



Commissioner's opening statement – Senate Economics Legislation Committee, 6 November 2024

Opening statement from Commissioner Rob Heferen to the Senate Economics Legislation Committee, 6 November 2024.

(Check against delivery)

Thank you, Chair.

As always, it is a privilege to appear before this Committee.

I'm joined at the table today by my Executive team, including our newly appointed Second Commissioner, Mr Allen.

Mr Allen's appointment was announced on 25 October. He leads our Frontline Operations Group and brings a wealth of experience and expertise to the role. I am very pleased, as is the Government, to have Mr Allen in this critical role.

I'd like to make some brief comments on three areas that might be of interest to the Committee.

Firstly, I'd like to update the Committee on our progress in collecting outstanding debt.

Through our efforts this year, we have seen a slowing in debt growth, but collectable debt remains high at around \$50 billion.

The task ahead of us is substantial and we can't ignore our obligations under the law as Australia's principal tax collector.

In many cases, if a business can't pay what it owes to the Government, other creditors are often also going unpaid. The ATO's role is an important one because when businesses are prompted to take action sooner, they are better able to get back on track.

Doing our job protects viable businesses who rely on prompt payment from their business customers. This also protects employees, for whom the consequence of unpaid superannuation can have a lifelong impact.

My expectation is that we, the ATO, act with empathy and respect. If a taxpayer cannot meet their tax obligations, we encourage them to talk to their registered tax professional, or contact us directly to understand the support that may be available to them.

This could include payment arrangements or, in some instances, remission of general interest charges. In many cases, people can put payment plans in place through our online services.

I want to emphasise this message to any taxpayers who may be experiencing vulnerability. The ATO can and will work with you to find a way forward, so please contact us.

Ultimately, we serve the community and the Government of the day, and our approaches must meet community and government expectations and standards.

Secondly, I would like to update the Committee on our approach where a taxpayer makes a voluntary disclosure. I consider this important given recent reporting in relation to voluntary disclosures of prior tax fraud or evasion, and the misunderstanding of confusing voluntary disclosures with settlements.

The first point is that, where a taxpayer incorrectly reports in a prior year return, penalties do apply. But the base level of penalty depends on the culpability of the mistake. For example, evasion will often trigger a 75% penalty of the tax shortfall, but a lack of reasonable care, 25%.

When a taxpayer comes forward with a voluntary disclosure to correct what they have previously reported to us, and they do so before we notify them of our intention to conduct an examination of their tax affairs, section 284-225 of Schedule 1 to the Tax Administration Act automatically applies an 80% remission of the penalties that would otherwise apply. This occurs irrespective of whether the prior year error was a simple mistake or deliberate evasion. The law is clear on this.

The substance of this provision was inserted into the tax law in 1992 as part of the original self-assessment provisions, and has not been substantially altered since then.

The Parliament has set this deliberate mechanism to encourage taxpayers to correct their past reporting, of their own accord. Without this pathway in place, taxpayers would be far less likely to come forward and make corrections.

This is important, because the success of Australia's self-assessment system relies on the vast majority of taxpayers doing the right thing and making corrections when required.

Importantly, taxpayers who receive a reduction in penalties due to voluntary disclosure do *not* find themselves better off than if they were compliant from the beginning. These taxpayers are still required to pay the tax that is owed, with interest, and the reduced penalties.

Our most recent Annual report on pages 134–135 shows that in the 2023–24 financial year, around \$1.3 billion was raised as a result of income tax and GST voluntary disclosures, including around \$700 million from large businesses, which shows the importance of this approach.

Thirdly, within Australia's tax system, there are a number of features that help to ensure those with the most capacity to pay meet their obligations, and we know that targeted system transparency is a motivating factor, particularly for some of our largest taxpayers.

Last week, we released the tenth annual Corporate Tax Transparency report, which is a legislated exception to taxpayer confidentiality. Pleasingly it shows that the ATO received \$100 billion in income tax from large corporates; of that, \$97.9 billion was paid at lodgement and the remainder collected through our compliance activities.

This is the highest since corporate tax transparency reporting began, a testament to the Tax Avoidance Taskforce, which has helped secure more than \$33.2 billion in additional tax revenue from multinational enterprises, large public and private businesses since its establishment in 2016.

This year also marked 10 years for the Corporate Tax Transparency report.

Back in June, at my first appearance before the Committee as Commissioner of Taxation, I said that I was optimistic about the opportunities for the ATO to build on existing work and deliver for the Australian community and government.

Having spent more time in the role, I am now even more confident about what the ATO can achieve – as an entity, and as a group of dedicated public servants.

Thank you, and we look forward to assisting the Committee this afternoon.