



## EXECUTIVE MINUTE

on

### JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT REPORT [No. 481 *Efficiency and Effectiveness: Inquiry into Auditor General's Reports 25,29,38,42,44,45 and 51*]

#### Auditor-General Report 42 (2018-19) Management of Small Business Tax Debt

##### Recommendation 5

The Committee recommends that the Australian Taxation Office (ATO) consistently apply a clear definition of the term *small business* within the ATO to improve data analysis.

ATO response to recommendation 5: Noted

For tax administration purposes, the ATO applies the definition of a small business as consistently as possible with the laws we administer, noting the tax laws have several different definitions of small business. Since 2016-17, a *small business* has been defined for ATO reporting as a business, including a sole trader, with less than \$10 million aggregated turnover. Prior to that it was less than \$2 million aggregated turnover.

##### Recommendation 6

The Committee recommends that the ATO develop systems so it can separately report on debt arising from compliance activities, to help assess the effectiveness, efficiency and consistency of its end-to-end debt management processes.

ATO response to recommendation 6: Agreed

This recommendation is being addressed through recommendation 2 from the Auditor-General Performance Audit Report No.42 2018–19: Management of Small Business Tax Debt to improve our performance reporting.

A deliberate decision was made to pause the development of new metrics and reporting solutions in late 2019, recognising dependencies with the planned activity statement financial processing (ASFP) data conversion (which occurred over the December 2019/January 2020 new year period) and the risk of rework that would otherwise be required post-conversion.

It was also expected that post-ASFP remediation would be required for a number of existing reporting metrics and tools. The priority since conversion, has focused on the required remediation to ensure results are calculated and reported accurately.

The COVID-19 pandemic response also required the development of new data queries, reports and modelling to project a forecast for growth in debt, taking into account the impact of unprecedented (and unknown) economic pressures (e.g. potential changes in trends of response rates, capacity and propensity to pay, etc).

Work has now recommenced to progress the recommendation and we anticipate delivery by the end of the financial year.

## **Auditor-General Report 51 (2018-19) Farm Management Deposits Scheme**

### **Recommendation 10**

The Committee recommends that the Department of Agriculture and the Australian Taxation Office implement specific key performance indicators in order to measure the performance of the Farm Management Deposits Scheme, and for the results to be published in Annual Reports.

ATO response to recommendation 10: Agreed

Performance measures will be published in the ATO's Annual Report from 2021-22 onward. These will be developed during 2020-21 and are intended to measure:

- key shifts in the number of Farm Management Deposit (FMD) account holders and account usage
- key shifts in tax outcomes for FMD holders
- the level and results of ATO help and support strategies for FMD holders
- the level of and outcomes from ATO compliance assurance of FMD holders, and
- improvements in the quality and completeness of FMD account data reported to the ATO by financial institutions.

### **Recommendation 11**

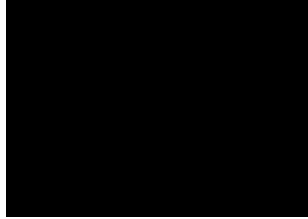
The Committee recommends that the Australian Taxation Office undertake a new risk assessment of the Farm Management Deposits Scheme with input from the Department of Agriculture, including matters such as compliance and policy changes, and to issue a new risk rating if required.

ATO response to recommendation 11: Agreed

The ATO has already prepared an updated FMD tax compliance risk assessment and provided this to the Department of Agriculture, Water and the Environment (DAWE) in response to recommendation 2 from the Auditor-General Performance Audit Report No.51 2018–19: Farm Management Deposit Scheme, which has maintained the ATO risk level rating of low. This takes into account the new population entering the FMD scheme following policy changes to broaden deposit limits under the scheme.

The new ATO risk assessment has been used in the development of the overarching risk assessment of the FMD scheme by DAWE under that recommendation. This process was completed in September 2020.

Once the risk treatment strategies under both the ATO and the DAWE overarching FMD risk assessments have been applied in 2021-22, a new risk assessment will be commenced with DAWE to determine the impact of those strategies on controlling the risk level to the scheme.



Chris Jordan AO  
Commissioner of Taxation