



Corporate  
Tax Association



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Senate Standing Committees on Economics  
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### Committee Inquiry into the Performance of the Inspector-General of Taxation.

The Corporate Tax Association (CTA) welcomes the opportunity to provide a brief submission to the Senate Standing Committee on Economics inquiry into the performance of the Inspector-General of Taxation (IGoT).

#### Background to the CTA

The CTA is the key representative body for major companies in Australia on corporate tax issues. There are currently 130 corporate members of the CTA across all industry sectors. 75% of members are Australian publicly listed groups, 23% are subsidiaries of foreign publicly listed groups with 2% being privately or government owned. The CTA estimate its 130 members pay approximately 65% of all income tax paid by corporates with turnover greater than \$250 million. Further details on the CTA and the current list of members can be found on our website at <https://corptax.com.au/>.

#### General Observations

The CTA cannot directly comment on our experience with the performance of the IGoT complaint management policies and practices nor its oversight role of the Tax Practitioner's Board (TPB) as the CTA nor its members have had any direct experience in such interactions in recent years.

We do note in passing however, the clear upward trend in the number of complaints that IGoT has received and that have been finalised. 2,148 complaints were received in FY16 compared to 2,712 in FY19 - an increase of around 26%. Complaint cases that have been finalised for the period FY16 to FY18 have increased by 6% from 2,133 to 2,263. Over the same period average staffing levels have remained constant at 34 and budgeted expenses have only increased by 4% over same period.

We note this would appear to indicate IGoT is doing significantly more with less, given its functions and activities have increased to incorporate an increasing

complaint handling workload and the ombudsman role of the TPB.<sup>1</sup> This indicates that IGoT's performance has been highly effective in this area.

### Specific Observations

In the CTA's view, IGoT review role plays is a vital component in improving the administration of taxation laws for the benefit of all taxpayers, tax practitioners and the wider community. In our view IGoT has done, and continues to perform, its vital role in an exemplary manner. It provides assurance (to individual taxpayers, agencies and the community in general) through its investigative, review and reporting activities helping ensure that Australian taxation administration laws are operating effectively and consistent with the laws and community expectations.

Over the years, the CTA has provided submissions and interactions into a number of IGoT reviews where those reviews have impact on CTA members. In all those interactions, IGoT has shown it has been fiercely independent, objective, professional and thorough in its role.

It is worth noting that the House of Representatives Standing Committee report into the external scrutiny of the Australian Taxation Office in April 2016 was of the view that the cost of external scrutiny (which included IGoT) provides a good return on investment for Australia that flows directly to the ATO and indirectly to Government, the Parliament, and Australian businesses and individuals.<sup>2</sup>

Since the establishment of the office of IGoT in 2003, a scan of its website shows that it has undertaken 49 different reviews into the ATO's administration of the tax system or an average of three reviews a year, and its record of achievements in bringing about worthwhile administrative change recorded in its annual reports.

### Independence May Need to be "Seen to be Done"

According to latest published ATO and IGoT annual reports both agencies report to the Assistant Treasurer. Whilst there is no indication that this leads in practice to any inherent conflict or potentially undue influence of one agency over the other, it is worth noting that the other ATO scrutineers had different reporting lines. The Australian National Audit Office (ANAO) reports to Parliament and the Commonwealth Ombudsman (who still has a role of ATO scrutineer in relation to issues other than complaints against tax administration) reporting to the Attorney General.

Although the lack of independence and lack of undue influence of one agency over the other is not apparent to us, there may be an in-principle case for independence

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<sup>1</sup> Data has been extracted from IGoT annual reports and IGoT publications that can be found at: <http://igt.gov.au/accountability-and-reporting/annual-reports/>

<sup>2</sup> See paragraph 3.39 of the report at [https://www.apf.gov.au/Parliamentary\\_Business/Committees/House/Tax\\_and\\_Revenue/External\\_Scrutiny/Report](https://www.apf.gov.au/Parliamentary_Business/Committees/House/Tax_and_Revenue/External_Scrutiny/Report)

to be done as well as being "seen to be done" to avoid the potential for regulatory "capture" of IGoT by the ATO<sup>3</sup>. This could, for example, be achieved by having IGoT report directly to Parliament or the Attorney General's office rather than the Assistant Treasurer. Such a change needs to be weighed against the fact IGoT's role is almost wholly an ATO scrutineer, whereas the Commonwealth Ombudsman and ANAO have a wider remit. There is also the potential for complication, possible duplication and an unnecessary reallocation of Ministerial and/or Parliamentary workloads if such a change occurred.

The CTA would not recommend changing any current reporting "hard wiring" unless there was an extremely strong evidenced based case showing a systemic lack of independence impacting IGoT's performance.

Should you have any questions, please do not hesitate to contact me on [REDACTED]

Yours sincerely,



Paul Suppree  
Assistant Director

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<sup>3</sup> This observation was also made by the Federal Ombudsman. See page xix of the introduction to the External Scrutiny report.