

1. Introduction

Conduct of the inquiry

- 1.1 The House of Representatives Standing Committee on Tax and Revenue is authorised by Standing Order 215(c) to examine annual reports of agencies allocated to it by the Speaker.
- 1.2 Since its formation in 2013, the Tax and Revenue Standing Committee has held five biannual hearings involving the Commissioner of Taxation, the Inspector-General of Taxation and tax advisory bodies in which tax administration matters were discussed.
- 1.3 In its examination of the *Commissioner of Taxation Annual Report 2015–16*, the Committee continues with its assessment of the trajectory of the Australian Taxation Office (ATO)'s Reinvention Program in the light of matters raised in examination of the ATO's 2015 Annual Report, presented in May 2016, and other issues highlighted in evidence to this review.
- 1.4 Despite the scale of change and complexity of the matters under consideration, the coverage in this report aims to be both accessible and relatively succinct. This mirrors the ATO's approach in its annual report,

which reports in two slim volumes on 24 programs,¹ under the ATO's single outcome statement to promote:

Confidence in the administration of aspects of Australia's taxation and superannuation systems through helping people understand their rights and obligations, improving ease of compliance and access to benefits, and managing non-compliance with the law.²

- 1.5 To assist its evaluation of ATO performance over 2016, the Committee called for public submissions and convened two public hearings. On 23 November 2016 tax professionals gave evidence in Canberra. The Committee thanks representatives from CPA Australia, the Chartered Accountants of Australia and New Zealand (CAANZ) and the Tax Institute for updating the Committee on developments since hearings held for the 2015 annual report review.
- 1.6 On 30 November 2016, the Committee followed with evidence from the Australian Tax Commissioner Mr Chris Jordan, his second and deputy commissioners, and senior executive staff. The meeting concluded with commentary from the key scrutineer of ATO administration practice, the Inspector-General of Taxation Mr Ali Noroozi and his Deputy, Mr Andrew McLoughlin.
- 1.7 Following the hearings, the Committee forwarded extensive Questions on Notice to the ATO to further investigate the topics under inquiry. Additional questions were also taken by the Inspector-General on the day. The Committee appreciates the efforts made by these agencies to provide this additional information, as reflected in this report, in a timely manner.

Report structure and themes

- 1.8 This report covers matters arising over 2015–16, as advised at the time of presentation of the ATO Annual Report on 28 October, with additional insights on performance during tax time 2016 as discussed at hearings and in submissions.

¹ See the Australian Taxation Office (ATO), *Commissioner of Taxation Annual Report 2015–16, Volume 1 (Vol. 1), 'Part 01 Overview'*, p. 4, and *Vol. 2, Financial Statements*.

² ATO, *Commissioner of Taxation Annual Report 2015–16, Vol. 1, 'Part 01 Overview'*, p. 4.

- 1.9 The ATO Annual Report highlights a number of development milestones in the digital transition of tax and superannuation compliance over the reporting period. A notable example was the very positive response to SuperStream, an electronic system for streamlining superannuation payments.³ At hearings, the Tax Commissioner also cited increased online lodgements by individuals using myTax and enhancements to the Tax Agents Portal as important achievements over tax time 2016.⁴
- 1.10 In contrast to the Committee's last review, tax agents expressed increasing confidence in, and satisfaction with, the ATO which they said was working closely with them to enhance online systems and resolve problems. Notwithstanding this, some tax practitioners continued to struggle with ongoing technical and administrative challenges imposed by the ATO's digital transformation process, including website outages during tax time and later in 2016.
- 1.11 The ATO's decision making in disputes and its debt recovery processes were other areas under review. The Committee further explored identified issues with the Inspector-General of Taxation, who had taken over the tax complaints handling service from the Commonwealth Ombudsman in May 2015.⁵
- 1.12 Much of the evidence is outlined in Chapter 2 of this report. Chapter 3 examines issues of concern in more detail, and provides the Committee's recommendations and concluding observations.
- 1.13 A list of submissions and supplementary submissions, some containing Answers to Questions on Notice, are in Appendix A. Appendix B provides the list of hearings and participants. Appendix C contains the ATO's Answers to Questions on Notice in relation to its fairness in specific decision-making processes.

³ ATO, *Commissioner of Taxation Annual Report 2015–16, Vol. 1*, p. 23.

⁴ Mr Chris Jordan, Tax Commissioner, ATO, *Committee Hansard*, Canberra, 30 November 2016, p. 8.

⁵ These changes, which took effect from 1 May 2015, were aimed at enhancing the systemic review role of the Inspector-General and providing taxpayers with more specialised and focused complaints handling of tax matters. The Inspector also took on responsibility for scrutiny of the functions of the Tax Practitioners Board at this time. See Inspector-General of Taxation, *Submission 7*, p. 1.

- 1.14 Submissions and transcripts, along with further information about the inquiry, can be accessed at the committee inquiry website at:
http://www.aph.gov.au/Parliamentary_Business/Committees/House/Tax_and_Revenue/2015-16AnnualReport