

**COMMISSIONER'S OPENING STATEMENT**  
**BUDGET ESTIMATES 25 OCTOBER 2017 1.30pm – 3.30pm**  
**Committee Room 2R1**

Thank you Chair.

I am pleased to be here to give you an account of our performance since we last met at the end of May. I have just signed off our annual report, and by all measures the ATO has performed very well over the past year.

We have delivered against all of the commitments to government and the community, made significant improvements to the client experience and continued to progress our long-term internal cultural change program. Importantly we remedied the situation with the faulty IT equipment, rebuilt it for Tax Time, got on with day-to-day business after revelations of Operation Elbrus, instigated a number of reviews into our processes, and focussed on maintaining confidence in us as an effective tax and super administration.

Our people are highly engaged and committed to their jobs – employee engagement rates at the ATO are the highest they have been since we began participating in the APS-wide Census. They exceed the APS average and the average for large agencies.

The level of unplanned leave is the lowest in 15 years and we are no longer at the top of that table as we were when I joined in 2013.

Our Comcare annual premium has reduced by around 80% since 2013–14, down from over \$54 million to \$10 million for 2017–18, and while we are on savings - our property costs have been reduced by \$50 million a year.

- We've had success in the courts – very notably the win on the matter of the pricing of related-party debt with the Chevron case;
- We are tracking ahead of our targets under the Tax Avoidance Taskforce;

- We have released tax gap information for the superannuation guarantee and large market segments for the first time;
- We have successfully led work internationally such as the Panama Papers project, making history with the largest ever simultaneous exchange of information at a Taskforce meeting we chaired in Paris;
- AND very importantly delivered a successful Tax Time 2017.

With just under a week to go for Tax Time, we have so far out-performed 2016 (which, for those who recall, was heralded as the best ever year). In fact, all through Tax Time 2017 we have been ahead on performance indicators compared with the same time in 2016.

As of yesterday we had around 9.8 million returns lodged – over 3 million by individual self-preparers and around 6.5 million by agents - with 7.4 million refunds worth around \$21.4 billion issued.

More returns have been lodged earlier with more refunds paid quicker, and we have seen a 30% reduction in complaints, and all service standards for our calls have been met.

I stand by our commitment that if IT service issues do arise, tax agents and their clients will not be disadvantaged.

Over the past couple of months we have reinstated our 'fix-the-irritants' program for tax agents, where we visit and sit with them in their practice to understand their experience of our services firsthand. In September and October, we conducted around 150 such visits to learn what is happening, what is working, what is not, what help is needed, and whether we can resolve issues or fix any problems. In addition, we have also had people in the field visiting agents to help them transition to the new Practitioner Lodgment Service.

We find during these visits, some issues are easily dealt with on the spot, some are fed back into the ATO to fix, and others may need the practitioner to change their business process or update their IT equipment or internet connectivity. A very small number relate to something so obscure and uncommon that the answer will always be a work-around. No system will deal with every complex or unusual situation so some manual intervention will always be occasionally required.

In relation to Operation Elbrus, there are many matters coming out of that operation that are the subject of ongoing law enforcement investigations, criminal and civil proceedings before the courts. Because these are still in train I am extremely limited in any commentary and can only offer the following:

The APS Code of Conduct investigations into ATO staff have been finalised, and we confirm breaches of the Code were found. I cannot however go into the nature or details of the breaches. Of the three SES officers investigated, two have returned to the ATO with sanctions, and the third, Michael Cranston, resigned in June.

Following the Elbrus revelations, I commissioned a range of reviews into our fraud control work, frameworks, policies and procedures. In addition, a number of other reviews were instigated including the one that this Committee requested of the Inspector General of Taxation.

These multiple reviews and investigations, both internally and using external parties, are all at different stages of completion and I am pleased to say that to date there have not been any significant systemic issues found. We've found a few suggestions for improvements, as you would expect when so many people are looking at these processes across multiple reviews.

As all of the reviews and investigations conclude, and as I said at the last Estimates, we remain open to making any required improvements to reinforce confidence in our integrity.

We are focussed on doing a quality job for the Australian community.

Over the rest of this financial year, we are looking forward to continuing to improve the digital experience, increasing the sophistication in our data and analytics and in further understanding the drivers of tax gaps. In particular, you will see us increase our attention on small businesses not doing the right thing to ensure there is a level playing field for all small businesses, the black economy more generally, phoenix operators and the individuals market.

We will also have a strong focus on the intermediaries – the lawyers, accountants, pre-insolvency advisers and liquidators - who facilitate illegal activity in the black economy and phoenix operations.

Thank you.