Question	AET 62
Topic:	Data matching-the broad picture
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Senator Murray asked

The second issue I wanted to pick up arising from your answer was in respect to the cooperation—I think it was a word you used—that is now established with all the states with respect to their registers of asset sales, particularly property sales. What form does that cooperation take? Is it simply a liaison or was it data matching?

> *Ms Granger—Yes, we are now data matching with all registers.*

Senator MURRAY—Across the board or are there any blank spots?

> *Ms Granger—No. My advice is it is now all states, yes.*

Senator MURRAY—Mechanically speaking, how does that automatically throw up potential noncompliance?

> *Ms Granger—In terms of the first cut that we do is we look to see where there has been a sale of property has there been a capital gain returned in returns. So we do direct data matching to our tax return database and obviously name and address matching to see if that is likely to be a principal residence or not. That is the very first cut of it but then we run a series of filters and you appreciate I do not really want to go into precisely what they are for high potential cases.*

Senator MURRAY—No, no. But there is an automatic throw-up or highlight of cases?

> *Ms Granger—Yes. And we are, of course, also interested in cases where we come across the names that do not appear in our tax return database as well and we are looking there to see if we have identified people who are not filing.*

Senator MURRAY—These are the double cunning?

> *Ms Granger—Yes.*

Senator MURRAY—Is the throw-up of interesting data from your perspective primarily at the individual level or at the organisational or corporate level?

> *Ms Granger—I am not sure exactly how much we have down in the corporate area. I would need to take that on notice. This program is more focused at small business and individuals, but I would have to check.*

Senator MURRAY—Rather than you attempting to answer specifics in my questioning, I would prefer you provide me back with a broad picture of it because otherwise you get parts of the picture. I am interested in a broad response?

> *Ms Granger—We can do that.*

Answer

The Tax Office commenced its large scale collection of property title transfer data in late 2004. The primary business driver for this exercise was to address, through data matching processes, risks in relation to capital gains tax reporting and revenue collections. It was recognised early in the process that the value of this data has much wider implications for a number of compliance areas across the Tax Office. This data is now being used by a number of areas within the Tax Office for other purposes, including projects centred on high wealth income individuals and other risk areas involving the disposal of assets.

Information from all relevant state and territory authorities[1] is being provided to the Tax Office on an ongoing basis. However, in respect of Western Australia, the Tax Office is currently negotiating with the Western Australian Land Information Authority to augment the data being supplied by the State Revenue Office.

Data is being provided for all transactions from 1 July 1999. In certain circumstances, data is also being sourced from as early as 1985, the year that capital gains tax legislation was first introduced.

The intention to undertake a long term data matching program, using this accumulated data, was first advertised to the wider community on 31 May 2005 *(Commonwealth of Australia, Special Gazette No. S 90).* The program was again advertised on 20 September 2006 *(Commonwealth of Australia Gazette No. GN 37).* As with all major data matching programs where personal information about individuals is used, data matching program protocol documents are submitted to the Office of the Privacy Commissioner for comment, prior to the commencement of each program.

State authorities have responded well to the Tax Office's requests in relation to this ongoing exercise, with data being refreshed on a twice yearly basis. A memorandum of understanding between the Tax Office and the State Revenue Offices has been amended to formalise the level of support being provided by the states. Regular meetings of the Australian Tax – Revenue Office Coordination Forum (ATRO) provide opportunities to discuss matters relevant to this ongoing relationship.

As data is received from each state authority, the Tax Office undertakes an identity matching process which is an essential element in gaining the assurance the Tax Office needs before taxpayer contact is initiated[2]. The data is then matched to internal information to identify potential discrepant cases.

Property data is currently being used for compliance activities associated with:

Individuals
- Capital Gains Tax – Undeclared and under-declared
- Undeclared rental income
- High Income and High Wealth Individuals
- Cash Economy – conspicuous consumption
- Capital Gains Tax - Implications for transfers to superannuation funds

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[1] New South Wales Office of State Revenue, New South Wales Department of Lands, Victorian State Revenue Office, Australian Capital Territory Planning and Land Authority, Australian Capital Territory Registrar General – Land Titles Office, Northern Territory Treasury, Northern Territory Department of Planning and Infrastructure, Northern Territory Registrar General - Land Titles Office, Queensland Office of State Revenue, Queensland Department of Natural Resources Mines and Water, Tasmania State Revenue Office, Tasmania Department of Primary Industries and Water, South Australia revenue Office, South Australia Land Services Group, Western Australia Office of State Revenue

[2] The Tax Office's ability to correctly identify a taxpayer is based on the quality of the information obtained from the data provider, the currency of data held internally and the capability of Tax Office systems to align the two. As such, not all information can be matched to a high degree of confidence.

- Non-lodgment of income tax returns
- Serious Non Compliance – Wickenby

Non-Individuals
- Capital Gains Tax – Undeclared and under-declared
- Over-claimed capital losses
- Stamp Duty – Corporate reconstruction exemption
- Property Development – GST avoidance schemes
- Non-compliance with Capital Gains Tax small business concessions
- Aggressive Tax Planning schemes

The real property data is also planned to be used as part of the Tax Office's expanded "Pre-filling" of electronic returns initiative for the 2007/08 year and onwards.