Australian Government

Australian Government response to the
House of Representatives Standing Committee on Tax and
Revenue report:

2016 Annual Report of the Australian Taxation Office –
Performance Review 2015-16

October 2017

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON TAX AND REVENUE

2016 ANNUAL REPORT OF THE AUSTRALIAN TAXATION OFFICE – PERFORMANCE REVIEW 2015-16

Government Response

Recommendation 1

The Committee recommends that the Australian Taxation Office (ATO) report on:

- the ratios of staff deployment in person to person advice, both telephone and in community outreach, compared with online delivery and maintenance, relative to each business line;

- the investment in training, and the nature of training, for staff who have a direct engagement with taxpayers; and

- the extent to which the ATO is using contract staff and volunteers, their training and contracts of appointment.

Agree.

The ATO will report on this information to the extent that it is possible based on the data that we collect.

Recommendation 2

The Committee also recommends that the ATO:

- provide total cost figures for deployment of staff across all ATO service bands to allow for a cost benefit analysis by business function ; and

- advise on any comparative analysis that has been done on the outsourcings of particular business lines.

Part a - Noted.

The ATO is committed to moving towards a more fully digitised agency in alignment with community and contemporary expectations. Many of the activities performed by ATO staff include combinations of elements that could be defined as online services and innovation, and person to person engagement. ATO systems do not currently capture the cost of these elements separately.

The ATO has refocused its strategies towards prevention before correction activities including, where suitable, increasing access to online services and digitisation.

The ATO will continue to monitor the take-up of its digital services and transition activities to evaluate and adjust its future service offering in line with community expectations.

Part b - Agree.

The ATO will report in our next submission to the Tax and Revenue Committee on any analysis that we have undertaken regarding outsourced services.

> ## Recommendation 3
>
> The Committee recommends that the ATO in its Annual Report tabulate progress of the digitisation of ATO's services from conception to current status, with information on how the ATO is tracking against original delivery targets

Agree.

The ATO will report progress on our digital strategy in the 2017-18 Annual Report.

> ## Recommendation 4
>
> The Committee recommends that the ATO should further invest in data analytics and auditing to promote the integrity of the tax system and work with the Department of Human Services and other agencies to enhance the auditing and review of apparent discrepancies identified through data matching.
>
> The Committee also recommends that the ATO should ensure there is adequate telephone support provided, particularly in peak times or when there is a disruption to online services.

Part a – Agree.

We continually work with other government agencies to share data, intelligence and expertise and have formal agreements to exchange information with them through memorandum of understandings which are regularly reviewed. The ATO also has an initiative to optimise cross agency data management and a strategic data sharing program of work with the Department of Human Services which will assist in establishing a model framework for other government data sharing arrangements.

The ATO's Smarter Data Program continues to review, assess and, appropriately invest in contemporary data analytics technology consistent with the Digital Transformation Agency guidelines. Central to our approach is managing data as a strategic asset by focussing on data integrity, quality and timeliness.

Part b - Agree.

We already use a variety of strategies to ensure we have appropriate staffing for peak periods and to support periods of disruption to online services. Where there is a disruption to online services we aim to provide effective communication about the return of service availability and encourage access via the online channel when it is available.

Recommendation 5

To provide greater certainty to Australian taxpayers, the Committee recommends that the ATO develop best practice benchmarks for measuring and reporting on the security and functionality of its online systems in its Annual Report.

Agree.

The ATO will report on the security and functionality of our online systems in the 2017-18 Annual Report.

Recommendation 6

The Committee recommends that the ATO, to improve certainty and reduce business impacts on tax agents, should publish on the Tax Agents Dashboard:

- a projected schedule and service updates on enhancements to the Practitioner Lodgement Service and corresponding changes on the Electronic Lodgement Service as an ongoing feature, with

- advice on the timeframe and milestones for launch of the additional lodgement gateway for 2017 tax time and its functionality thereafter.

Agree.

Currently we have a Tax Agent Portal Dashboard and have commenced designing with software developers a Practitioner Lodgment Service Dashboard to complement this. Similar to the current Tax Agent Portal Dashboard it is expected to provide real time information on current system availability, information on planned maintenance and historical measures of performance.

A second Practitioner Lodgment Service gateway is now in production with one software developer successfully transacting through it. Plans are for other software developers to progressively make the transition to utilise this second gateway in the remaining months of 2017.

Closure dates for ELS forms have been communicated on the ATO website and by software developers. As new PLS features are developed and tested by software developers they will inform their tax practitioner customers of the enhancements and a central register of available services in different software is available on the sbr.gov.au website.

Recommendation 7

The Committee recommends that the ATO continue to invest in community outreach and assistance programs such as the ATO Fix-It Squads and Agents Visit Program beyond system development for consultation and ongoing refinement of user friendly digital service systems for the small business sector.

Agree.

We continue to invest in various community support programs so that small businesses feel they are engaged and supported and so they understand their tax and super obligations. Critical to this is ensuring that we provide access to practical assistance tools, such as the Cashflow coaching kit and My Deductions on the ATO app. Supporting new small businesses is a particular focus area,

and we are working with partners in the system to support this approach. Where stakeholders identify administrative blockers, we will look to address these in a timely manner; Fix-it squads are one way to do this.

We will continue to use a range of programs such as open forums, professional association discussion groups, webcasts, speaking events, working groups and agent visits to consult, support and design together the systems and other services we provide to agents. We will also be continuing to develop opportunities to work with the tax professional associations and digital service providers in conjunction with the agents to deliver the right services through the most effective channels to meet their needs.

Recommendation 8

The Committee recommends that the ATO provide information in its Annual Report on:

- its trajectory and progress in the redesign of tax law to simplify compliance; and

- the number and timeliness of public rulings, issued and finalised, over the reporting period.

Part a - Noted.

The ATO is partnering with Treasury on policy analysis and law design. In addition to the steps taken to improve public guidance across the board, a law simplification unit has been established in Treasury using Treasury and ATO resources to examine opportunities to trim down the law and make it more direct and simple.

Part b – Agree.

The ATO will report on the number and timeliness of public rulings, issued and finalised in the 2017-18 Annual Report.

Recommendation 9

The Committee recommends that the ATO develop specific output targets for online services used by general taxpayers and by tax agents to benchmark the functionality of these services. The ATO should also include this benchmarking in its Commitments to Service Performance framework, and report outputs in its annual reports.

Agree.

The ATO is committed to providing reliable, stable and resilient IT systems that enable all Australians and tax practitioners to carry on with their everyday business. We will develop and report in the 2017-18 Annual Report on benchmarks that will improve the transparency of our commitment.

Recommendation 10

The Committee also recommends the ATO report against its fairness measures—on the basis of taxpayer and tax agent experience of the outcome; the process; the information provided; and interaction with staff—for specific business lines, including audit, advice and debt work, in its next Annual Report.

Agree.

The ATO will report the fairness survey results in the 2016-17 Annual Report.

Recommendation 11

The Committee recommends that, in the interests of fairness, the ATO should assess and issue automatic notices of assessment to non–resident tax payers with nil income.

Noted.

There are only limited circumstances when a notice of assessment (NOA) is not issued to an individual and a very small number of taxpayers are affected (less than 100). Currently ATO systems are not configured to issue a NOA automatically when a non-resident individual:

- only has income that is subject to foreign resident withholding, such as interest or dividends;

- an amount was not withheld by the payer or the individual wants to pay that amount themselves; and

- the individual has no other taxable income.

The ATO is considering what can be done to provide more certainty to these individuals. In the interim, taxpayers can request a nil NOA to issue if they have lodged a return declaring only the amounts that are subject to withholding tax and would have had withholding tax deducted if they were aware of their residency status.

Recommendation 12

The Committee recommends that the ATO, to better inform public and policy debate and increase community awareness, should publish in 2017 its revenue gap measures and report the total revenue gap estimate and assessments for different community sectors on its website as they become available, and in the 2016–17 Annual Report.

Agree

The ATO will continue to periodically refresh already published tax gap estimates, as well as release new estimates once we are satisfied they are reliable, credible and meaningful. We intend to report all released tax gap estimates in the 2017-18 Annual Report.

Recommendation 13

The Committee recommends that the ATO's Annual Report should include a more detailed differentiation of data on unrecoverable debt, including by distinguishing between the amounts of debt written off as unrecoverable at law or that is uneconomical to pursue

Agree.

The ATO will report in the 2017-18 Annual Report debt written off as unrecoverable at law and that which is uneconomical to pursue.

Recommendation 14

The Committee recommends that the ATO provide more detailed information in its Annual Report about its investment in compliance activity relative to revenue outcomes under debt recovery activities, for both funded pre-existing ATO activities and for indirect additional revenue commitments.

Noted.

The ATO is committed to providing detailed information in relation to compliance activities. The Annual Report currently provides information in relation to various aspects of tax compliance, including incorrect refunds prevented, liabilities raised and related cash collections.

The ATO is exploring and developing further tax compliance information measures with reference to the practical guide for development of measures of tax compliance published by the Organisation for Economic Co-operation and Development. The ATO will provide this further information when the methodologies are finalised and the results are reliable.