

**Joint Committee of Public Accounts and Audit**

**Inquiry into Efficiency and Effectiveness: Inquiry into Auditor-General's Reports 25,  
29, 38, 42, 44, 45 and 51 (2018-19)**

**ANSWERS TO QUESTIONS ON NOTICE**

**Australian Taxation Office**

November 2019

**Department/Agency:** ATO

**Question:** 1

**Topic:** Piloting pre-assessment reviews for small business

**MP:** Lucy Wicks

**Question:**

Can you please provide further information to the committee about the piloting of pre-assessment reviews for small business? How does this work?

**Answer:**

On 1 July 2018 the ATO started a 12-month pilot to offer an independent review service to eligible small businesses disputing income tax audits in Victoria and South Australia. On 15 October 2018, the pilot was expanded to eligible small businesses nationally.

Following the initial 12-month pilot period, the ATO decided to extend the pilot to 31 December 2020. We are now in the process of expanding the scope of the pilot to include some GST and indirect tax audits. The decision to extend the scope of the pilot accords with recommendations made by the Standing Committee on Tax and Revenue in February 2019 and ASBFEO.

At the present time disputes relating to the following topics are generally excluded from the independent review service:

- superannuation
- fringe benefits tax
- fraud and evasion findings
- interest.

The independent review service assists eligible small businesses whether they have an advisor or are unrepresented.

As at 25 November 2019, the ATO has made 930 offers, with 133 taxpayers accepting the offers. We have finalised 98 independent reviews.

**How independent review works**

The ATO will advise small businesses if they are eligible to participate in the pilot and include an offer of independent review in the relevant audit finalisation letter. Small businesses who wish to seek independent review can apply for the service within 14 days of the date of the audit finalisation letter to apply for the service.

If the taxpayer takes up the offer of an independent review, an independent officer from the ATO's Review and Dispute Resolution business line (who has no previous involvement in the case) reviews the merits of the ATO audit position before the assessment or amended

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assessment is issued. This provides a 'fresh set of eyes' and ensures there is an independent review, prior to any assessments being issued to the taxpayer.

Independence of the review is ensured as ATO's Review and Dispute Resolution business line reports to Second Commissioner for Law, Design and Practice; whereas, the ATO audit teams reside in the Client Engagement Group reporting to the Second Commissioner for Client Engagement. There are also strict communication protocols that govern communications between the audit team and the independent reviewer.

During the review the independent reviewer will:

- consider the documents setting out the taxpayer position and the audit position.
- schedule a case conference with the taxpayer and the audit officer generally within one month of receiving a request for independent review. The case conference is an opportunity for all parties to assist the independent reviewer with understanding the facts and contentions.
- consider both parties' positions and prepare recommendations as to the appropriate outcome.
- communicate the outcome to the taxpayer and audit officer. The audit team will finalise the audit in accordance with the independent reviewer's recommendations.

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**Department/Agency:** ATO

**Question:** 2

**Topic:** Automated processes

**MP:** Lucy Wicks

**Question:**

How has the ATO developed their automated processes that support the ATO officers in providing those with debt prompts to pay?

**Answer:**

To promote positive payment behaviours the ATO uses automated processes to deliver early messages to clients with activity statement debt. Messages are delivered through pre- and post-due date SMS and letters.

In developing these processes, the ATO used advanced analytical techniques incorporating client characteristics and behaviours, and channel preference to identify appropriate candidates to receive these messages. Once candidates are identified, tailored messages are delivered to clients.

The ATO encourages taxpayers to pay on time through SMS and email and to engage taxpayers before a potential debt event occurs.

The ATO supports taxpayers in managing their payment compliance by prompting for payment when a debt becomes overdue and by reminding taxpayers of their upcoming payment plan instalment.

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**Department/Agency:** ATO

**Question:** 3

**Topic:** Different debt approaches

**MP:** Lucy Wicks

**Question:**

Why does the ATO have different approaches to debts relating to different taxes? How does this impact the effectiveness of efficiency of debt recovery across the different types of tax debt?

**Answer:**

The ATO has applied different approaches as a result of managing debts across two accounting systems. From January 2020 the ATO will manage the income tax product and the activity statement product within a single accounting system, ensuring consistency of approach across account pathways.

Moving to a single accounting system will provide the ATO with the opportunity to recognise client history and determine the interaction most likely to engage clients and resolve debt.

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**Department/Agency:** ATO

**Question:** 4

**Topic:** Quality assurance processes

**MP:** Lucy Wicks

**Question:**

The report states on page 39, that 'the ATO has partially effective controls, including quality assurance processes over debt actions including firmer and stronger actions for small business debt' – what does this mean?

**Answer:**

As part of the above finding, the Auditor-General report stated that 'The Service Delivery Quality Framework has not produced results that readily or reliably indicate the extent to which administrative errors have impacted the taxpayer or tax revenue. There has also been no set tolerances for errors in important administrative actions such as firmer and stronger debt recovery actions, against which to measure actual performance'.

In relation to quality assurance processes, which run concurrently with business controls and governance processes, the ATO did not have a systematic and consistent approach to measure, understand and report on adverse impacts of ATO errors on clients and/or on the ATO.

In addition, at the time of the report, the ATO were in the early stages of transitioning to a new Service Delivery Quality Framework, and reviewing quality benchmarks, to support assessing outcomes under the framework.

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**Department/Agency:** ATO

**Question:** 5

**Topic:** Framework for debt management

**MP:** Lucy Wicks

**Question:**

The report states that the ATO has a performance framework for debt management, including purpose, strategic priorities, initiatives and measures. How could this framework be improved to better balance support for clients trying to do the right thing against those who don't and require more timely strong action?

**Answer:**

Our performance framework for managing debt underpins our approach, which is to help taxpayers meet their payment obligations on time or address any debts that arise as early as possible. Our experience tells us that the earlier tax debts are addressed, the more manageable they are.

We recognise that clients may experience short term cash flow issues that prevent them paying on time. To assist these clients in need of our financial support, we offer payment plans tailored to their individual circumstances.

We also recognise that clients can sometimes experience long term financial difficulties due to unexpected events. We take an empathetic approach to working with clients in these circumstances to get them back on track.

Where clients experience serious hardship we provide targeted support using a range of debt relief options, including release from payment in some cases.

For clients that don't engage with us to address their tax debt we may take firmer or stronger action to prevent them gaining an unfair financial advantage. Except in a small number of high risk cases, we endeavour to warn clients before taking firmer or stronger action.

Our message to clients who can't pay: if you have a debt and are trying to do the right thing, we're committed to understanding your situation and helping you.

We have always been on a continuous improvement journey with our management of debt, striving to ensure that our client interactions are well designed, tailored, fair and transparent, and this will continue.

For example, as part of our 'payment thinking' initiative, we are increasing our use of analytics and behavioural insights to gain a greater understanding of payment behaviours and applying these insights to better tailor our services and contacts with taxpayers.

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November 2019

**Department/Agency:** ATO

**Question:** 6

**Topic:** Identification of errors

**MP:** Lucy Wicks

**Question:**

With regards to recommendation 1 – how will the ATO ensure that there will be an accurate identification of errors that result in an adverse outcome for the taxpayer, the ATO or both parties?

**Answer:**

The ATO have developed a methodology to be applied when assessing debt activities that identifies the actual and potential adverse impacts to the client and the ATO. Once implemented, the ATO will be able to report incidents of administrative errors (while undertaking firmer and stronger actions) that lead to an adverse client/ATO impact.

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**Department/Agency:** ATO

**Question:** 7

**Topic:** Performance measures

**MP:** Lucy Wicks

**Question:**

The ATO agreed with the Australian National Audit Office (ANAO) second recommendation to refine its performance framework for debt management to establish a complete set of performance measures that support accurate reporting of the effective, efficient and consistent management of tax debt, against the stated purpose for debt management. Can you explain to the committee how this will be done? If it is already underway, can you please update the committee on the progress?

**Answer:**

The ATO is taking the following steps to implement this recommendation:

- review existing effectiveness and efficiency measures within the performance framework
- identifying additional effectiveness and efficiency measures to provide a more complete view of the payment and debt process
- develop reporting products using available data, post December 2019 / January 2020 systems upgrade.

Currently the ATO is reviewing existing effectiveness and efficiency measures within the performance framework.



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**Department/Agency:** ATO

**Question:** 8

**Topic:** Refining performance framework

**MP:** Lucy Wicks

**Question:**

What are the key objectives that the ATO will use to refine its performance framework and why?

**Answer:**

The ATO's anticipated improvements to the performance framework include the ability to measure compliance raised liabilities, inflow and outflow of debt (including debt collected) and collection rates.

The addition of these measures will provide a more complete view of the payment and debt process.

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**Department/Agency:** ATO

**Question:** 9

**Topic:** Preventing small business debt

**MP:** Lucy Wicks

**Question:**

As we are considering both efficiency and effectiveness within entities, can you explain to the committee what the ATO is doing to ensure that small businesses aren't going into debt in the first place?

**Answer:**

Most accumulating unpaid small business debt arises from self-acknowledged obligations (usually withheld on behalf of others, like PAYGW, GST and super obligations) which are then not met due to cash flow challenges.

The ATO has a number of educational programs and support initiatives to assist small businesses, including:

- The Tax Basics education suite, comprising of over twenty education sessions delivered through a variety of channels. The sessions help small businesses to build acumen in four key areas:
  - business management (including cash flow)
  - financial literacy
  - digital literacy
  - tax and superannuation.
- The Cash Flow Coaching Kit educational program, designed to help small businesses understand and improve their cash-flow. The program is delivered via tax agents and industry and professional associations. A digital version of the coaching kit is also being piloted.
- Webinars covering general and industry-specific topics to help small businesses meet their tax obligations.
- The Small Business Newsroom email and website service which provides taxation and superannuation information to small businesses in an easily accessible and contemporary format. This service has more than 2.8 million subscribers.

The ATO also has a range of services to make it easier for small businesses to meet their obligations, including:

- enabling pre-payments of activity statement liabilities to assist businesses in managing their cash flow

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- issuing preventative SMS payment reminders for those taxpayers likely to pay late or not at all. In 2018-19 we sent 1.1 million reminder SMS which resulted in payments of \$2.3 billion
- increased visibility of accounts via our online services. Businesses can use online services to manage their accounts and make payments
- providing financial support to get businesses back on track and prevent future and escalating debt. This includes opportunities for businesses to set up payment plans for existing debts through the ATO's automated phone service and online services. The ATO app also allows businesses to view their upcoming due dates and set payment reminders in the calendar of their device
- improvements to payment plans in online services for agents, providing agents a view of their clients' active payment plans and the instalment schedule with the status of each instalment
- business performance check tool as part of the ATO app for business operators to quickly check the financial health of their business
- re-designing ATO debt letters to make it easier for businesses to understand their obligations and what they need to do to manage debt, including timeframes and consequences of not taking action.

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**Australian Taxation Office**

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**Department/Agency:** ATO

**Question:** 10

**Topic:** Debt work flow

**MP:** Lucy Wicks

**Question:**

The report talks about how tax debt moves through various teams or areas within the ATO – can you explain to the committee what the ATO are doing to make this process more efficient for small business tax?

**Answer:**

The ATO recently launched the *Better as Usual* program, an ATO-wide initiative in which we have committed to continually providing a better level of service. It recognises things can go wrong and looks at how we can improve our processes to avoid those cases and minimise their impact. This program will assist us to improve the ATO's management of tax debt for all clients, including small business.

The program has four key streams of work that will collectively improve our clients' experience with the tax system:

- Pipeline reviews is about improving the end-to-end client experience by creating more seamless transitions between the different client interactions across the ATO.

The pipeline is the series of interactions a client has with the ATO that forms their whole-of-system experience. It is an end-to-end view of the interactions and processes from when a client enters, to when they exit the system, and all of the things in between. While the ATO traditionally treated them as separate interactions with different areas responsible for those interactions, for the client it is just one ongoing interaction with the ATO.

The pipeline work ignores our organisational structures and seeks to understand the full set of client interactions, across traditional boundaries and hand-off points. This work will establish and design more consistent and cohesive client interactions and strengthen connections and handover points between areas of the ATO such as lodgment, compliance, disputes and debt management to deliver improved client experiences.

- Quality improvement looks at how we can better manage insights and feedback (which includes data from objections and complaints) across all areas of the ATO to make better decisions and provide better services.
- The complex issue and case program recognises that some cases are just too complex to be dealt with by normal processes. This is why we have created a dedicated team. By

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allocating the necessary time and resources to address these cases we will ensure every client gets a fair outcome.

The highest client impact actions focus on how we can better avert those rare, but serious cases where a mis-step from inside the ATO can have a significant impact on our clients. We are implementing a series of procedural and cultural safeguards to reduce and ultimately eliminate any cases where our mistakes could have severe impact on the client.

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**Department/Agency:** ATO

**Question:** 11

**Topic:** Refining performance framework

**MP:** Julian Hill

**Question:**

The ATO agreed with the ANAO recommendation to refine its performance framework for debt management to establish a complete set of performance measures that support accurate reporting of the effective, efficient and consistent management of tax debt, against the stated purpose for debt management.

- a. What progress has been made on this recommendation?
- b. What are the key objectives and outcomes that the ATO will use to refine its performance framework and why?

**Answer:**

- a. The ATO are currently reviewing existing effectiveness and efficiency measures within the performance framework.
- b. Anticipated improvements to the ATO's performance framework include the ability to measure compliance raised liabilities, inflow and outflow of debt (including debt collected) and collection rates.

The addition of these measures will provide a more complete view of the payment and debt process.

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**Department/Agency:** ATO

**Question:** 12

**Topic:** Firmer and stronger debt actions

**MP:** Julian Hill

**Question:**

The ANAO's conclusion states that the quality assurance process over firmer and stronger debt actions does not provide sufficient visibility about the effectiveness of controls. What steps have been taken to address this issue and over what time period?

**Answer:**

The ATO distributes monthly reports to stakeholders to provide visibility about the effectiveness of controls, systemic issues and any other intelligence gained through the quality assurance process.

The ATO is establishing effective quality benchmarks and have developed a methodology to be applied when assessing debt activities that identifies the actual and potential adverse impacts to the client and the ATO.

The methodology is expected to be implemented by early 2020. Once established, performance against these benchmarks will be included in the monthly reports along with incidents of administrative errors (while undertaking firmer and stronger actions) that lead to an adverse client/ATO impact.

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**Department/Agency:** ATO

**Question:** 13

**Topic:** Payment Thinking initiative

**MP:** Julian Hill

**Question:**

The ANAO noted that the ATO has been trialling the Payment Thinking initiative for several years.

- a. What is the status of this initiative?
- b. The ANAO noted that the ATO has not established an implementation plan or monitoring framework to evaluate the initiative's impact. Is this work underway? If not, why not?

**Answer:**

- a. The Payment Thinking initiative was included as one of seven signature initiatives in the 2018/19 Corporate Plan. Although established as an ATO program in 2018, Payment Thinking themes recognised OECD best practice (2014), including the use of behavioural insights.

The Payment Thinking program of work currently consists of eight projects, each of these projects are at different stages of implementation.

1. Payment Thinking - ATO online scheduling and payment plan services
2. Payment Thinking – Improved payment plan monitoring
3. Payment Thinking as a core capability in the Capability Framework
4. Incentives/Disincentives – GIC remission review
5. Incentives/Disincentives – Disputed debt review
6. Incentives/Disincentives – Review of non-pursuit re-raise policy and processes
7. Change Activity Statement reporting/payment cycles for non-compliant businesses
8. Working with Digital Service Providers

A new service implemented in September 2019 enables clients in a Payment Plan to opt-in to receive a reminder for upcoming instalments. Since the implementation of this service the ATO has issued out more than 50,000 reminders.

The implementation plan for 2019/20 has been established and as further projects are being progressed the project schedules are being managed through the ATO Project Management method.



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- b. The benefit management plan for the program is under development however the outcomes for each of the initial projects have been identified and the anticipated benefits quantified.

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**Department/Agency:** ATO

**Question:** 14

**Topic:** Strengthening co-ordination

**MP:** Julian Hill

**Question:**

What work is the ATO doing to strengthen co-ordination across the compliance, debt, and dispute areas in the organisation?

**Answer:**

The ATO is implementing a program of work called *Better as usual* which seeks to improve the end-to-end client experience with the tax system. As part of this program we are undertaking 'pipeline reviews' to create more seamless transitions between the different client interactions across the ATO.

The pipeline is the series of interactions a client has with the ATO that form their whole of system experience. The pipeline work breaks down ATO organisational structures and seeks to understand the full set of client interactions, across traditional ATO boundaries. It is an end-to-end view from when a client enters and exits the system. It recognises that, for the client, it is just one ongoing interaction with the ATO.

This work will establish a more consistent and cohesive client experience and will strengthen connections between areas of the ATO such as lodgment, compliance, disputes and debt management to deliver improved client experiences.

As part of *Better as usual* we are also looking to improve our quality feedback loops across the organisation to assist us to make better decisions. The pipeline and quality aspects of the program are both identified as strategic initiatives in the [2019-20 ATO Corporate Plan](#).

The ATO also has a specific strategic initiative on payment and debt management. This initiative leverages the ATO's ongoing approach to delivering the Payment Thinking program of work. This initiative supports ATO staff in understanding how each interaction they have with a client interconnects with other interactions. It focuses ATO staff on thinking about how they can support the client to ensure payment is an easy and natural part of their activities to help prevent unpaid debts accumulating.

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**Department/Agency:** ATO

**Question:** 15

**Topic:** Definition of small business

**MP:** Julian Hill

**Question:**

The ANAO suggested that comparison of small business debt has been complicated by changes over time in the definition of the term 'small business'.

- a. Why has the definition changed over time?
- b. Are there any impediments to the ATO establishing a clear and consistent definition of 'small business'?

**Answer:**

For taxation purposes, the ATO's definition of a small business changed in line with the 2017-18 Federal Budget announcements for small business and subsequent legislation enacting those announcements. This legislative change applied retrospectively, which meant from 1 July 2016 the annual turnover threshold increased from \$2 million to \$10 million to enable more businesses (sole traders, partnerships, companies and trusts) to access various small business tax concessions and the ATO to administer the law appropriately.

Given the law change only received Royal Assent on 19 May 2017; the ATO was unable to update our systems in time to extract the relevant data for the 2016-17 ATO annual report. Therefore, the 2016-17 annual report retained the \$2 million threshold to ensure we consistently reported small business information. We can confirm we have been using the \$10 million small business threshold since the 2017-18 annual report.

**Definitions of small business**

There is no consistent definition of small business across government and/or the private sector. Administrators and regulators use different definitions to enable them to enact the relevant laws they administer. For example:

- for the purposes of annual financial reports, the Australian Securities and Investment Commission defines a 'small proprietary company' as 'small' if it satisfies at least two of the following:

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<b>Criterion</b>	<b>On or after 1 July 2019</b>	<b>Before 30 June 2019</b>
Annual revenue of less than	\$50 million	\$25 million
less than (at the end of the financial year)	100 employees	50 employees
Consolidated gross assets of less than (at the end of the financial year)	\$25 million	\$12.5 million

- Fair Work Australia defines a small business as one that has less than 15 employees for unfair dismissal law purposes
- the Australian Prudential Regulation Authority uses a combination of definitions based on revenue and loan size for prudential supervision
- the Australian Bureau of Statistics definition is a business that employs fewer than 20 people for the purposes of business surveys.

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**Department/Agency:** ATO

**Question:** 16

**Topic:** Performance measures - management of tax debt

**MP:** Julian Hill

**Question:**

The ANAO recommended the ATO establish a complete set of performance measures relating to effective, efficient, and consistent management of tax debt. How is the ATO planning to implement this recommendation?

**Answer:**

The ATO is taking the following steps to implement this recommendation:

- review existing effectiveness and efficiency measures within the performance framework
- identify additional effectiveness and efficiency measures to provide a more complete view of the payment and debt process
- develop reporting products using available data, post December 2019/January 2020 systems upgrade.

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**Department/Agency:** ATO

**Question:** 17

**Topic:** Treasury report into Four Corners allegations

**MP:** Julian Hill

**Hansard:** Page 11

**Question:**

Has the Treasury report into the Four Corners allegations been released?

**Answer:**

As far as the ATO is aware the report has not been released.

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**Department/Agency:** ATO

**Question:** 18

**Topic:** ATO copy of Treasury report

**MP:** Julian Hill

**Hansard:** Page 12

**Question:**

Does the ATO have a copy of the Treasury report into the Four Corners allegations?

**Answer:**

No, the ATO provided information at the request of Treasury as part of their investigation, but has not received the final report.

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**Department/Agency:** ATO

**Question:** 19

**Topic:** Public Interest Disclosures related to small business debt collection

**MP:** Julian Hill

**Hansard:** Page 19

**Question:**

With regard to whistleblower arrangements, how many references to small business debt collection under the Public Interest Disclosure Act have there been?

Could you share the overall number and the way that they're categorised internally?

**Answer:**

The ATO has received one Public Interest Disclosure that makes reference to small business debt collection.

It was categorised under Section 29(2)(b) of the *Public Interest Disclosure Act 2013* as “conduct, if proved, that could give reasonable grounds for disciplinary action against a public official” about whom the disclosure was made.



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**Department/Agency:** ATO

**Question:** 20

**Topic:** Edit checks

**MP:** Julian Hill

**Hansard:** Page 19

**Question:**

**Mr HILL:** It's a bit chicken and egg. Paragraph 3.42 and paragraph 3.43 talk about—this is getting very technical, and I did read it three times and wasn't quite sure—edit checks which provide scrutiny. Effectively, it seems to be one of those mandatory little checks when you're filling out your tax return?

**Mr Watson:** Edit checks are within our processing system. There is an algorithm: A can't be more than B plus D—to that effect. If it doesn't meet that, either the tax agent won't be able to lodge that return generally or, if it gets to the ATO, it will get spat out of our system before it's processed.

**Mr HILL:** So it's one of those: 'No, that can't be right'?

**Mr Watson:** Yes.

**Mr HILL:** It goes on to say that the Auditor-General says:

There is currently no equivalent edit check process to verify that taxpayers are correctly disclosing all previously deducted FMD withdrawals (and not deliberately or otherwise understating assessable income) — a risk that the 2010 risk report considered to be the greatest risk to the integrity of the Scheme.

Is it possible to put an edit check in there in some way?

**Mr Holton:** I would have to think about that. I could take that on notice and we could consider that.

**Answer:**

Edit checks are simple algorithms designed to prevent a tax return from being processed with an obvious or clearly inadvertent error, such as an arithmetic error. These checks are undertaken on each income tax return in isolation, without considering previous year tax returns or referencing third party data.

Therefore, edit checks will not verify whether taxpayers are correctly reporting as income amounts withdrawn from a farm management deposit (FMD) account for which a deduction has been claimed previously under the scheme. To do this reliably, we would need to cross check with the FMD account data reported by financial institutions.

The ATO does not currently have a sufficient level of confidence in the quality and completeness of FMD account data from financial institutions to data match or automate discrepancy identification. We are working with the financial institutions (in response to recommendations 3 and 4 of the ANAO report) to address these issues. In the future it may be possible to more accurately identify underreporting of income as a result of withdrawals from FMD accounts.

**Joint Committee of Public Accounts and Audit**

**Inquiry into Efficiency and Effectiveness: Inquiry into Auditor-General's Reports 25,  
29, 38, 42, 44, 45 and 51 (2018-19)**

**ANSWERS TO QUESTIONS ON NOTICE**

**Australian Taxation Office**

November 2019

**Department/Agency:** ATO

**Question:** 21

**Topic:** Enterprise Client profile system

**MP:** Julian Hill

**Question:**

The ANAO suggested that the ATO accelerate work to provide staff with a 'whole-of-client' view when assisting taxpayers (an Enterprise Client profile system). Can you update the Committee on the status of this work?

**Answer:**

Work to deliver an Enterprise Client Profile (ECP) based on an enterprise view of client risk continues to be a key priority for delivery by the ATO.

Following a successful pilot in April 2019, the ATO has developed an ECP platform to visualise information about clients, including previous interactions and historical payment information. A broader rollout in July 2019 means that many staff within the Debt and Lodgment business line are now able to use the tool to support their decisions when delivering the best actions for clients.

Further development of ECP is ongoing to enable a rollout across all Debt and Lodgment staff from January 2020. It will also include insights from our data and analytic models.

**Joint Committee of Public Accounts and Audit**

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29, 38, 42, 44, 45 and 51 (2018-19)**

ANSWERS TO QUESTIONS ON NOTICE

**Australian Taxation Office**

November 2019

**Department/Agency:** ATO

**Question:** 22

**Topic:** Quality assurance arrangements

**MP:** Julian Hill

**Question:**

The ANAO recommended that the ATO strengthen quality assurance arrangements that apply to debt activities. What progress has the ATO made in implementing this recommendation?

**Answer:**

The ATO have developed a methodology to be applied when undertaking quality assessment of debt activities that identifies the actual and potential adverse impacts to the client and the ATO.

Once established, performance against these benchmarks will be included in monthly reports along with incidents of administrative errors (while undertaking firmer and stronger actions) that lead to an adverse client/ATO impact.

The ATO are also reviewing quality benchmarks to support assessing outcomes under the quality assurance framework.

The monthly reports are expected to be implemented by early 2020, and patterns and trend insights will be available over time.

**Joint Committee of Public Accounts and Audit**

**Inquiry into Efficiency and Effectiveness: Inquiry into Auditor-General's Reports 25,  
29, 38, 42, 44, 45 and 51 (2018-19)**

ANSWERS TO QUESTIONS ON NOTICE

**Australian Taxation Office**

November 2019

**Department/Agency:** ATO

**Question:** 23

**Topic:** Impact of 2016 policy

**MP:** Julian Hill

**Question:**

Has the ATO conducted any evaluations assessing the impact of the 2016 policy?

- a. If so, could you advise the committee of the progress and if there has been any significant findings?

**Answer:**

The Department of Agriculture owns and manages the policy on the Farm Management Deposit (FMD) scheme. The ATO is responsible for administering the taxation aspects of the scheme. Therefore, the ATO has not assessed the impact of 2016 policy changes on the scheme.

**Joint Committee of Public Accounts and Audit**

**Inquiry into Efficiency and Effectiveness: Inquiry into Auditor-General's Reports 25,  
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**ANSWERS TO QUESTIONS ON NOTICE**

**Australian Taxation Office**

November 2019

**Department/Agency:** ATO

**Question:** 24

**Topic:** Risk assessment for FMD

**MP:** Julian Hill

**Question:**

In 2010 the ATO conducted a risk assessment for the FMD (Farm Management Deposit Scheme). The report concluded that the risk rating of 'low' was not well supported due to limitations with the scope of the review, which did not address a large number of the schemes eligibility and operational requirements.

- a. Has the scope of this review since been widened to encompass eligibility and operational requirements?

**Answer:**

Yes. The ATO is currently completing an updated risk assessment for the farm management deposit (FMD) scheme (in response to recommendation 2 of the ANAO audit report). The risk assessment model will review all compliance aspects of the scheme, including eligibility and various operational requirements. The outcome of the ATO assessment will be provided to the Department of Agriculture to be incorporated into their overarching risk assessment.

We expect the ATO risk assessment to be completed by 31 March 2020.

The ATO risk assessment model will determine how the ATO can better use financial institution FMD account data to identify compliance risk at the FMD account holder population level. This includes working with financial institutions (in response to recommendations 3 and 4 of the ANAO audit report) to address the current issues of quality and completeness of data.

**Joint Committee of Public Accounts and Audit**

**Inquiry into Efficiency and Effectiveness: Inquiry into Auditor-General's Reports 25,  
29, 38, 42, 44, 45 and 51 (2018-19)**

**ANSWERS TO QUESTIONS ON NOTICE**

**Australian Taxation Office**

November 2019

**Department/Agency:** ATO

**Question:** 25

**Topic:** Drought and delivery of FMD

**MP:** Julian Hill

**Question:**

With the Nation now experiencing the worst drought on record and more citizens being affected, what measures, monitoring and evaluation plans/actions have been put into place to help deliver the FMD?

**Answer:**

The ATO has continued to promote the availability of the farm management deposit (FMD) scheme to assist farmers in a range of ways. This includes incorporating content into speeches, issuing media releases, updating web content and conducting community outreach visits to areas affected by drought.

To support the delivery of the farm management deposit scheme the ATO is:

- revising ATO help and assistance materials provided to those affected by drought and other natural disasters to ensure the material is accessible and useful – materials include information on the availability of the FMD scheme and how it can be used by farmers to help manage their income
- developing a system identifier for release in early 2020 that flags taxpayers who have a FMD account to assist us in tailoring engagement with FMD account holders
- monitoring tax returns reporting FMD amounts for the 2019 year (as returns are progressively lodged) to identify any changes or potential issues with use of the scheme
- completing an updated risk assessment (in response to recommendation 2 of the ANAO audit report) to identify and manage areas of risk but also support the use of the scheme
- working with financial institutions (in response to recommendations 3 and 4 of the ANAO report) to address data quality and completeness issues – improving this data will enhance our ability to administer the taxation aspects of the scheme.

As the policy owners of the scheme, the Department of Agriculture may be able to provide further information on plans and actions underway to help deliver the FMD scheme.