



10 March 2016

Committee Secretary
House of Representatives Standing Committee on Tax and Revenue
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Committee Secretariat,

Re: Inquiry into scrutiny of the Tax Office

We would like to thank the Committee for the opportunity to participate in this inquiry.

H&R Block is Australia's largest firm of tax accountants. Operating from over 450 offices nationwide and preparing tax returns for over 750,000 people, H&R Block is responsible for preparing over 6% of the total number of individuals' tax returns submitted every year.

This scale and breadth gives H&R Block a unique insight in the operation of the tax system as it applies to individuals. Increasingly, we are helping small businesses too, aiding them to navigate their way around the challenges of the tax system.

Perhaps more than any other tax or accounting firm in Australia, we can claim to be truly in touch with the views of ordinary taxpayers.

We welcome this Inquiry "to inquire into the scrutiny arrangements that apply to the Australian Taxation Office (ATO), with particular regard to:

- Removing inefficiency and duplication;
- Reducing cost to government
- The 'earned autonomy principle' set out in Stage 2 of the Public Management Reform Agenda."

We would welcome the opportunity to discuss this submission with the Committee. Please contact Mark Chapman on [REDACTED] or [REDACTED] if you require anything further.

Summary

We do not accept that the current level of scrutiny into the Australian Taxation Office is inappropriate.

The ATO plays a key role in the life of every Australian – individuals as well as businesses - and it is therefore essential that the ATO is scrutinised efficiently and effectively. The current mechanisms in place, in particular the highly regarded work of the Inspector-General of Taxation, are essential to maintaining good administration, building accountability and ensuring public confidence in the system.

Removing inefficiency and duplication in the system

We do not accept that the ATO is excessively scrutinised compared to other government agencies. Indeed, given the role of the ATO in the lives of over 20 million Australians, a good case could be argued that the ATO is different to other government agencies, which often have a lower profile role in day to day life, and that that special status should mean that the ATO should be scrutinised *more* than it currently is. Certainly, this is a proposition that those taxpayers who have been the victims of poor administration by the ATO, would no doubt agree with.

It is essential that the way the ATO administers the system is efficient but in order to ensure that the ATO is actually performing efficiently, it is also essential that there is independent scrutiny of the way the ATO works. We would note that the work of the Inspector-General of Taxation routinely identifies areas of poor or inefficient administration and recommends improvements which are in the interests of all taxpayers. That role should not be curtailed.

We have not previously been aware of any concerns that there is inefficiency and duplication in the scrutiny of the ATO. As recently as 2014, this Committee (in its review of the 2013 Annual Report) noted:

“The Committee would note, however, 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.”

That is a view with which we concur and we also note that the role of the Ombudsman in relation to the ATO is now taken by the Inspector-General of Taxation, about whom the Committee notes:

“The main difference between most agencies and the ATO is that it has its own Inspector-General. In this respect, it is similar to the intelligence and security agencies, and defence agencies, which also have an Inspector-General. Once again, this reflects their importance.

Reducing cost to government

Whilst we have no doubt that the ATO expends considerable resources in servicing the needs of the various scrutineers, our view is that this is money well spent because by improving the tax administration in line with the recommendations of scrutineers, the ATO builds long term efficiency and effectiveness into the system. In short, this is a classic case of spending to invest.

We also note in passing that the relatively limited resourcing which we as an organisation spend on dealing with scrutineers also delivers dividends to our organisation and the taxpayers we service

through the resolution both of individual taxpayer issues and systemic irritants in the tax administration system, which would otherwise not be fixed absent the attention of scrutineers.

The 'earned autonomy' principle

Broadly, the 'earned autonomy' principle is based on the concept that high performing organisations which demonstrate positive outcomes are rewarded with less rigorous oversight. Whilst recognising that such a concept may be appropriate in some government agencies, we are not convinced that the agency which manages the whole federal tax system and therefore plays a key role in the lives of every Australian, should be one of them.

Certainly, we do not believe that the overwhelming bulk of taxpayers would believe it to be in their interests for the ATO to be subject to less rigorous oversight. In an organisation the size of the ATO and with the legal powers of the ATO, many would see such a path as highly inappropriate and an abdication of the requirement to maintain accountability to taxpayers.