

# Additional Estimates Hearings

20 February 2008

## Commissioner Opening Statement

I am pleased to report that for 2006/07 we delivered to government revenue collections totalling \$248 billion. We also made substantial payments of almost \$67.9 billion in income tax refunds, GST input tax credits and \$9.3 billion in excise credits and social benefits.

The last Community Perceptions Survey found that 82% of people believe the ATO is doing a good job, a marked improvement on ten years ago when the same measure was 55%.

Substantial effort over the past year has been focussed on delivering on our transformational Easier, Cheaper and More Personalised program – our Change Program. Last year, we bedded down much of the second release of the new systems.

Recently, our focus has been on the preparation and implementation of the third stage of the Program. This will see the progressive introduction of integrated core processing to replace our current processing, accounting and registration systems. This is the most complex and inherently risky phase of our change program, and will require extensive business re-engineering and the retraining of our people and others.

Last week, I endorsed the introduction of the integrated core processing platform at Easter, but initially only for Fringe Benefits Tax. Deployment for Income Tax will happen later in the year, because our testing has not yet given us the appropriate level of confidence. Despite some minor productivity dips as we integrate systems, it is expected that this phase of the program will have minimal impact on the community.

We will continue with our intention to deploy for Superannuation in July and October this year, so as to support legislative requirements.

Other service improvements over the last year included upgrades to the business and tax agent portals which provide online access to the Tax Office for taxpayers and their agents. Almost 1.9 million people used e-tax to lodge returns in 2007. More self preparers now use e-tax than paper returns.

We further assisted individual taxpayers by pre-filling e-tax returns with information from third parties so that a taxpayer just needs to check, confirm or amend their return. For 2007 returns, we included bank interest and managed fund information from 24 financial institutions; share dividends from 2 major registries; payment information from the Department of Veterans' Affairs, Higher Education Loan Programme information from the Department

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of Education, Employment and Work Place Relations, and conducted a limited pilot making PAYG payment summaries available. We will do more for tax time 2008.

We are working on ways of providing better services for tax agents, and our surveys indicate that 78% of tax agents also believe that we are doing a good job – up from 39% in 2003.

For small business, we offer a Business Assistance Program. The Program provides practical assistance to business on start up and at other points of the business cycle, including information about our portals, and electronic record-keeping tool. Again our surveys suggest that 89% of businesses also believe that we are doing a good job.

For large business, we are encouraging the inclusion of tax risks within their risk management framework and governance processes.

We are on track to meet the commitments detailed in our publicly available Compliance Program and we are working to address the priority risks identified in our *Compliance Overview 2007-08*. While the level of outstanding debt remains a concern, we have significantly reduced its rate of growth.

We continued to support and invest in our people through an integrated skilling curriculum that ensures they have the training and support needed to do their work professionally and in line with our corporate values.

Over the past year we have successfully relocated over 20% of our staff to new environmentally friendly premises in Sydney and Canberra.

All this suggests an effective and efficient tax and superannuation administration. However in my 2006-07 Annual Report we foreshadowed some productivity dips as we bed down the new systems, and that the implementation of any major new measures may test our flexibility and capacity.

Since then we sought extra funding to build our capability and coverage on income tax compliance. The former Government announced further funding in expectation of an additional \$3.72b in revenue over budget projections over a 4 year period, with the majority of the increase in voluntary compliance in the latter years.

As part of its election agenda the new Government also proposed extra funding tied to compliance work in relation to high wealth individuals and the large business sector. Given concerns about our capacity to support further expansion of complex compliance work, the achievement of proposed outcomes (the original \$3.72b and additional revenue of \$880m over three years) were subject to a number of qualifications, including for example that our base level of funding would be maintained; that we would be funded for new policy; and that we would be able to recruit as required.

The Government's current efficiency drive may, in addition to our efforts to further improve our efficiency, necessitate the diversion of resources from other areas to meet the Government's policy agenda in this regard. We will of course seek to minimise the impact on other areas of our administration. We are still working through possible mitigation strategies.

So this year will be a difficult year for the ATO, given the critical stage of our change program, the Government's legislative agenda, the increased focus on compliance and our tight financial position. Nevertheless I am still optimistic that in my next Annual Report I will be able to advise that we have delivered to the Government and to the community, both in terms of revenue collections and benefits provided, and in the quality and professionalism of our work.

Thank you.