deliver improved services for their clients.
- ATO works with agents to support clients to transition to digital solutions.
- Clarifying the important role around input of data and quality assurance on behalf of clients.
- Software developers meet the requirements of agents and their clients and work with the ATO and professional associations to develop solutions that benefit all.
- All services and interactions will be digital.
- Proactive alerts to agents on availability and performance of systems.

This means:

- Easy to find, clear and accurate information when needed, eg on whole-of-government website, decision support tools, and the ability to communicate with someone if needed, eg through web chat.
- ATO works with agents to deliver the experiences for other segments, eg complex advice to provide certainty.
- Access to support/advice outside business hours.
- Self-assist information and services are accessible across devices and platforms.
- ATO staff with whom the agent interacts have authority to make decisions.
- The ATO is transparent about how it views the agent's behaviour and that of their clients.
- Interactions are timely and sensitive to the impacts on agents and their clients, eg audits.
- Agents and ATO staff work together to resolve concerns or disputes in a timely manner to achieve pragmatic outcomes.

December 2016

Appendix 2

ATO Digital Strategy

This strategy describes how the ATO will use digital services in the administration of tax and superannuation in Australia.

Australian Government
Australian Taxation Office

JS 37874

Digital services will be integrated into the systems and practices used by the community in their everyday lives and businesses.

This strategy will be delivered and maintained in line with the ATO's strategic direction, the Reinventing the ATO Program Blueprint and the government's Digital Transformation Agenda.

Digital Ecosystem

People have changed how they interact – connecting **anywhere, anytime** using a variety of devices and channels. They might not know it, but they are already part of a **digital ecosystem**.

Every connection within a digital ecosystem is a flow of information and each part plays an important role in order for the ecosystem to function as a whole. Emerging and changing trends in technology will drive the evolution of our digital ecosystem – from the services we provide, the channels we make available, to the accessibility of these from current and future devices.

Future success will be dependent on identifying the real needs of all clients (taxpayers and their representatives, including intermediaries), partners (eg government agencies, intermediaries, third party service providers) and staff. Existing partners are expected to evolve their offerings to meet customer expectations and new digital solution providers will emerge with the ability to think and act differently. This will lead to services and functions being delivered differently as innovative approaches disrupt and transform the ATO's traditional business model.

It is critical that we continue to consult and work collaboratively to ensure that our services, channels and content remain contemporary and meet changing expectations.

In 2015[1]

1 *Digital Australia:*
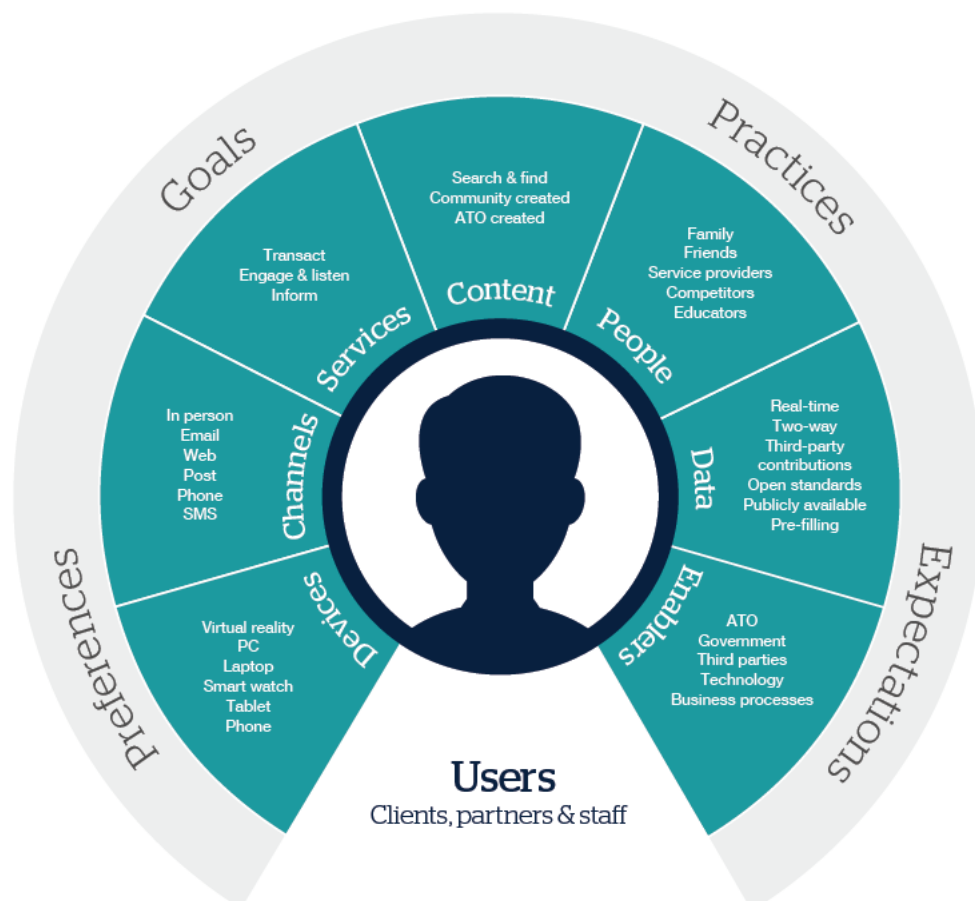 *State of the Nation,*
  2015, EY Sweeney

81% of Australians used social media

91% used online banking

91% transacted online at least once a year

Current state

Our digital service offer has evolved, but our current state is still characterised by **multiple, inconsistent, duplicated and disconnected** services.

Currently our services involve numerous touchpoints and are not tailored to the needs of each client. This creates unnecessary friction, impacting the client experience journey. As a result, there are administrative costs incurred by clients when trying to comply with government regulations. This reduces the effectiveness of relationships with clients, partners and the ATO.

We need to streamline and simplify the touchpoints as part of the holistic client experience journey. This will allow our clients to move easily between all services, and for their representatives to act efficiently on their behalf. We can dramatically reduce compliance costs by improving the digital experience for those who want to get it right.

In 2015, annual savings identified included:

Expanded pre-filling of income tax returns	**Enhancing ATO Online services for individuals & sole traders**	**Improving communications to SMSF trustees through ATO website and ATO App**
$148m	$109m	$16m
(Estimated ongoing annual savings) [2]	(Estimated ongoing annual savings) [2]	(Estimated ongoing annual savings) [2]

2 *Annual Red Tape Reduction Report 2015*, Appendix B.17 Treasury.

What we have heard...

Feedback from the community and staff has directly informed the development of our Digital Strategy and priority areas of focus.

'The idea of a single place to manage my dealings and interactions with government is great, it just needs to be easy and secure to access'

'I'm ok with the idea of sharing data digitally with the ATO but I want control, I also need certainty over the privacy of that data – what data is being shared, who else are you going to share it with and for what purposes.'
– **Businesses**

'I want to be able to see and track the whole of client experience.'
– **Staff**

'Provide me with the technology I need to get the job done.'
– **Staff**

'Any change to existing systems needs to incorporate a value proposition to each stakeholder.'

'Show me how, don't just tell me the rules!'

'I want to interact with a real person if I have a complex issue.'

'Tax is confusing, so make it as simple as possible to get things done so I have certainty and confidence.'

'Technology should reduce the time and the amount of 'drudge' work for clients and their agents, so they can just get it done.'

'Everything is already going digital, when I deal with my bank I see everything I need on one page.'

'I want to choose where my correspondence and other messages are sent, including who they are sent to.'

'I want to access and lodge all forms online.'

'Improve the access and availability of ATO systems.'

'Our role is changing. We are now more technical and reviewers of information… Everything is automated. We must change with it.'
– **Intermediaries**

'I want to see what the client can see.'
– **Staff**

'Make it quick and easy to find information on the ATO website, and personalise it as required.'

Future design

The ATO will integrate taxation and superannuation services into the broader digital ecosystem, leading to increased confidence and trust.

As a data driven organisation, we will make it easier for the community to participate and comply by simplifying and automating interactions to reduce red tape.

In the future

■ Our digital services will be able to be embedded in the day-to-day natural systems of our clients or their representative.
■ Client information will be exchanged automatically and in real-time.
■ Our staff will be supported to broaden their digital and business capabilities to optimise their performance.
■ A client's overall taxation and superannuation position will be known and visible on an ongoing basis.
■ We will be able to identify early when a client needs help with their taxation and superannuation obligations.
■ There will be minimal need to report or transact with us directly.
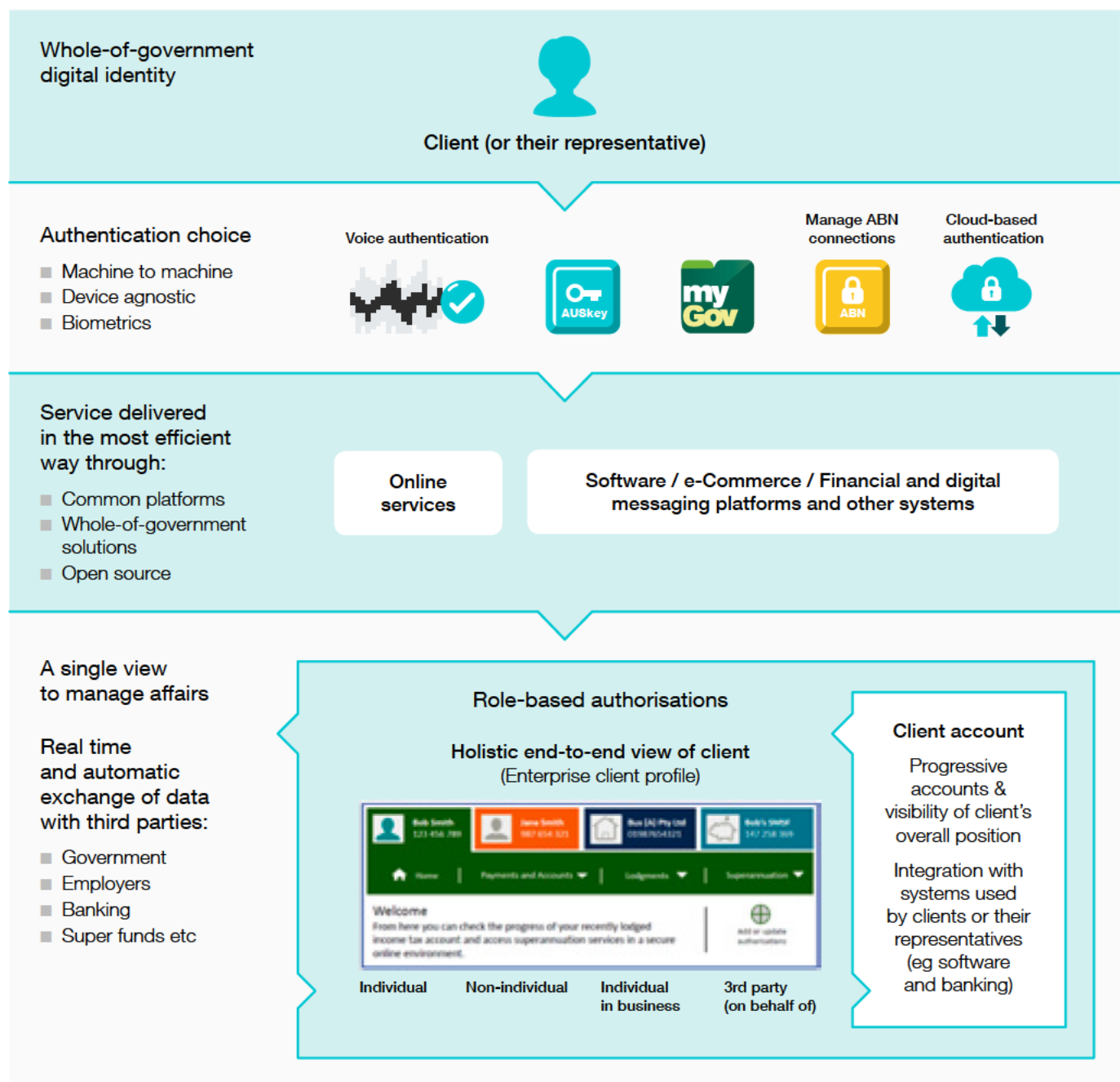
Future experiences

Through the design and delivery of new digital services for clients and staff, we will work with our partners to create the future experiences described in the ATO's Reinventing blueprint.

We respect that clients have a choice about how they manage their affairs, either by doing it themselves or via a representative, including an intermediary.

We will respect their choice and work with our partners to foster a strong relationship and provide high-value service offerings.

Individuals

For those who choose to prepare their own return, myTax will continue to evolve to provide streamlined pre-filled assessments, expanding to a 'push' tax return for certain taxpayers, eliminating their need for lodgment.

As more comprehensive data on individuals' income and deductions is captured in real-time, the option to develop a progressive variable tax withholding rate will be explored.

Businesses

Business owners will have a streamlined registration process and access to a secure whole-of-government account with a digital mailbox and a 'tell us once' feature (as individuals already do with myGov).

Business owners will be able to access contemporary, digital services from any device and manage third party authorisations at a whole-of-government level.

Businesses will transition to event-based reporting to government, which will be automated via integration with their natural systems (eg via software).

Super funds

Super funds will be able to use new digital services so that more of their obligations can be managed electronically.

By delivering integrated services (eg via SBR*-enabled software), the timeliness of processing rollovers and contributions will be increased, with data for employees, employers and funds improved through real-time validation.

Tax practitioners

Tax practitioners fulfil a critical role in the tax and super systems.

We will provide products and services that will integrate with their systems and make more data available to allow them to be more productive.

Cloud authorisation and SBR-enabled practice management software will enable tax practitioners to work anytime, anywhere in a cloud-based or hosted solution. We are improving the ability for tax practitioners to authorise their staff to provide services to clients on their behalf.

Software developers

We will work closely with developers to implement solutions that make fulfilling tax and super obligations easy for users and a part of core business activities.

All services and interactions will be digital and utilise SBR-enabled technology and infrastructure. This will enable businesses and tax practitioners to connect with the ATO and across government.

Staff

Staff will be able to experience the digital services we offer from the client's perspective and will be able to connect with clients via new tools such as web-chat and co-browse. They will be supported to perform their roles in a more dynamic environment with access to tailored workspaces, tools and services.

As more of our repetitive, simple transactions are automated through self-help digital services, our staff will be supported to action other high-value work – including the provision of digital client assistance and the design of new digital services. Staff will be encouraged to identify new ideas for digital enhancements and where practical, will be involved in testing new tools and services.

* SBR – Standard Business Reporting

Business Elements

There are six principles that describe how our services will be designed, built and delivered. These principles apply to services we develop for both clients and representatives acting on their behalf. Our services will also comply with the Government's Digital Service Standard.

Design for digital

Services are digital by default, with alternative options for those who can't transition

Excellent service

- Clients will be able to self-complete transactions in real-time, without necessarily needing an operator and without generating any back-end work requiring manual action.
- We will provide real-time confirmation messages upon completion of a digital service.

Service delivered in the most efficient and effective way

- By default, services will be delivered via digital channels end-to-end (ie both inbound and outbound components).
- We will utilise and expand our use of various digital channels for outbound messages (ie SMS, email, digital communications, social media) and will default to whole of government mailbox solutions as they're developed (eg myGov for individuals).
- We will design for choice and cater for a range of contemporary preferencing options, so clients can choose the digital destination for outbound messages (eg which may be their representative receiving it first, on their behalf).
- We will support development of alternative secure options that make information available on a 'push' or 'pull' basis (eg via software).

Simple and holistic

Clients can do everything they need in one place. Their experience is consistent

Excellent service

- We will integrate with and support whole-of-government solutions as they become available; we will not build standalone alternatives.
- Clients will be able to manage their individual, business and other affairs either together or separately, or nominate someone else to do so on their behalf.
- Experience will be consistent, regardless of entry point.
- We will build connected services so that clients only need to do things once.
- Our services will provide seamless connections to the next activity a client may need, so they can do what they need without navigating elsewhere or starting a new interaction from scratch.
- Secure digital communications connect to related digital services.
- Client representatives will be able to receive or access communications sent for their clients.

Leveraging data

Data is collected in real-time, to tailor and streamline obligations

Easy to get things right

- We will maximise our use of data for pre-fill purposes, making it as easy as possible to comply.

Tailored experience

- Based on the information we hold about a client, we will differentiate and tailor the presentation layer.
- Clients will retain visibility of their data. We will share the information we have of the client and expose their full position.
- Staff will have better access to whole of client insights and information required to provide more holistic client services.

Service delivered in the most efficient and effective way

- We will use risk-based data analytics to drive design and delivery of the right service, at the right time.
- We will standardise and simplify reporting so information can be automatically and seamlessly transmitted to us via third party systems (eg software) and across government.
- We will enable the collection of data over shorter time periods, as close as possible to the actual event (eg real time); where practical, this may eliminate the need for the client to initiate their own lodgment and/or payment.
- We will support a wide range of languages and formats to facilitate optimum delivery.

Our services will provide a digital experience end to end, facilitating the seamless exchange of data to make it easy to comply.

Secure, accessible and available

Clients easily access the services they need, within a protected environment

Excellent service

- Clients will be able to interact seamlessly across channels and roles, based on authorisations linked to them as individuals.
- We will introduce and expand new, secure ways to easily access our services (eg voice authentication).
- We will lead work to rationalise how authentication and authorisation is managed across government, including reducing the reliance for business clients on AUSkey when accessing digital services.
- Services that enable clients to self-serve will be available 24/7.
- Service will be delivered in the most efficient and effective way.
- We will transition our high volume/high value legacy portal services into modern platforms and redesign where possible.
- By default, services will be device agnostic.
- We will migrate our applications to cloud computing platforms where it makes sense to do so.
- We will continue to invest in ongoing enhancements to our website.

Integrated delivery

Services are seamless, connected and support a whole-of-government approach

Easy to get things right

- We will integrate services within the systems our clients use, to help them get their transactions right the first time.
- Service will be delivered in the most efficient and effective way.
- Together with our partners we will determine the most effective way to support client practices and workflows.
- By default, we will develop rich Application Programming Interfaces (APIs) to enable integrated and innovative service delivery by third parties to foster the digital economy and optimise cost and compliance outcomes.
- To protect the reputation of the tax and super systems we will address any shortfall in the market with basic, cost effective services.
- We will continue to provide high quality services for self-preparers with simple affairs.
- All our services (direct or third party) will connect to the same backend systems and leverage a common platform.
- Staff will follow streamlined, integrated work practices and processes that support integrated and whole of government service delivery.
- Staff will have contemporary, flexible and collaborative work environments where needed (inc. working arrangements and tools) to support future work requirements.

Transition and support

Clients and staff receive the assistance they need to confidently use our services

Excellent service

- Staff will have access to systems and tools that are designed with the same look and feel as the services our clients use.
- We will provide ongoing information, training and development to our staff to ensure we have an engaged, skilled and productive workforce.
- Our staff will have an enhanced visibility of a client's history and channel usage to be able to drive conversations to support the transition to digital.
- As more self-serve digital services are released, we will shift staff to provide support for other core functions and services (eg data analysis, promotions and marketing, compliance etc).
- We will continue to collaborate with our partners and keep them informed so they can promote and support our services and potentially deliver them on our behalf.

Fair and respectful treatment

- We will provide clients with the time and support they need to learn and grow confident in using our digital services.
- We will maintain and support alternative channels for those clients who cannot transition.

> Clients will be able to interact seamlessly across channels and roles, based on authorisations linked to them as individuals.

Priority themes

To evolve our digital offering we listened to what our clients, partners and staff want and expect when participating in the taxation and superannuation system. We have categorised these as priorities under themes of work that will target different aspects of the digital experience for clients and their representatives.

Improve identity and security

Trusted and secure digital identity solutions and technology

- Develop new solutions and technology so clients and their representatives can seamlessly transact across all their roles and services without the need to prove their identity again.
- Deliver a whole-of-government authorisations model where clients can manage their relationships in a common, convenient, straightforward way.
- Build and adopt a secure suite of credentials for clients to choose from that they can use from any device. For business clients, this includes developing solutions to reduce the reliance on AUSkey.

Build contemporary online tools and services

Faster, easier, convenient services for everyone

- Make end-to-end digital services available for all high volume transactions.
- Expand our offer of mobile optimised services.
- Transitioning outbound components to digital delivery.
- Build an online environment where clients can manage all of their roles in one place.
- Transition portal services to contemporary platforms.
- Continuously improve our website.

Integrate with natural systems

Streamline and embed our services into the systems our clients use everyday

- Facilitate seamless transactions between individuals, government, and businesses by embedding our services within the systems our clients use day-to-day (eg software, banking, point-of-sale).
- Streamline and automate reporting obligations, integrating the collection of data and making it easier for clients to complete reporting obligations (eg payroll events).
- Explore opportunities to leverage from new and emerging technologies.
- Work with third parties to improve access, frequency and integrity of data sources.

Establish the foundations for a progressive client account

Improved visibility of a client's overall tax and super position

- Explore opportunities to use data to provide greater visibility and understanding of a client's overall tax position at any point in time for individuals and businesses.
- Work towards facilitating real-time reconciliation of tax, super and other obligations on a progressive basis.

Support clients to transition

Provide tailored assistance and support to go digital

- Support clients, partners and staff by providing tailored guidance and assistance including showing them how to use our digital services.
- Provide clients with self-help tools that help them to navigate and use our services.
- Progress law change so all clients able to transact digitally are required to do so.
- Support clients that are unable to transition.
- Connect our staff with technology that simulates the client experience.
- Provide our staff with ongoing training and knowledge in the use of our digital services and channels.
- Equip our staff so they can understand and quickly respond to the demands of our clients and provide them access to the right digital services, products and tools to achieve their best.

Stabilise our environment

Provide reliable, secure systems for all internal and external platforms

- Strengthen and mature our hybrid cloud infrastructure and systems to ensure security and reliability of services, safe data storage availability, and prompt service.
- Reinforce and boost capacity, improve redundancy and address barriers to system availability.
- Invest in appropriate back-up and scalable solutions to maintain continuity of service and sustain fluctuating volumes.
- Transition our services from legacy to contemporary platforms.

The programs of work will continue to be informed by the priorities identified in the 4 Year Client Experience Plans, developed as part of the ongoing Reinvention Program.