

# Plenary Governance Forum

## End of year 2010–11



**Australian Government**  
**Australian Taxation Office**

# Contents

## PLENARY GOVERNANCE FORUM 2010–11

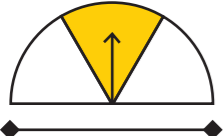
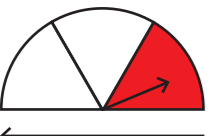
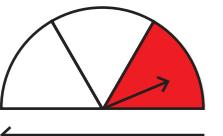
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# Performance exceptions (items not rated 'green' at the end of year)

## EXCEPTIONS

PLENARY GOVERNANCE FORUM 2010–11


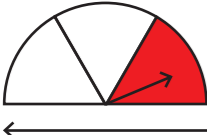
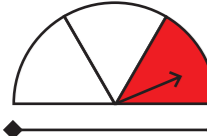
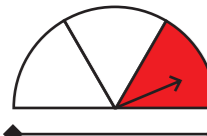
### COMMENTARY ON PERFORMANCE EXCEPTIONS (ALL ELEMENTS): PGF – 12 JULY 2011

| RATING AT 30 JUNE 2011  | PROGRAM AND TOPIC   | ISSUE AND CAUSE   | IMPACT ON STAKEHOLDERS   | MITIGATION STRATEGIES IMPLEMENTED   | ACTION REQUIRED   |
|---|---|---|--|---|---|
|    | <p><b>PROGRAM COMPONENT 1</b><br/><i>Implement the government's legislative program on time, including the government's agenda arising from the federal Budget, for example by providing assistance on tax consequences of environmental change and fuel tax issues.</i></p> <p>In relation to Alternative Fuels.</p> | <ul style="list-style-type: none"> <li>■ The Bills were tabled (as category T Bills) on Thursday 12 May 2011. Although receiving passage through both houses, they are still waiting Royal Assent.</li> <li>■ The Bills differed significantly from those presented in the Exposure Draft documentation in January 2011.</li> <li>■ The key risk now is that the regulations, which contain key information for client readiness, have not been published. In addition there is the potential for further legislative amendments in a spring bill.</li> </ul>   | <ul style="list-style-type: none"> <li>■ A delay in publishing the regulations and potential for further legislative amendments will cause uncertainty for taxpayers as to their final obligations. This has the potential to delay their preparation regarding system and procedures.</li> <li>■ The Amber rating was retained due to the uncertainty of final law design and the complexities associated with the timing during the winter sittings as this is outside our control.</li> </ul> | <ul style="list-style-type: none"> <li>■ Planned taxpayer consultation regarding the legislation and regulations.</li> <li>■ Categorising taxpayers based on likely impact of the regulations and proposed spring amendments ahead of planned consultation.</li> <li>■ Working with Treasury on a category T amendment bill for the spring sittings to address any shortcomings in the bills.</li> </ul>  | <p>No further action required as we are:</p> <ul style="list-style-type: none"> <li>■ Waiting on Royal Assent.</li> <li>■ Waiting on publishing of regulations.</li> </ul>  |
|    | <p><b>PROGRAM COMPONENT 2</b><br/><b>Guidance:</b><br/><i>Tax Agent Deferral requests</i></p>   | <ul style="list-style-type: none"> <li>■ A backlog of the processing of <i>Tax Agent Deferral</i> requests including <i>Review of Deferral Decisions</i> requests was created in January 2011. This was due to:                             <ul style="list-style-type: none"> <li>– resourcing our response to the natural disasters,</li> <li>– system routing issues in December that delivered aged work, and</li> <li>– higher than normal tax agent deferrals in the pre-Christmas peak (12% increase where a 5% increase was planned)</li> </ul>                             which impacted ability to meet YTD service standards.                         </li> <li>■ The backlog was resolved by March 2011 and we continued to meet monthly service standards but could not recover the overall YTD standard.</li> </ul>  | <ul style="list-style-type: none"> <li>■ Not meeting service standards for deferrals activities (including reviews).</li> <li>■ 4,390 requests were affected. Backlog was resolved by March 2011.</li> </ul>   | <ul style="list-style-type: none"> <li>■ We investigated and addressed the routing errors that were leading to some requests being received out of time.</li> <li>■ We implemented the use of casual workforces at peak times and increased overtime.</li> </ul>  | <ul style="list-style-type: none"> <li>■ We are reassessing the whole deferral process as part of the Lodgment Program agreement.</li> <li>■ We will commence a compliance strategy with the poorest performing agents in respect of deferrals, and other inappropriate practices.</li> <li>■ We will continue to look at flexible workforce approaches including use of other staff, overtime and casuals to address peak processing periods.</li> </ul>   |
|  | <p><b>PROGRAM COMPONENT 2</b><br/><b>Lodge:</b><br/><i>Manage over 41 million expected lodgments within quality and service standards.</i></p> <p>(Service Standard Electronic Tax Returns, Individuals)</p>  | <ul style="list-style-type: none"> <li>■ The number of returns processed outside standard in July/August 2010 impacted performance for the year. This was due to the necessary shutdown and safety net processes in place to support implementation of Tax Time 2010. When production commenced on 9 July the volume of returns in the system created capacity issues for daily batch processes.</li> <li>■ In addition, performance was not met in December due to the Christmas shutdown. A large percentage of December lodgments were received in the period 20 to 24 December.</li> <li>■ Issues with ELS servers in January caused delays in some returns entering ICP.</li> <li>■ Our performance in April was impacted by the Easter period. Batch processes could not be scheduled due to system releases over the public holiday period. There were also problems encountered with error queues in the Enterprise Application Interface (EAI).</li> </ul> | <ul style="list-style-type: none"> <li>■ These issues delay refunds to taxpayers and to tax agents resulting in increased complaints and calls to our contact centres.</li> </ul>  | <ul style="list-style-type: none"> <li>■ We have scheduled the earlier commencement of batch processes on days where additional processing is required due to the volume of returns in the system. Our improved forecasting enables us to implement this as required.</li> <li>■ The implementation of the Priority Processing Capability and the early identification of issues means we can take prompt action to limit the impact on taxpayers when issues do occur. This includes capacity for outbound call campaigns to affected taxpayers and agents where necessary.</li> </ul> | <ul style="list-style-type: none"> <li>■ Our improved forecasting for income tax lodgments better informs our planning. We are able to identify days in which processing peaks require close management and the invoking of mitigation strategies such as the earlier commencement of daily batch processes.</li> <li>■ Regular monitoring of error queues and the performance of take-on systems such as ELS, also provides early warning and the opportunity for intervention should issues occur.</li> </ul> |

# Performance exceptions (items not rated 'green' at the end of year)

## EXCEPTIONS

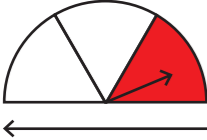
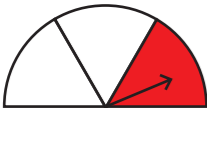
PLENARY GOVERNANCE FORUM 2010–11

| RATING AT 30 JUNE 2011  | PROGRAM AND TOPIC   | ISSUE AND CAUSE   | IMPACT ON STAKEHOLDERS   | MITIGATION STRATEGIES IMPLEMENTED  | ACTION REQUIRED  |
|---|---|---|--|--|--|
|    | <b>PROGRAM COMPONENT 2</b><br><b>Accounts:</b><br><i>Manage accounts that reflect the financial obligations and entitlements for taxpayers, transfer funds between accounts and make payments to taxpayers.</i><br><br>(Service Standard, General Interest Charge)  | <ul style="list-style-type: none"> <li>■ Due to a technical deficiency in the law that arose when the general interest charge (GIC) provisions were being transferred from the <i>Income Tax Assessment Act 1936</i> to the <i>Income Tax Assessment Act 1997</i> the law does not impose and the ATO cannot legally collect GIC on income tax and Shortfall Interest Charge (SIC) liabilities:                             <ul style="list-style-type: none"> <li>– due on or after 1 July 2010 which related to financial years ending 30 June 2010 or earlier; and</li> <li>– in respect of the 2009–2010 income year or earlier income years where an assessment or amended assessment issued after 1 July 2010 and is due for payment before 1 July 2010.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>■ The ATO has received advice from the Australian Government Solicitor (AGS) confirming that the law is deficient.</li> <li>■ The ATO has ceased all court collection action in relation to the affected amounts of GIC.</li> </ul> |  | <ul style="list-style-type: none"> <li>■ The required amendments to resolve the issues with the existing law were announced as part of the 2011 Budget Package.</li> </ul>   |
|    | <b>PROGRAM COMPONENT 2</b><br><b>Receipts:</b><br><i>Maintain ratio of collectable debt to receipts under 5%.</i>   | <ul style="list-style-type: none"> <li>■ The ratio of collectable debt to receipts was 5.17% for the 2010–11 year and for the first time in ten years we have achieved zero growth in collectable debt.</li> <li>■ The suspension of debt letters to reduce pressure in contact centres will impact end of year outcome.</li> </ul>   | <ul style="list-style-type: none"> <li>■ Business is still reflecting cash flow difficulties, particularly Micro and SME segments.</li> </ul>  | <ul style="list-style-type: none"> <li>■ Significantly reduced growth in collectable debt during 2010–11.</li> <li>■ Debt Right Now! and business viability tools used to better differentiate taxpayers according to their circumstances. Transparency of collection actions through issue of Firmer Action – Fact Sheet.</li> <li>■ Increased focus on Superannuation Guarantee Contribution aged debt.</li> </ul>   | <ul style="list-style-type: none"> <li>■ Continuation of current strategies which balance empathy with firmer action where appropriate.</li> </ul>   |
|  | <b>ATO PLAN</b><br><i>Active Compliance administrative prosecutions (previously known as 'in-house prosecution') court outcome targets.</i>   | <ul style="list-style-type: none"> <li>■ Administrative prosecutions (AP) were about 40% under plan. This is due in part to lower than planned referrals as a result of staff being redeployed during ICP implementation, impact of natural disasters and a strategic shift in strategies, including default assessments and telephone follow-ups, resulting in some improved compliance, and in part because the target was unrealistically high.</li> </ul>   |  | <ul style="list-style-type: none"> <li>■ We are revising our targets.</li> </ul>   | <ul style="list-style-type: none"> <li>■ No additional action required at this time.</li> </ul>  |
|  | <b>COMPLIANCE PROGRAM</b><br><i>We issue warnings such as taxpayer alerts where we have concerns. This includes concerns about retail investment products in the marketplace, particularly those promising tax benefits that may not be available under the law. We encourage promoters of retail investment products to apply for product rulings to provide investors with certainty about the tax effects of an arrangement.</i> | Throughout 2010–11 we improved early detection capabilities including through the application of the ATP Risk Differentiation Framework to more effectively categorise identified risk and determine appropriate treatment strategies. We identified new and emerging risks such as wholesale and retail financial products, including abusive loan structuring. These new risks will be further investigated to determine appropriate mitigation strategies. It is the detection of this newly identified risk that warrants a red rating as we move into 2011–12.   | <ul style="list-style-type: none"> <li>■ Potential risk to revenue and investors due to more financial products being issued without product rulings.</li> </ul>   | We increased our focus on the risk posed by retail financial products to develop a suite of mitigation strategies. Our activities included: <ul style="list-style-type: none"> <li>■ Engaging with industry on the development of products and applying for Product Rulings as appropriate – the number of applications increased as a result.</li> <li>■ Intervention activities which in one instance in 2010–11 protected approximately \$700m of revenue over 6 years.</li> <li>■ Releasing the Good Governance Guide and commencing a program of engagement visits with key intermediaries.</li> <li>■ Allocating additional resources to new risks.</li> </ul> | We will: <ul style="list-style-type: none"> <li>■ Increase existing engagement with ASIC to deal with issues.</li> <li>■ Continue to engage with industry to design and develop a <i>financial products developers</i> brochure and <i>financial products</i> fact sheet.</li> <li>■ Work with industry to streamline our processes to reduce their costs in relation to product rulings.</li> <li>■ Bring together our task force approach to address mischief.</li> <li>■ Consider issuing taxpayer alerts on significant issues of concern where appropriate.</li> <li>■ Escalate legislative deficiencies to Treasury as appropriate.</li> </ul> |

# Performance exceptions (items not rated 'green' at the end of year)

## EXCEPTIONS

PLENARY GOVERNANCE FORUM 2010–11

| RATING AT 30 JUNE 2011  | PROGRAM AND TOPIC  | ISSUE AND CAUSE   | IMPACT ON STAKEHOLDERS  | MITIGATION STRATEGIES IMPLEMENTED  | ACTION REQUIRED  |
|---|--|---|---|--|--|
|  <p>Note: Red only in respect of the remission of penalty in Part IVA cases.</p> | <p><b>ROSA RECOMMENDATION 4.4</b></p> <p><i>ATO should explain more fully, for example in a ruling or practice statement, how it exercises the discretion to remit tax shortfall penalties, including in Part IVA cases.</i></p>   | <p>The publication of PS LA 2006/2 in March 2006, delivered the remission policy for shortfall penalties for false or misleading statements. In addition, three further practice statements dealing with aspects of this were released between November 2006 and November 2008. In addition, elements of PS LA 2006/2 were effectively replaced and expanded on in three shortfall penalty tax rulings released in 2008.</p> <p>The only remaining activity is a practice statement for schemes shortfall penalty (referred to in the recommendation as Part IVA cases), and a draft is scheduled for release in late August.</p> | <p>We have assessed that the remaining work is not a high impact on taxpayers generally.</p>  |  | <p>A draft practice statement is scheduled for release in late August.</p>   |
|    | <p><b>ENTERPRISE AGREEMENT</b></p> <p><i>On 1 July 2009, the Fair Work Act 2009 (FW Act) came into effect. One effect of the new FW Act was that the various types of collective (union collective and employee collective) workplace agreements that existed under the previous Act were replaced by a single type of agreement: called an 'enterprise agreement'.</i></p> <p><i>The government issued its APS Bargaining Framework on 31 January 2011.</i></p> | <ul style="list-style-type: none"> <li>■ Bargaining for the 2011 enterprise agreement commenced on 14 April 2011 and an Agreement was subsequently put to an all staff vote on 27 June 2011.</li> <li>■ The vote period ran from 27 to 30 June 2011. Overall around 74% of eligible employees cast their vote and approximately 59% of those who voted, voted against the proposed agreement.</li> <li>■ An active 'no' campaign was undertaken by the CPSU and ASU against the proposed pay offer.</li> </ul>  | <ul style="list-style-type: none"> <li>■ Both unions have continued to state that their primary concern is the quantum of the pay rise. The CPSU withdrew from the process week commencing 1 August until such time as another pay proposal is put forward. The ASU has continued to participate in bargaining meetings.</li> <li>■ APS1s to EL1s are not entitled to pay rises until an agreement is reached.</li> <li>■ Impact on staff commitment/engagement.</li> </ul> | <ul style="list-style-type: none"> <li>■ Bargaining recommenced on 18 July 2011.</li> <li>■ A feedback survey has been conducted to better understand the reasons why staff supported or did not support the proposed agreement.</li> <li>■ Further proposals have been put forward by the ATO including front end loading the pay rise and payment of a productivity payment.</li> <li>■ We have been open with staff throughout the duration of the process in particular explaining the proposed agreement and our budget position to inform our rationale for the pay proposal.</li> </ul> | <ul style="list-style-type: none"> <li>■ Bargaining meetings are continuing which has included considering new and revised bargaining claims put forward from bargaining representatives. As part of the requirements of good faith bargaining we must consider and respond to all claims put forward.</li> <li>■ Ongoing communications are being provided to all staff on updates of the process. We continue to ensure an efficient bargaining process is undertaken and our requirements under good faith bargaining are met.</li> </ul> |

# Performance delivering the corporate priorities

## PRIORITIES

PLENARY GOVERNANCE FORUM 2010–11

### PROGRAM COMPONENT 1

Our administrative and technical expertise supports government priorities and encourages community participation

31 Oct 2010    30 Jun 2011

|  |  |   |
|--|--|---|
|  |  | Assist in the design of new laws by providing advice to Treasury, the Board of Taxation and the government, including where laws may not be operating as intended   |
|  |  | Implement the government's legislative program on time, including the government's agenda arising from the federal Budget, for example by providing assistance on tax consequences of environmental change and fuel tax issues  |
|  |  | Improve certainty through strategic litigation and public rulings as per our priorities for major technical issues  |
|  |  | Provide online library and precedent tools  |
|  |  | Work on cross-government initiatives, including: <ul style="list-style-type: none"> <li>■ Ahead of the Game: Blueprint for the Reform of Australian Government Administration</li> <li>■ APS Service Delivery Strategy</li> <li>■ APS ICT Governance</li> <li>■ Public Sector Management Program</li> </ul> |
|  |  | Deliver on key commitments under agreements with other agencies, for example exchanging information and data matching with Centrelink to detect welfare and tax fraud   |
|  |  | Provide administrative support to the Tax Practitioners Board   |
|  |  | Provide a leading role in the implementation of the Attorney-General's reform of legal professional services, including alternative dispute resolution  |
|  |  | Provide ATO shopfront services from selected Centrelink sites and other centres   |

### PROGRAM COMPONENT 2

We support people and make it as easy as possible for them to fulfil their responsibilities at minimum cost

31 Oct 2010    30 Jun 2011

| GUIDANCE |  |  |
|----------|--|--|
|          |  | Prepare to handle over 12 million calls accurately in accordance with our service standards  |
|          |  | Provide individual advice and guidance as outlined in the <i>Compliance program 2010–11</i> , within expected cycle times and quality standards                                  |
| REGISTER |  |  |
|          |  | Maintain and update the client register for over 23 million active tax file numbers, ensuring high levels of data integrity while achieving our service standard benchmarks      |
| LODGE    |  |  |
|          |  | Manage over 41 million expected lodgments within quality and service standards   |
|          |  | Provide practical assistance, through our self-help and service channels, particularly at tax time, to support taxpayers   |
|          |  | Co-design the tax agent lodgment program to allow them to better manage their workloads  |
|          |  | Further expand e-tax by increasing opportunities for pre-filled returns  |
| ACCOUNTS |  |  |
|          |  | Manage accounts that reflect the financial obligations and entitlements for taxpayers, transfer funds between accounts and make payments to taxpayers                            |
|          |  | Protect taxpayers by enhancing our fraud-detection processes   |
| RECEIPTS |  |  |
|          |  | Process over 19 million payments from taxpayers within quality and service standards   |
|          |  | Maintain our deferrals and payment arrangements where viable businesses face short-term financial difficulties   |
|          |  | Reduce the stock of ageing collectable debt by taking firmer action with those not engaged   |
|          |  | Maintain ratio of collectable debt to receipts under 5%  |
|          |  | Strengthen our approach to the management of superannuation guarantee debt to deliver an improved collection rate and reduce the level of superannuation guarantee debt holdings |

### PROGRAM COMPONENT 3

We provide support for people willing to participate and protect them by dealing with those not willing to comply

31 Oct 2010    30 Jun 2011

| LARGE BUSINESS              |  |  |
|-----------------------------|--|--|
|                             |  | Offer practical certainty through, annual compliance arrangements, advance pricing agreements, more timely rulings and enhanced relationships  |
|                             |  | Continue dialogue with companies on their risk ratings and corporate governance and more sharply differentiate high and low risk corporates  |
|                             |  | Undertake audits and risk reviews as outlined in the Compliance program 2010–11  |
| SMALL TO MEDIUM ENTERPRISES |  |  |
|                             |  | Provide assistance through tailored online products and tools, co-designed with businesses, including extending the small business chat room   |
|                             |  | Adopt a mix of strategies to address areas of concern as outlined in the Compliance program 2010–11  |
| MICRO ENTERPRISES           |  |  |
|                             |  | Provide assistance visits, self-help tools and practical guidance, for example the small business capital gains tax concessions tool   |
|                             |  | Use enhanced data matching and industry benchmarks to address those who use cash transactions to hide and evade taxation obligations   |
|                             |  | Deal with businesses not meeting their employer obligations and those who incorrectly report their income, including capital gains and losses, through increased data matching, audits and reviews |
| INDIVIDUALS                 |  |  |
|                             |  | Provide information and decision-making tools such as the income test calculators  |
|                             |  | Enhance our support to low-income, migrant and indigenous communities  |
|                             |  | Engage Australian youth in understanding tax and superannuation  |
|                             |  | Increase activities in the areas of incorrect claims and omissions in tax returns, including an increasing focus on refund fraud   |
|                             |  | Increase activities in income reporting by highly paid company executives and directors  |
|                             |  | Continue to extend coverage of high wealth individuals   |

# Performance delivering the corporate priorities

PRIORITIES

PLENARY GOVERNANCE FORUM 2010–11

## PROGRAM COMPONENT 3 *continued*

31 Oct 2010    30 Jun 2011

### SUPERANNUATION

- Pilot a tailored support service for approved auditors of self-managed superannuation funds.
- Follow up auditor contravention reports and promote auditor competence.
- Promote awareness of the contribution caps and follow-up cases where they are exceeded.
- Take firm action by disqualifying and prosecuting trustees and promoters who commit serious regulatory breaches, including through illegal early release schemes
- Investigate all employee superannuation guarantee complaints and proactively target those industries and employers showing a pattern of non compliance

### GOODS AND SERVICES TAX AND EXCISE

- Deliver on commitments to government, including GST commitments to the states and territories as outlined in the GST Administration Performance Agreement
- Focus on fraudulent GST refunds, systematic under reporting of GST liabilities (particularly in the property sector), non lodgment of GST returns and non payment of GST debts, as outlined in the *Compliance program 2010–11*
- Increase risk and audit activity on excise risk as outlined in the *Compliance program 2010–11*

### ABUSE OF THE TAX AND SUPERANNUATION SYSTEMS

- Issue taxpayer alerts to provide early warnings of our concerns.
- Identify, deter and prosecute crimes against the tax and superannuation systems, including refund fraud and abusive use of tax secrecy havens
- Address the risks associated with high risk advisory firms through potential application of the promoter penalty laws and increase the risk profile of their clients

### INTERNATIONAL

- Strengthen our international collaboration with other revenue authorities, including expanding the acquisition and exchange of data
- Work closely with our overseas counterparts on compliance risks of mutual concern

### TAX PRACTITIONERS

- Provide self-help support services, for example tax practitioner web casts, interactive bulletins and e-magazines; and encourage online dealings
- Increase our personalised dialogue with tax practitioners on their performance
- Develop strategies to optimise the role of the Tax Practitioners Board, including the referral of tax practitioners

## PROGRAM COMPONENT 4 AUSTRALIAN BUSINESS REGISTER

The ABR provides the key to initiatives that streamline online dealings between businesses and all levels of government

31 Oct 2010    30 Jun 2011

- Support the implementation of the Standard Business Reporting (SBR) initiative by delivering services, including authentication and core services across government
- Transition SBR into business-as-usual
- Position ABR, ABN and AUSkey as whole-of-government tools for business and government

## PROGRAM COMPONENT 5 AUSTRALIAN VALUATION OFFICE

We are a trusted valuer for governments; recognised for our public sector knowledge of government assets and robust and independent valuations

31 Oct 2010    30 Jun 2011

- Provide expert valuation advice and services to government agencies, meeting rates of return in alignment with competitive neutrality requirements
- Provide quality and value for money service under our long-term contract with Centrelink
- Undertake a business operation review to leverage optimal client service

# Performance delivering the corporate priorities

## PRIORITIES

PLENARY GOVERNANCE FORUM 2010–11

### ENABLING COMPONENT 1 GOVERNANCE AND STEWARDSHIP

We are open and accountable through our robust governance framework

31 Oct 2010    30 Jun 2011

- Promote our Strategic statement 2010–15 which focuses on community ownership of Australia's tax and superannuation systems.
- Exercise strong corporate governance to achieve measurable productivity gains and continuous improvement.
- Implement our new enterprise risk management framework.
- Implement agreed outcomes of reviews by Parliament, the ANAO, Ombudsman and the Inspector General of Taxation.
- Effectively manage high security risks in accordance with our security framework.
- Improve our forecasting and understanding of our cost drivers to manage within budget.
- Refresh our strategic forums, programs and approach to align with our strategic direction.
- Build our technology program of work to align with the ATO's corporate priorities.
- Develop an ATO resource plan that reflects our budgeting, workforce planning and property strategies.

### ENABLING COMPONENT 2 PEOPLE AND PLACE

We enhance the capability of our people to meet our corporate outcomes now and into the future

31 Oct 2010    30 Jun 2011

- Progress implementation of the ATO People strategy 2009–2012.
- Continue to improve our peoples' engagement and productivity, taking into account our employee engagement survey by:
  - improving employee engagement among specific groups of employees and priority locations
  - strengthening the role of leaders and managers in managing change
  - improving our approaches to career development and training
- Implement our corporate learning and development plan activities.
- Establish an innovation centre of expertise to support an innovative culture.
- Use the ATO centenary as part of our engagement initiatives.
- Build on site leadership through increased SES involvement.

### ENABLING COMPONENT 3 INFORMATION TECHNOLOGY AND BUSINESS DESIGN

31 Oct 2010    30 Jun 2011

Our processes, infrastructure and technology meet the changing needs of the community

- Deliver tax time for 2010 and prepare for tax time 2011.
- Refresh our online strategy and improve our web presence.
- Improve advice and guidance work practices and processes, particularly those associated with private rulings.
- Deliver on the ATO's roles in whole-of-government initiatives.
- Improve our processes by:
  - strengthening the integrity of our data by increasing the use of automated system checks
  - refining notices of assessment and statements of account, including consideration of online options.
- Implement new arrangements for managed network services, end user computing, enterprise service management centre and centralised computing (2010–12).
- Continue to seek opportunities to adopt new technologies, including web 2.0 technologies.
- Promote safeguards against technology-enabled threats, in particular identity theft.
- Open new facilities for Geelong (April 2011), Melbourne CBD (April 2012), Adelaide (October 2012), Albury (October 2012) and Penrith (2012–13) to better support our business needs.
- Enhance performance and productivity by reengineering enterprise wide work practices and processes delivering greater efficiency and improved client services.





# Performance delivering the administered programs

PLENARY GOVERNANCE FORUM 2010–11

## ADMINISTERED PROGRAMS

| 31 Oct 2010 | 30 Jun 2011 |   |
|-------------|-------------|---|
|             |             | 1.3 Tax Bonus                                 |
|             |             | 1.4 Product Stewardship Waste (oil) Scheme    |
|             |             | 1.5 Cleaner Fuels Grant Scheme                |
|             |             | 1.6 Refundable Film and Television Tax Offset |
|             |             | 1.7 Research and Development Tax Offset       |
|             |             | 1.8 Private Health Insurance Rebate           |

| 31 Oct 2010 | 30 Jun 2011 |   |
|-------------|-------------|---|
|             |             | 1.9 Superannuation Co-contribution Scheme       |
|             |             | 1.10 Superannuation Guarantee Scheme            |
|             |             | 1.11 Fuel Tax Credits Scheme                    |
|             |             | 1.12 Education Tax Refund                       |
|             |             | 1.13 National Urban Water and Desalination Plan |
|             |             | 1.14 National Rental Affordability Scheme       |




| 31 Oct 2010 | 30 Jun 2011 |   |
|-------------|-------------|---|
|             |             | 1.15 First Home Saver Accounts                                |
|             |             | 1.16 Baby Bonus   |
| N/A         | N/A         | 1.17 Resource Exploration Rebate (Measure not implemented)    |
| N/A         | N/A         | 1.18 Domestic Ethanol Assistance (this commences 1 July 2011) |
|             |             | 1.19 Interest on Overpayments and Early Payments of Tax       |
|             |             | 1.20 Bad and Doubtful Debts and Remissions                    |

# Compliance program 2010–11 commitments delivery


PLENARY GOVERNANCE FORUM 2010–11

This report provides a high-level summary of performance against delivery of the commitments outlined in the *Compliance program 2010–11*.

## NUMBER OF COMMITMENTS IN EACH RATING CATEGORY:

| Rating                |  |  |  | Total |
|-----------------------|---|---|---|-------|
| Number of commitments | 116   | 0   | 1   | 117   |

## COMMENTARY ON PERFORMANCE RATED 'RED'

| SEGMENT                 | STATUS  | COMMITMENT  | COMMENT   |
|-------------------------|---|---|---|
| LBI-13 – Large Business |  | Our primary focus will be on consultative implementation and education in relation to the new TOFA rules. However, we will be examining compliance risks. | Taxation of Financial Arrangements (TOFA) 3 and 4 is currently rating red pending legislation outcome. TOFA Business requirements lodged. Due to uncertain late legislation, business case will become problematic for 1 July implementation. The legislative timetable has been received and the relevant legislation is expected to receive Royal Assent by December 2011. We are working on requirements with impacted IT areas for early elections into TOFA and this work is currently on track. Our technology and operations areas continue to progress putting processes in place to accurately provide a NET PAYGI rate to TOFA clients. |

# Corporate service standards performance report

PLENARY GOVERNANCE FORUM 2010-11

SERVICE STANDARDS

## Summary

Service standards underpin our commitment to the community to be accountable. We publish our service (timeliness) standards and our performance against them on our website. They serve to assure ourselves and the community that the services we provide are of a consistent and high standard. We are committed to developing, monitoring and reporting on our service standards in areas of importance to taxpayers.

2010-11



Met 22

Failed 4:

- 1 electronic tax returns Individuals
- 2 refund of overpaid tax
- 3 complaints – initial contact
- 4 complaints – resolution

Significant recovery on last year:

- 2009-10 met 15, failed 12

Improvement on previous two years:

- 2007-08 met 22, failed 5 (3 marginally)
- 2008-09 met 22, failed 5 (1 marginally)

Note: unable to report on clerical and administrative errors since the introduction of ICP. However, the income tax component continues to be captured within the amendments service standards data.

## WHAT'S HAPPENING IN 2011-12

Low volume service standards have been merged with related service standards to address the issue of low volume distortion of performance results.

Inbound Correspondence becomes *Correspondence and other request* and will include – Refund of overpaid tax, SHA and Excise fuel scheme claims.

Reviews of private written advice and Reviews other than of private written advice will merge and be renamed as *Objections and reviews*.

Tax returns processing – returns considered fraudulent will be excluded from the 14 day service standard. High risk refunds, although taken off line, will still be included in the 14 day service standard count.

Clerical and administrative errors – will not be reported separately for 2011-12 and will be removed as a service standard. The income tax clerical and administrative errors will continue to form part of the amendments performance results.

Four principles to improve the timeliness and quality of corporate service standards reporting have been endorsed by the ATO Executive.

## SUMMARY OF SERVICE STANDARDS PERFORMANCE

| Service Standards   | Sub-plan Owner      | Benchmark       | Performance Reported June 2011 |         |              |                 | Caveats   |
|---|---------------------|-----------------|--------------------------------|---------|--------------|-----------------|---|
|   |                     |                 | MTH (%)                        | YTD (%) | Month Rating | Year End Rating |   |
| <b>Registrations</b>  |                     |                 |                                |         |              |                 |   |
| Registrations - Commissioner of Taxation  | Operations          | 93% in 28 days  | 98.2                           | 96.2    | ●            | ●               |   |
| Registrations - Australian Business Register  | Operations          | 93% in 28 days  | 96.6                           | 93.7    | ●            | ●               |   |
| Registrations (Completion Service Standard – not published externally)                      | Operations          | 99% in 42 days  | 98.8                           | 98.5    | ●            | ●               |   |
| <b>Lodgments</b>  |                     |                 |                                |         |              |                 |   |
| Electronic tax returns - Individuals  | Operations          | 94% in 14 days  | 87.8                           | 82.7    | ●            | ●               |   |
| Paper tax returns – Individual  | Operations          | 80% in 42 days  | 91.1                           | 93.9    | ●            | ●               | New reporting methodologies require 42 days to pass at the end of the reporting month to measure accurately. (May 2011 results reported)    |
| Electronic tax returns – taxable non-individuals  | Operations          | 92% in 14 days  | 97.6                           | 93.0    | ●            | ●               |   |
| Paper tax returns – taxable non-individuals   | Operations          | 80% in 56 days  | 97.1                           | 90.6    | ●            | ●               | New reporting methodologies require 42 days to pass at the end of the reporting month to measure accurately. (May 2011 results reported)    |
| Electronic <u>credit</u> activity statements  | Operations          | 92% in 14 days  | 96.5                           | 98.0    | ●            | ●               |   |
| Paper <u>credit</u> activity statements   | Operations          | 85% in 14 days  | 93.6                           | 97.7    | ●            | ●               |   |
| Electronic <u>debit</u> activity statements   | Operations          | 95% in 14 days  | 99.2                           | 99.8    | ●            | ●               |   |
| Paper <u>debit</u> activity statements  | Operations          | 90% in 42 days  | 95.9                           | 98.5    | ●            | ●               |   |
| <b>Refunds and payments</b>   |                     |                 |                                |         |              |                 |   |
| Refund of overpaid tax  | Operations          | 90% in 28 days  | 96.9                           | 89.0    | ●            | ●               |   |
| SHA special account payment requests  | Operations          | 80% in 21 days  | 88.3                           | 81.4    | ●            | ●               |   |
| Excise fuel scheme claims   | Operations          | 92% in 14 days  | 98.7                           | 94.6    | ●            | ●               |   |
| <b>Enquiries</b>  |                     |                 |                                |         |              |                 |   |
| Automated email response  | Compliance          | 90% in 3 days   | 92.1                           | 97.0    | ●            | ●               |   |
| Inbound correspondence  | Operations          | 85% in 28 days  | 90.2                           | 90.1    | ●            | ●               |   |
| Inbound Correspondence (Completion Service Standard – not published externally)             | Operations          | 99% in 90 days  | 99.1                           | 97.3    | ●            | ●               |   |
| Private written advice  | Compliance          | 80% in 28 days  | 90.3                           | 87.9    | ●            | ●               |   |
| Private written advice (Completion Service Standard – not published externally)             | Compliance          | 99% in 90 days  | 93.0                           | 90.8    | ●            | ●               |   |
| Visit general enquiry service   | Compliance          | 90% in 10 mins  | 95.1                           | 93.1    | ●            | ●               |   |
| <b>Telephony</b>  |                     |                 |                                |         |              |                 |   |
| Telephone general enquiries   | Operations          | 80% in 5 mins   | 81.8                           | 81.3    | ●            | ●               |   |
| Tax practitioners' premium service telephone enquiries                                      | Operations          | 90% in 2 mins   | 91.7                           | 90.5    | ●            | ●               |   |
| Electronic - Amendments   | Operations          | 90% in 28 days  | 97.5                           | 96.3    | ●            | ●               |   |
| Paper - Amendments  | Income tax data     |                 |                                |         |              |                 |   |
|   | Activity statements | Operations      | 75% in 56 days                 | 90.1    | 87.7         | ●               | ●   |
| Review of private written advice  | Compliance          | 85% in 28 days  | 95.7                           | 90.3    | ●            | ●               |   |
| Review of Private written advice (Completion Service Standard – not published externally)   | Compliance          | 99% in 90 days  | 87.0                           | 96.1    | ●            | ●               |   |
| Review other than to private written advice   | Compliance          | 70% in 56 days  | 85.4                           | 79.5    | ●            | ●               |   |
| Review other than to private written advice (Completion Service Standard – not published)   | Compliance          | 99% in 120 days | 88.9                           | 88.1    | ●            | ●               |   |
| <b>Audits</b>   |                     |                 |                                |         |              |                 |   |
| Audits and reviews finalised advice   | Compliance          | 99% in 7 days   | 99.6                           | 99.5    | ●            | ●               |   |
| <b>Complaints</b>   |                     |                 |                                |         |              |                 |   |
| Complaints - initial contact  | Law                 | 85% in 3 days   | 88.1                           | 71.1    | ●            | ●               |   |
| Complaints – resolution   | Law                 | 85% in 21 days  | 92.6                           | 78.2    | ●            | ●               |   |
| <b>Errors</b>   |                     |                 |                                |         |              |                 |   |
| Clerical and administrative errors  | Operations          | 70% in 21 days  | ***                            | ***     | ***          | ***             | Unable to report. However, the income tax data component is currently included within the 'amendment standards – income tax data' standard. |
| Clerical and administrative errors (Completion Service Standard – not published externally) | Operations          | 99% in 56 days  | ***                            | ***     | ***          | ***             | Unable to report due to ongoing systems reporting issues.   |

**Key:** ● Met or exceeded benchmark ● Marginally failed benchmark by less than 2 percentage points (requires exception to be raised) ● Failed benchmark by more than 2 percentage points (requires exception to be raised)

## 2010-2011 EXCEPTIONS

Our performance against **refund of overpaid tax** was impacted by work items carried over from the previous financial year. Low volumes in the last quarter may mean that the year end target is not met.

**Electronic lodgment** service delivery saw significantly reduced performance during July and August 2010 due to a delayed start to processing. This was the first peak processing period for the new processing system, and whilst the system performed well, the delayed start to undertake software testing resulted in a significant dip in performance.

**Complaints initial and resolution.** We experienced a considerable increase in the number of complaints at the start of 2011. Additionally, along with a greater than expected carry over of complaints in hand from the previous financial year, we were unable to respond to, and resolve complaints in a timely manner – delivering substantially low monthly results. See Performance exceptions, program component 2 Lodge for more information.

## 2011-12

### OUTLOOK

We are well placed for Tax Time 2011 and expect to achieve our performance targets. This should see fewer complaints relative to tax time 2010. Improved work processes for complaints handling and resolution of 'simpler' complaints at first point of contact should mean we continue to improve our performance in this area.

### REGISTER

A longer term review of the ATO's service standards commenced in May 2011 to ensure our service standard measures reflect community expectations (in keeping with the Australian Public Service blue print for reform) and flexibility to respond to organisational and government strategic directions. We expect this review to bring about more holistic change from 2012-13 onwards.

# Conformance and external reviews

PLENARY GOVERNANCE FORUM 2010–11

## AUDIT COMMITTEE REPORT

### Enterprise Risk Management

- A new level 1 Category of Risk – Internal Fraud (under Enterprise Risk 08 Governance) has been introduced to the Enterprise Risk Management Framework (ERMF) to ensure there is end-to-end responsibility for identifying, assessing and mitigating aspects of fraud risk in the ATO.
- A new Fraud and Corruption Control Plan Methodology was endorsed by the Audit Committee in February 2011.
- A whole-of-ATO Fraud and Corruption Control Plan 2011–12 was endorsed (November 2010).
- The ANAO delivered a “C” category finding on their review of the ATO Fraud and Corruption Control Planning Methodology. Action to provide evidence of the methodology’s compliance with both the *Commonwealth Fraud Control Guidelines 2002* and *2011* has resulted in the resolution of this “C” finding.

### Control Framework (financial and non-financial)

- Additional focus was applied with key stakeholders to successfully downgrade the ANAO “A” finding relating to security of electronic information. This finding is now being addressed as a category “B” finding.
- Good progress achieved (as at March 2011) on certificates rated red during the 2010 round – Complaints Handling and Freedom of Information.
- The ATO’s performance against Integrity Indicators has seen a number remaining green for most of the year.
- There has been a recent dip in ATO performance against Integrity Indicators, with the workplace absence indicator declining to a red status in the third quarter of the financial year. Mitigation strategies are currently being implemented to address the issue.

### Legislative Compliance

- The ATO’s Certificate of Compliance process was reviewed by ANAO as part of a cross-agency audit. No recommendations were identified for ATO and our processes were noted as the most mature of the agencies reviewed.
- An ATO Statement of Business Ethics was developed and endorsed. The statement will be showcased in the ANAO Public Sector Governance better practice guide to be published in August 2011.

### External Accountability

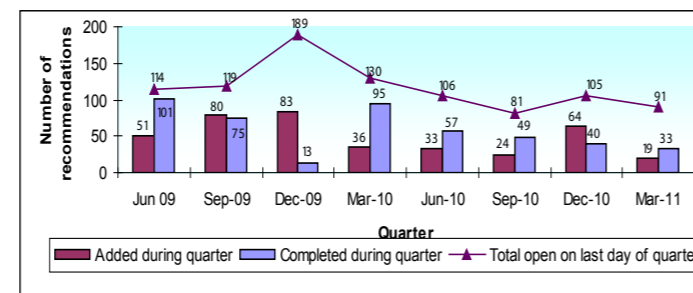
- The 2009–10 Financial Statements, which were reviewed by the Committee and recommended for sign-off by the Commissioner, were unqualified and submitted on time (September 2010).

### External Audit

- The ANAO performance audit report on the *Management of the Certificate of Compliance Process in FMA Act Agencies* was tabled in Parliament on 20 April 2011. A better practice section was included in the report, which is based on the ATO’s processes and approach.

### Internal Audit

- ATO Management has embraced enhancements to the governance arrangements for scrutineer recommendations over recent months. The downward trend in open recommendations (illustrated in the graph below) continues.
- Timely and appropriate resolution of all scrutineer recommendations, use of implementation plans and close out of completed significant external scrutineer recommendations.



## INTEGRITY REPORT

### Integrity adviser

- The ATO’s third independent Integrity Adviser was appointed in September 2010.
- The ATO continues to adhere to its Integrity Framework and seek advice from the Independent Integrity Adviser, on the effectiveness of the framework.
- Independent integrity status reporting throughout the year has confirmed that the ATO is in the main conforming to its obligations.

### Health of Resource management

- Recommendations to strengthen the ATO’s Contract Management framework are currently being implemented.
- The ATO is not expected to meet the Energy Efficiency in Government Organisation central services target this financial year. It is expected this will mostly be addressed through future leasing strategies.

### Health of People

- The ATO’s workers compensation premium for 2010–11 remains high, having risen by 18% to \$30m (1.73%, recently revised down from 1.74%, against the Commonwealth average of 1.2%) a rise from \$26.1 million last year. Strategies including gaining a better understanding of the reasons, strengthening policy and case management, whole-of-job design and more effective risk assessment processes which complement existing awareness raising strategies continue to be implemented. The ATO has received advice that the 2011–12 premium is likely to be around \$32m (a lesser increase) suggesting that early intervention is having an effect. The overall number of psychological injury claims appears to be decreasing, including a 22% decrease in these types of claims lodged to 31 May 2011 when compared to the same time last year.
- The ATO’s levels of workforce absence continue to be above the whole-of-government large agency median of 12.6 days. A range of strategies, including strengthening attendance management, continue to be developed and implemented to improve performance.

## STAKEHOLDER PERCEPTIONS OF THE ATO

### Findings in review

While most measures of ATO performance and reputation have remained generally positive since the previous PGF, levels of dissatisfaction with the ATO have increased, especially around service delivery and by tax agents in particular.

There have been major declines in most measures of tax agent satisfaction, with results shifting from positive to neutral.

### Looking forward

Overall key survey indicators show the ATO is still doing a good job; however, attention and consideration needs to be given to dips in satisfaction. Research is currently being conducted by Chant Link & Associates to this end. However, a good tax time 2011 is expected to improve matters.

Survey results agreeing with the statement ‘overall the ATO is doing a good job’ were down, although still high: 83% under the community perceptions survey and 88% under the business perceptions survey. However, they were low, (50%) under the tax agent perceptions survey.

The professionalism rating of ATO staff declined to 4.04 out of 5.00 in May 2011, down from 4.11 in November 2010. The rating of the ATO’s ‘overall professionalism’ decreased over the same period from 4.03 to 3.95. Net satisfaction with this measure also decreased from 80% to 77% over the same period.

Satisfaction with ‘overall professionalism’ increased among both Tax Agents (76% to 81%) and Individuals (64% to 72%) between November 2010 and May 2011.



# Strategic statement 2010–15

## FROM THE COMMISSIONER

This strategic statement sets out our vision for the future. It is an aspirational statement describing our values and how we will work with government and the community in the years ahead.

The Australian Government and its agencies exist to improve the wellbeing of all Australians.

The ATO has important responsibilities, on behalf of the community, for the care of Australia's tax and superannuation systems and the Australian Business Register.

Revenue from Australia's tax system helps fund public goods and services that give effect to economic and social policies. Australia's superannuation system helps secure retirement income for Australians.

The Australian Business Register makes it easier for businesses and all levels of government to interact.

Australians already demonstrate a high level of willing participation in these systems. We believe this is a sign of good citizenship.



Australian Government  
Australian Taxation Office

### VISION

Australians value their tax and superannuation systems as community assets, where willing participation is recognised as good citizenship.

### STRATEGIC THEMES

#### THE ATO WORKS WITH THE GOVERNMENT AND THE COMMUNITY TO:

##### Encourage

People support and understand the benefits of participation – they are engaged and willingly participate.

##### Support

People are helped and assisted to understand their rights and responsibilities and are able to fulfil their obligations easily at minimal cost.

##### Protect

Protecting people and the community by deterring, detecting and dealing with those who have not complied.

##### Enhance

We are passionate about improving our capabilities to be more innovative, agile and responsive to challenges and opportunities.

##### Champion

We champion the interests of both individual taxpayers and the community, advising government on ways to improve the operation of Australia's tax and superannuation systems.

### VALUES

- Being fair and professional
- Applying the rule of law

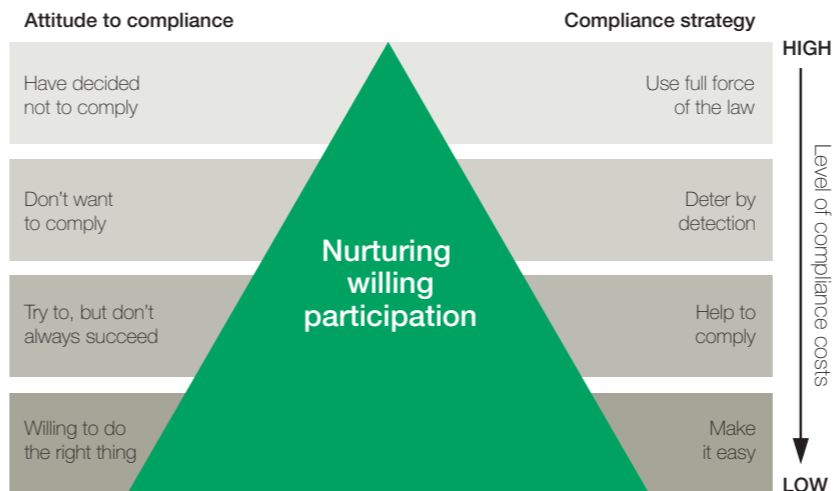
- Supporting people who want to do the right thing and being fair but firm with those who don't
- Being consultative, collaborative and willing to co-design

- Being open and accountable
- Being responsive to challenges and opportunities

### APPROACH

#### ATO outcome

Confidence in the administration of aspects of Australia's taxation and superannuation systems through helping people understand their rights and obligations, improving ease of compliance and access to benefits, and managing non-compliance with the law.



#### We use strategies that encourage willing participation

- We seek to create an environment conducive to high levels of willing participation.
- We believe that prevention is better than cure.
- We use risk-based choices to prioritise our work.
- We discourage people from ignoring their obligations by taking firm action against those who decide not to comply.
- We collaborate with the community to design systems that make it easier to comply at minimal cost.

# ATO corporate plan 2011–12



Australian Government  
Australian Taxation Office



On behalf of the community, our committed workforce administers Australia's tax and superannuation systems fairly, professionally and with the highest integrity.

The ATO's role is to foster an environment that is conducive to high levels of willing and proper participation with Australia's tax and superannuation systems. This facilitates revenue collection that helps the community afford public expenditure on goods and services and helps secure retirement incomes for Australians. Proper administration and compliance with these systems also gives effect to economic and social policies.

The ATO also promotes the Australian Business Number as a unique identifier that enables business to take advantage of efficient digital and online dealings.

Our approach to working with the community is to encourage and support taxpayers and their agents to help them understand their rights and obligations in these systems. We also protect taxpayers and superannuants from unfair or abusive practices. We champion their interests and those of the community, while continuously enhancing our ability to undertake these important responsibilities.

This ATO corporate plan outlines, in broad terms, how we propose to deliver on our approach in 2011–12. All of our work, including the priorities in this plan, are outlined in detail in our ATO delivery plan 2011–12 and will be reported against in our annual report.

We are committed in 2011–12 to improving our service delivery to the community through implementing the government's extensive legislative program. We are focused on providing services and guidance that provide timely solutions, while we seek to secure a level playing field for all taxpayers. To enhance our efficiency and effectiveness, we continue

to invest in the capabilities and engagement of our people, and in technology and innovation.

I would like to thank in advance ATO officers and honest taxpayers and their agents for their positive contribution in the achievement of these corporate priorities. Your trust and confidence in the ATO and your support is much appreciated.

*Michael D'Ascenzo*

Michael D'Ascenzo  
Commissioner of Taxation and Registrar  
of the Australian Business Register

## Our expertise supports government priorities and encourages community participation

The ATO supports the government by implementing the government's legislative program and by providing high quality input into the design of new laws.

We work with Treasury and continue to consult, collaborate and co-design with taxpayers and our consultative forums to address those issues of uncertainty and contention in the law.

We champion whole-of-government initiatives to make it easier for the community to interact with government.

We are strengthening and encouraging community participation in a number of ways. Three areas of focus are our education strategies on youth engagement, our work with people from non-English speaking backgrounds and encouraging an increase in awareness of trustees' responsibilities.

### Our key corporate priorities are:

- Implement the government's extensive legislative program, including the Cooper review, superannuation elements of Australia's Future Tax System, the new resource taxation arrangements and the flood levy
- Engage with taxpayers and our consultative forums to address uncertainty and contention in the law through identifying the highest risk issues and their timely resolution
- Implement strategies to improve youth and people from non-English speaking backgrounds' engagement with the tax and superannuation systems
- Implement strategies to deal with trustees of self-managed superannuation funds where we are concerned with compliance.

## We support people willing to participate and make it as easy as possible for them to fulfil their responsibilities at minimum cost

We recognise that good service is a key aspect of the community's confidence in our systems and their willingness to participate and meet their obligations.

Our call handling, maintenance of the client register, processing of payments and returns, and management of accounts are being continually improved to meet the community's increasing expectations.

Our support for taxpayers, tax agents and superannuants extends across a range of high quality products and services. This extends from assistance to viable businesses and individuals facing short term difficulties to dialogue with large businesses. We are focussed on improving tailored online services for approved auditors of self-managed superannuation funds.

The economic environment presents a number of challenges in the area of debt collection. We are improving debt analysis to better support differentiated treatments based on taxpayers' circumstances. We continue to provide tailored assistance tools and products to meet individuals' needs.

### Our key corporate priorities are:

- Meet or exceed our agreed service standards to support community expectations
- Provide assistance through tailored online products, co-designed with stakeholders
- Support the establishment of a national not-for-profit regulator
- Offer practical certainty through annual compliance arrangements, advance pricing agreements, more timely rulings and enhanced relationships
- Continue dialogue with large companies on risk categories and governance of tax risks
- Support tax agents and practitioners with free products and services designed to meet their needs
- Improve our community facing systems, for example, portals and [www.ato.gov.au](http://www.ato.gov.au), to encourage the community to transition to online interactions
- Take a balanced approach to debt collection activities by helping viable businesses with short-term financial difficulties and taking firm action where businesses are not viable or unwilling to engage
- Reduce the stock of aged debt and maintain the ratio of collectable debt to receipts at approximately 5%
- Continue our focus on approved auditors.

## We protect people by deterring and dealing with those not willing to comply

Our *Compliance program 2011–12* outlines the key risk areas and differentiated responses for this year.

We have a strong focus on deterring and detecting non-compliance to ensure that those meeting their civic and legal responsibilities are not disadvantaged. We welcome the community's collaboration and identification of abusive practices and schemes including promoters and participants.

Three areas of focus this year are enhanced tax fraud detection and management, the cash economy and the discouragement of fraudulent phoenix activities. There will also be a focus on reporting by contractors in the building and construction industry and businesses operating outside business benchmarks.

We will continue to investigate all complaints about employer obligations, including superannuation guarantee requirements.

### Our key corporate priorities are:

- Deliver our commitments to government, including GST commitments to the states and territories, as outlined in the *GST Administration Performance Agreement*, including a focus on fraudulent GST refunds
- Focus on those who fail to report some or all cash transactions to ensure a level playing field for small businesses, contractors and individual taxpayers
- Continue to extend our coverage of high wealth individuals and wealthy Australians
- Continue to deal with the abusive use of secrecy havens, including Project Wickenby
- Strengthen involvement in multi-agency task forces that target the tax implications of organised crime
- Continue to focus on high risk accounting and law firms in relation to promoter penalty laws
- Develop strategies to optimise the role of the Tax Practitioners Board, including the referral of tax practitioners who breach their responsibilities
- Develop a risk framework for registered agents to better target our compliance approaches.

## Key corporate priorities in other areas the ATO administers

### Australian Business Register (ABR) and Standard Business Reporting (SBR)

- Encourage the broader use of the Australian Business Number as the key identifier for business to government dealings and work with other agencies to implement and encourage the use of the ABR and SBR.

### Australian Valuation Office

- Implement a program of refreshing our business applications to enhance our services to government clients.

## Our enabling priorities

### We are open and accountable through our robust governance framework

We demonstrate to the community and government our willingness to be accountable and transparent by publishing our corporate documents and a range of other material. The new Freedom of Information Act provides us with a further opportunity to demonstrate how open and accountable we are.

We genuinely listen to the community and our scrutineers and benefit from our robust governance and integrity framework, which includes our Audit Committee and the independent Integrity Adviser.

### Our key corporate priorities are:

- Draw the line-of-sight between our *Strategic statement 2010–15*, our corporate values and our corporate plan so that staff are provided with clear direction and purpose
- Maintain a strong system of governance and accountability through the Audit Committee, the Integrity Adviser, assurance processes and reporting to Parliament and the Minister
- Integrate our business, workforce and accommodation planning, budget allocation, risk management, capital management plan and *ATO online 2015*
- Maintain a focus on our integrity
- Continue to manage our budget through effective resource management, allocation and reporting with a view to a balanced budget
- Support changes to the Freedom of Information Act.

### We enhance the capability of our people to meet our corporate outcomes now and into the future

Our *People strategy 2009–12* outlines our approach to enhancing our workforce capabilities. Implementation of a new enterprise agreement this year is important for continued employee engagement, and to the delivery of our services to and for the community.

Our focus this year is on building the engagement and agility of our people through greater business cohesion. We see opportunities to do this through our site leadership initiative supported by our new enterprise learning management system.

### Our key corporate priorities are:

- Sustain a culture of engagement, productivity and integrity by delivering on our *People strategy 2009–12* including:
  - implementing the enterprise agreement
  - promoting continuous improvement and innovation through our innovation centre of expertise
  - supporting site leadership to build business cohesion, performance and talent development, championed by our SES and EL2 officers
- Grow our expertise through enterprise-wide learning and development by:
  - continuing to implement the learning management system and finalising job profiling
  - enhancing the leadership capability of our frontline managers
- Focus on prevention, early intervention and encourage personal responsibility for health and safety.

### Our processes, infrastructure and technology meet the changing needs of the community

The stability of our information technology and telecommunications platforms and systems is the foundation for effective service delivery as well as for an enhanced analytical capability.

We will continue to improve ease of access and useability for the community when they engage with us online, while ensuring the security of personal information.

As more of our interactions move online, we will continue to be vigilant to threats to our systems and to users of those systems.

### Our key corporate priorities are:

- Ensure the systems that support Tax Time 2011 and 2012 are stable and secure
- Leverage and adapt the use of our integrated systems to re-engineer processes, and improve productivity and effectiveness
- Settle the ATO online strategy
- Continue to improve [www.ato.gov.au](http://www.ato.gov.au)
- Upgrade systems to meet our government commitments, including displaying superannuation membership
- Promote safeguards against technology enabled threats, in particular identity theft and risk to the integrity of the Tax File Number
- Develop strategies to lessen the impact of ATO activities on the environment.

# ATO delivery plan 2011–12



Australian Government  
Australian Taxation Office



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# The Australian Taxation Office (ATO) at a glance

## Our role

- We are the Australian Government's principal revenue collection agency
- We are a large payer of Australian Government funds
- We administer major aspects of Australia's superannuation system
- We are the custodian of the Australian Business Register
- We conduct the business operations of the Australian Valuation Office

## Our vision

Australians value their tax and superannuation systems as community assets, where willing participation is recognised as good citizenship.

## Our outcome

Confidence in the administration of aspects of Australia's tax and superannuation systems through helping people understand their rights and obligations, improving ease of compliance and access to benefits, and managing non-compliance with the law.

## Our values

- Being fair and professional
- Applying the rule of law
- Supporting taxpayers who want to do the right thing and being fair but firm with those who don't
- Being consultative, collaborative and willing to co-design
- Being open and accountable
- Being responsive to challenges and opportunities

## Our people

Our average staffing level was 22,264 people<sup>1</sup> in 35 locations across Australia as at June 2011.

## Our budget

Our total budget for 2011–12 is \$3.293 billion<sup>2</sup>.

## Our effectiveness indicators

- Deliver aspects of tax and superannuation systems for government and the community
- Maintain community confidence and engagement
- Help people understand their rights and obligations
- Improve ease of compliance and access to benefits
- Manage non-compliance with the law

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<sup>1</sup> This figure for average full-time employees (FTE) is made up of 22,125 ATO, 139 Tax Practitioners Board and excludes the Australian Valuation Office.

<sup>2</sup> This figure is based on the 2011–12 Portfolio Budget Statements. It includes depreciation, and funding for the Tax Practitioners Board and Australian Valuation Office.

# Foreword

The main driver in our pursuit of excellence is our desire to make a difference for the benefit of all Australians.



In 2010–11 we celebrated our centenary and set the direction for our next 100 years. As we move into 2011–12, we strive to deliver a higher standard of service, make taxpayer and business interactions with us easier and more streamlined and implement the many reforms on the government’s legislative program.

We are privileged to have a clear line-of-sight between our individual and collective roles and the economic and social wellbeing of our nation.

## **Progressing on our journey towards the Strategic statement 2010–15**

Last year we released our *Strategic statement 2010–15* setting out our vision for the future.

This vision – ‘that Australians value their tax and superannuation systems as community assets, where willing participation is recognised as good citizenship’ – is underpinned by five strategic themes that guide the work we do to progress our strategic direction and undertake daily activities. They are:

- Encourage: People support and understand the benefits of participation – they are engaged and willingly participate
- Support: We help and assist people to understand their rights and responsibilities and ensure they are able to fulfil their obligations easily at minimal cost
- Protect: We protect people and the community by deterring, detecting and dealing with those who have not complied

- Enhance: We are passionate about improving its capabilities to be more innovative, agile and responsive to challenges and opportunities
- Champion: We champion the interests of both individual taxpayers and the community, advising government on ways to improve the operation of Australia's tax and superannuation systems.

This year our priorities and strategies will show an alignment with these five strategic themes. At the same time we will be delivering our commitments to government and the community on new tax measures, specifically funded activities and the immediate needs of administering major aspects of Australia's tax and superannuation systems (and the Australian Business Register).

## Service delivery

People are more likely to participate in the tax and superannuation systems where they can obtain assistance and guidance, where necessary, on how they should participate. So we need to provide them with the service they expect, making it as easy as possible to properly participate.

Our approach to working with the community is to encourage and support taxpayers and their agents to understand their rights and obligations and to protect them from unfair or abusive practices.

We are committed in 2011–12 to improving our service delivery to the community through implementing the government's extensive legislative program. We are focused on providing services and guidance that provide timely solutions, while we seek to secure a level playing field for all taxpayers. To enhance our efficiency and effectiveness, we continue to invest in the capabilities and engagement of our people, and in technology and innovation.

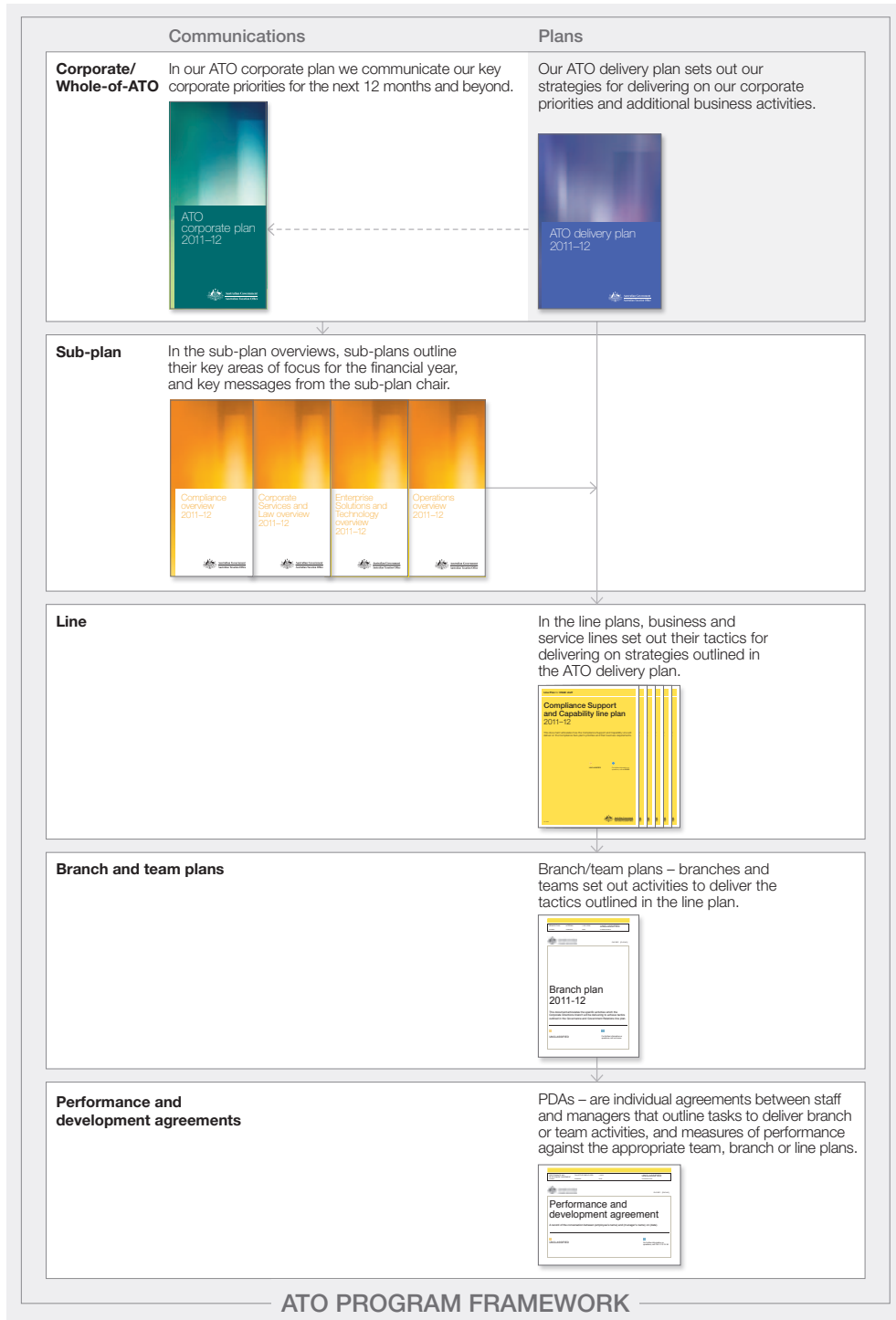
## Our corporate values

Delivering our business outcomes in a way that aligns with the strategic themes, outlined in the strategic statement, and exemplifies our corporate values helps us to make progress in influencing the community's culture and behaviour.

We have seen the importance of tailoring our services and showing compassion to those affected by natural disasters. Events such as the floods of late 2010 and early 2011 highlight the importance of our people living our values and building strong relationships with the community.

Our challenge in good times and bad is to foster an environment conducive to high levels of willing and proper participation. This engenders trust and confidence in the ATO and in Australia's tax and superannuation systems.

# Our annual corporate planning documents



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# Overview

## **About the ATO delivery plan 2011–12**

The *ATO delivery plan 2011–12* outlines, at a high level, all the work we intend to do as an agency this financial year. The key corporate priorities embedded in our delivery plan are separately highlighted in the *ATO corporate plan 2011–12*. This year, our delivery plan also outlines additional corporate priorities reflecting other significant areas of focus for the organisation, at a sub-plan level.

The ATO delivery plan is shaped in terms of our ATO program framework and aligns directly with our annual report.

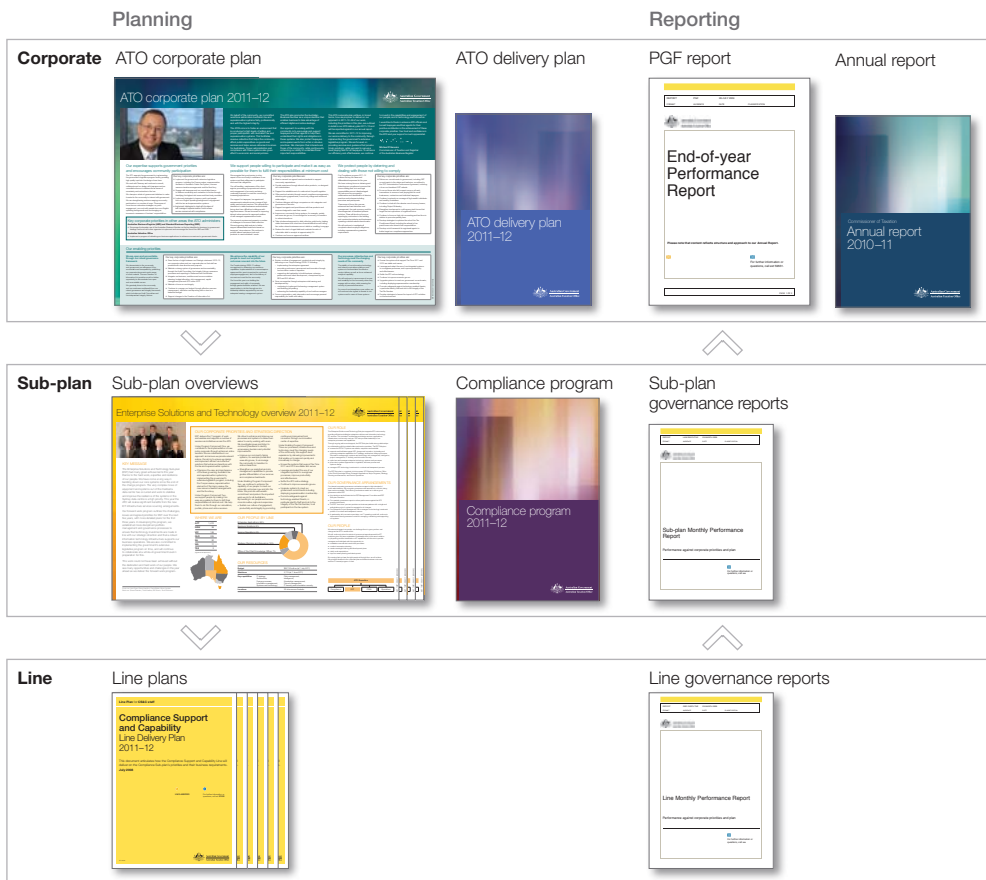
The ATO delivery plan also includes success measures for each corporate priority and the program component deliverables. We will later aggregate these measures and report on our performance, by program component, in the annual report.

All staff are able to see how the work they do contributes to the delivery of high level strategies identified in the ATO delivery plan. The strategies at this level are then cascaded through the line-of-sight into tactics at the line level and continue to be broken down until they are identified as tasks at the individual level.

While the ATO corporate plan identifies activities subject to an increased focus this year, all the work outlined in the ATO delivery plan is important to deliver our agreed outcome with the government.



FIGURE 1: Reporting of the ATO delivery plan 2011-12



## Navigating the ATO delivery plan

The ATO delivery plan is set out in chapters, based on the programs and program components identified in the ATO program framework (Figure 2).

In the *ATO program framework 2010–11* there were two programs: Program 1 – Australian Taxation Office, with five components; and Program 2 – Tax Practitioners Board. To align to the Australian Taxation Office Budget Statements (in the PBS) the *ATO program framework 2011–12* has been restructured into four programs, with the elevation of the ABR and AVO to program status as Programs 3 and 4 respectively.

To increase their community focus, as in the *ATO corporate plan 2011–12*, we have adapted the enabling program component headings to better capture the spirit and intent of our *Strategic statement 2010–15* vision of greater community ownership of Australia's tax and superannuation systems. Each program component chapter outlines, at a high level, our work for the current financial year.

The first half of each program component chapter identifies the measures and strategies we will use to deliver our key corporate priorities and additional corporate priorities. We have attributed success measures to each corporate priority and we will use them to gauge how effective our strategies have been in delivering each corporate priority.

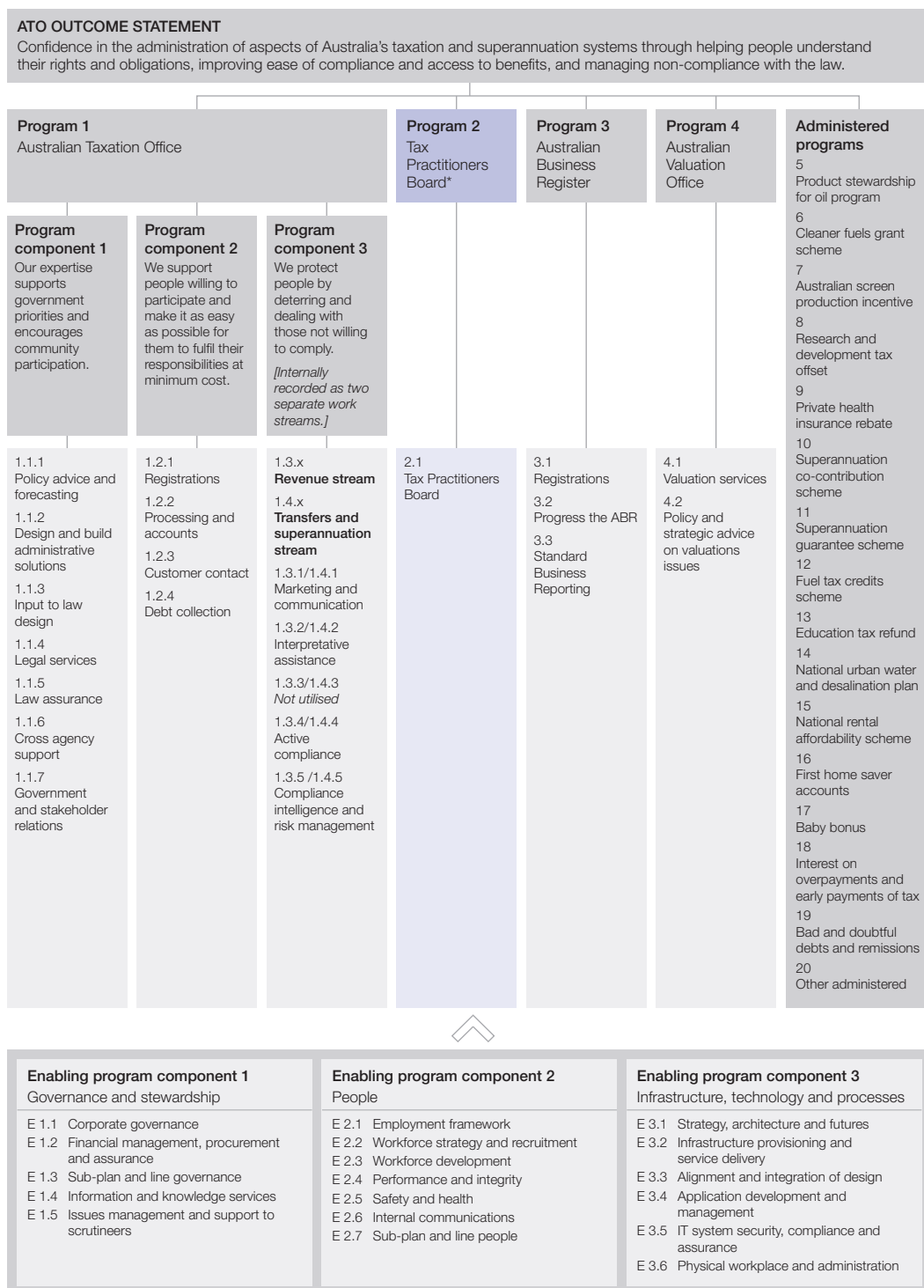
The second half of each program component chapter outlines everything else we intend to do with the resources attributed to each program or program component. These measures and strategies are cut by the 'deliverables' identified under each program and program component – and complement suites of key performance indicators at this level which are externally reported.

We use these success measures to assess performance and effectiveness in delivery of each deliverable under the program or program component. This allows us to show, to both the government and the community, the relative success of our programs in meeting our objectives.

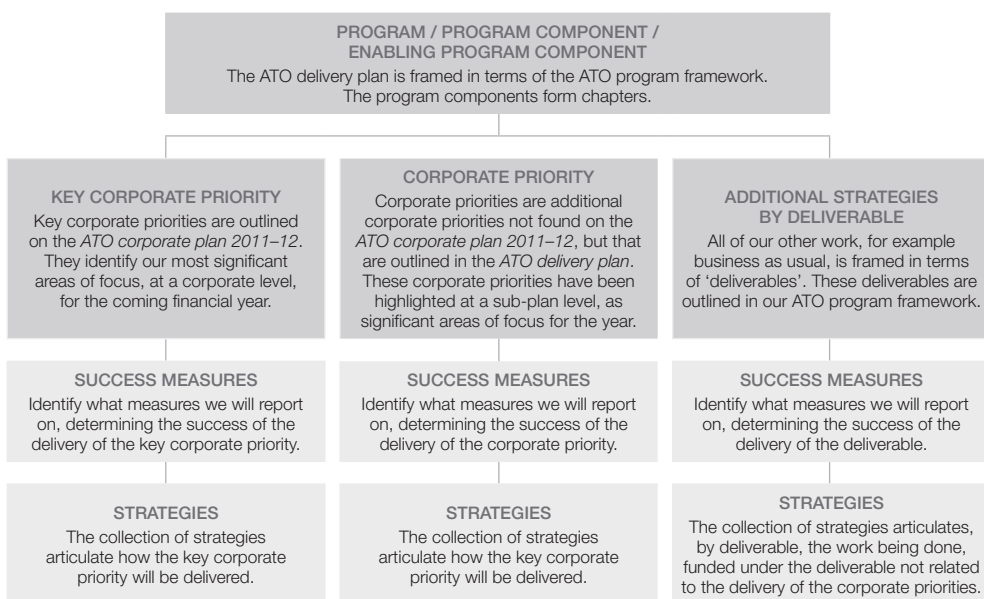
We recognise that work we undertake to deliver each strategy may cut across multiple sub-plans and lines and so a 'lead second commissioner' is responsible for each strategy. This second commissioner is given responsibility for taking the lead in shaping, coordinating, influencing and championing the delivery of each strategy.

This level of responsibility enables a more collegiate delivery of our work and ensures we take an enterprise-wide, holistic and integrated approach in the delivery of our outcome. Where a second commissioner is responsible for a strategy, they will have a coordinating role in reporting to the Plenary Governance Forum.

**FIGURE 2: ATO program framework 2011–12**



\* The work of the Tax Practitioners Board is not covered in the ATO corporate plan, ATO delivery plan or cascading suite of plans.

**FIGURE 3: Structure of the ATO delivery plan**

# Corporate governance and accountability

We publish a range of governance documents, including the strategic statement, corporate plan and compliance program, outlining our strategic direction and annual commitments to the community. Our annual report assesses our agency's achievement against these commitments.

We facilitate a wide range of consultative forums and are subject to independent surveys and constant media scrutiny. We face significantly more scrutiny than most other public and private organisations. We welcome this, as evidenced through our willing participation in bi-annual Joint Committee of Public Accounts and Audit hearings. Through these types of hearings we are able to demonstrate a high level of performance to the community and government – and affirm our position as a world-class tax administration. As well, they provide the opportunity for us to hear first-hand the concerns of government.

Externally, our formal accountability and governance requirements include a range of certifications – for example, under the Financial Management and Accountability Act, the Public Service Act and a range of Australian Government guidelines.

## Roles and functions

We are the government's principle revenue collection agency, administering Australia's taxation system, regulating aspects of the superannuation system, and supporting the delivery of government benefits to the community.

Our objective is to administer aspects of Australia's tax and superannuation systems fairly by helping people understand their rights and obligations, improving ease of compliance and access to benefits, and managing non-compliance with the law.

We do this both as a single agency and through managing a number of whole-of-government initiatives that deliver a range of services. We also provide support to the Tax Practitioners Board, the Australian Business Register and the Australian Valuation Office.

We also administer a range of subsidies and benefits, including fuel tax credits, research and development tax offsets and superannuation incentives. These initiatives or schemes involve eligibility rules and conditions set out in legislation. Several of these administered programs, where we act as a service-delivery agency, contribute to the delivery of the outcomes of other government agencies.

Specifically, we administer:

- Product stewardship for oil program
- Cleaner fuels grant scheme
- Australian screen production incentive
- Research and development tax offset
- Private health insurance rebate
- Superannuation co-contribution scheme
- Superannuation guarantee scheme
- Fuel tax credits scheme
- Education tax refund
- National urban water and desalination plan
- National rental affordability scheme
- First home saver accounts
- Baby bonus
- Interest on overpayments and early payments of tax
- Bad and doubtful debts and remissions
- Other administered<sup>3</sup>.

## Our management arrangements

Our management arrangements include the ATO Executive, sub-plan executives, business and service lines, and various corporate committees.

Our business and service lines are grouped under sub-plans. At 1 July 2011, these are:

- Compliance
- Corporate Services and Law
- Enterprise Solutions and Technology
- Operations.

The sub-plan structure supports the delivery of the work in the *ATO program framework 2011–12*.

The following pages describe these sub-plans and depict our organisational structure.

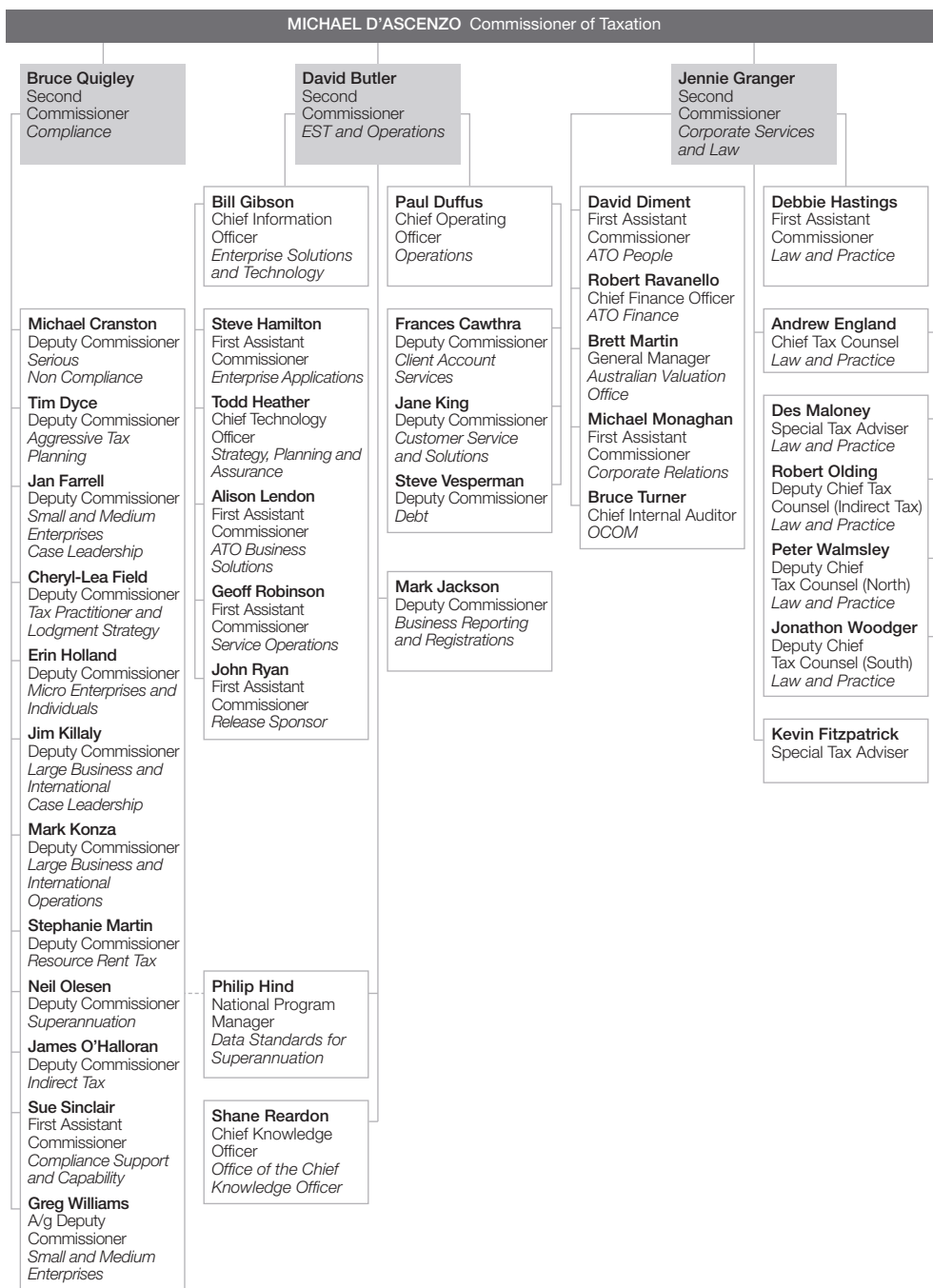
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<sup>3</sup> The other administered program includes the tax bonus, domestic ethanol assistance and low income earner contribution.

FIGURE 4: Sub-plans and business and service lines

| ATO EXECUTIVE COMMITTEE  |   |  |   |
|--|---|--|---|
| Compliance executive   | Corporate Services and Law executive  | Enterprise Solutions and Technology executive  | Operations executive  |
| <b>Sub-plan role</b>   |   |  |   |
| <p><b>Compliance Sub-plan</b><br/>The Compliance Sub-plan designs, implements and maintains compliance strategies that are informed by research and risk assessment while balancing taxpayer support and active compliance approaches. Compliance plays a key role in ensuring the tax and superannuation laws have their intended effect. This includes providing input into the design of new laws and education, support, assistance and oversight as reforms are implemented.</p> <p>Our compliance strategies recognise the central importance of supporting and encouraging willing participation. By increasing our community engagement, regularly seeking feedback on our performance and continually striving for improvement, we aim to be open and accountable and build community confidence.</p> | <p><b>Corporate Services and Law Sub-plan</b><br/>The Corporate Services and Law Sub-plan, as custodian of the ATO view, interprets tax and superannuation laws as well as managing key corporate relationships with our staff, the government and other government agencies.</p> <p>We are both leaders and enablers of substantial change.</p> <p>As a small expert area we optimise our knowledge and expertise to ensure we can support the ATO across our range of disciplines including law, accounting, valuation, governance, graphic design, dispute resolution, financial services and analysis, marketing and communications, research and metrics, education, people management, and property management.</p> | <p><b>Enterprise Solutions and Technology Sub-plan</b><br/>The Enterprise Solutions and Technology Sub-plan supports ATO outcomes by providing efficient and effective enterprise solutions and information technology services, including IT architecture and design services, applications, infrastructure and security services.</p> <p>We also provide leadership of our enterprise processes and capabilities by providing ongoing advice and support, and through establishing strong relationships with key stakeholders and service providers.</p> | <p><b>Operations Sub-plan</b><br/>The Operations Sub-plan has more contact with taxpayers than any other area in the ATO. Our responsiveness and how we deliver change, significantly influences the community's confidence in our systems and the reputation of the ATO.</p> <p>Our vision is to deliver cost effective and efficient taxpayer services to optimise community engagement and participation. We aim to help taxpayers participate willingly by offering a positive environment based on support, and providing the right information and interaction through multiple channels.</p> <p>We also have a major role in influencing and championing whole-of-government initiatives to make it easier for business to deal with government at all levels through our leadership of the Australian Business Register (ABR) and our partnership with Treasury on Standard Business Reporting (SBR).</p> |
| <b>Business and service lines</b>  |   |  |   |
| <ul style="list-style-type: none"> <li>■ Aggressive Tax Planning</li> <li>■ Compliance Support and Capability</li> <li>■ Indirect Tax</li> <li>■ Large Business and International</li> <li>■ Micro Enterprises and Individuals</li> <li>■ Serious Non-Compliance</li> <li>■ Small and Medium Enterprises</li> <li>■ Superannuation</li> <li>■ Tax Practitioner and Lodgment Strategy</li> </ul>  | <ul style="list-style-type: none"> <li>■ Australian Valuation Office</li> <li>■ Corporate Relations</li> <li>■ Law and Practice</li> <li>■ ATO Finance</li> <li>■ ATO People</li> <li>■ Office of the Commissioners</li> </ul>  | <ul style="list-style-type: none"> <li>■ ATO Business Solutions</li> <li>■ Office of the Chief Knowledge Officer</li> <li>■ Enterprise Applications</li> <li>■ Major Programs</li> <li>■ Strategy, Planning and Assurance</li> <li>■ Service Operations</li> </ul>   | <ul style="list-style-type: none"> <li>■ Business Reporting and Registrations</li> <li>■ Client Account Services</li> <li>■ Customer Service and Solutions</li> <li>■ Debt</li> <li>■ Operations Support and Capability</li> </ul>  |
| <b>Business and service line role</b>  |   |  |   |
| <p>Business and service lines (BSL) plan and manage the delivery of sub-plan priorities, reflecting decisions and directions from executive bodies. They integrate market segment, revenue product and focus area perspectives in the delivery of sub-plan priorities and work with capability and process leaders to identify and address capability gaps and issues.</p>   |   |  |   |

FIGURE 5: Our management arrangements at 1 July 2011



Senior Executives represented as A/g are undertaking higher duties



## Corporate committees and consultative forums

Corporate committees contribute to an effective and robust system of leadership, decision making and communication and provide a basis for a robust system of accountability and performance evaluation.

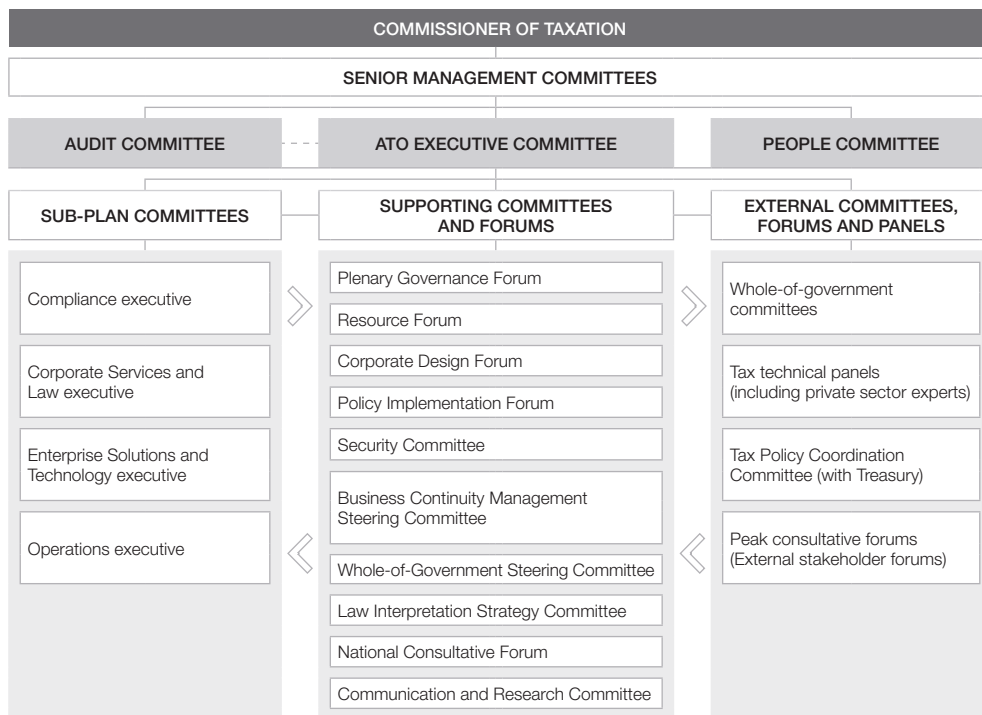
Our ATO Executive Committee is responsible for the high level management of the organisation. Members of the ATO Executive Committee include the Commissioner, second commissioners and senior executives nominated by the Commissioner as Chair of the ATO Executive Committee.

The ATO Executive is supported by a wide range of internal committees and forums with a specific focus on areas of management and accountability. The Audit Committee is the key peak committee which the Commissioner is required to establish and maintain under Section 46 of the *Financial Management and Accountability Act 1997*. The Audit Committee functions and responsibilities are a requirement under the *Financial Management and Accountability Orders 1997*.

In addition to the internal committees and forums, a range of consultative forums facilitate consultation, collaboration and co-design in the administration of Australia’s tax and superannuation systems, ensuring high levels of community, business and professional expertise and input into our operations.

The diagram below represents our key committees and internal and external forums.

**FIGURE 6: Key committees and forums in the ATO**



## Our budget 2011–12

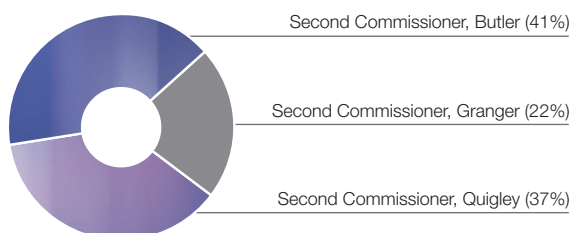
Based on the *Portfolio Budget Statements 2011–12*, our budget totals \$3.293 billion, with an expected average staffing level of 22,264 over the 2011–12 financial year.

In conducting the annual corporate planning process, we assess corporate priorities and workloads in terms of our budget and identify pressures on the budget which may affect the delivery of our work. Sub-plan chairs and their delegates, using indicative budgets, assess the activities they have responsibility for and consider the reallocation of resources where necessary. This process ensures the efficient, effective, ethical and economical use of our resources to deliver our commitments in accordance with the *Financial Management and Accountability Act 1997*, relevant policy statements from the Department of Finance and Deregulation and the relevant tax legislation.

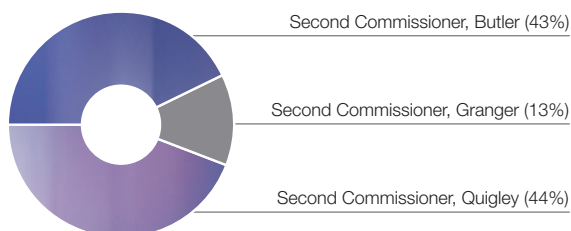
In addition, we use the strategic costing framework, which maps resources to the deliverables and activities within the ATO program framework. As part of this, we allocate resources, including money and people, to perform the activities needed to achieve services and deliverables. We undertake this process as part of the internal budgeting process which establishes funding priorities, supports decision making and monitors and reports financial performance.

The graphs below show the budget and workforce cut by second commissioner.

**FIGURE 7: Indicative 2011–12 budget by second commissioner at 30 June 2011**



**FIGURE 8: Indicative 2011–12 workforce by second commissioner at 30 June 2011**



## Our effectiveness indicators

We have five effectiveness indicators that represent our most significant contributions towards achieving our outcome:

- Deliver aspects of tax and superannuation systems for government and the community
- Maintain community confidence and engagement
- Help people understand their rights and obligations
- Improve ease of compliance and access to benefits
- Manage non-compliance with the law.

# 01

## Program one component one

Our expertise supports government  
priorities and encourages  
community participation

## Objective

The objective of this program component is to effectively design and build administrative solutions that give effect to the legislation we administer.

We achieve this by:

- providing advice to Treasury in relation to new government policy on the administrative, compliance and interpretative aspects of laws we administer, including advice on costings, modelling and forecasting
- providing advice to Treasury in areas where existing laws do not operate in accordance with policy intent, or where compliance costs are higher than expected
- identifying, developing or enhancing our business practices and processes to implement new law, and internal initiatives related to administering relevant laws
- providing legal services, including conduct of litigation, internal advice, and law assurance
- improving services to the community and other agencies through close working relationships with the government, Treasurer and portfolio ministers, and scrutineers, including other Australian Government agencies and state and territory governments.

## Focus areas and key drivers for 2011–12

A number of significant reviews, which affected us during 2010–11 are continuing to influence our operation and will do so for many years to come. The Australia's Future Tax System report contained 138 recommendations. The government has already responded to some of the recommendations and will hold a tax forum in October 2011 to further collaborate with the community on tax reform. Other reviews include the Cooper review on superannuation and the Moran review into the operation of the Australian Public Service. The outcomes of the first two reviews are driving a high degree of legislative change that affects ATO administration.

From the 2011–12 federal budget, we received an additional \$25.8 million to implement new measures. Approximately \$18 million is for implementing Superstream and self-managed superannuation fund packages flowing from the Cooper review recommendations. We also received \$7.4 million to implement the flood levy initiative.

In addition to new measures, the government also announced a reform package for the not-for-profit sector. We received \$9.6 million for the 2011–12 financial year to commence the establishment of a 'one-stop-shop' regulator for the not-for-profit sector.

In implementing new government policy proposals, we will be incorporating opportunities to deliver solutions (for example, superannuation reforms) through enhanced online services. We continue to be collaborative in our approach and ensure that we provide advice on administrative aspects of relevant government policy. Our aim is to ensure we implement solutions that enhance interactions with the tax and superannuation systems, while also maximising re-use of existing administrative approaches.

## Externally reported deliverables and performance indicators

| PBS Deliverables  | Key performance indicators  |
|---|---|
| <p>In administering the tax and superannuation systems we provide the following deliverables:</p> <ul style="list-style-type: none"> <li>■ Advise government on policy, forecasting and administrative matters</li> <li>■ Design and build administrative solutions for new policy, law and other initiatives</li> <li>■ Clarify the law and provide clear advice as to the ATO's view of the law</li> <li>■ Support other agencies</li> <li>■ Manage government and stakeholder relations</li> </ul> | <p>The extent of success in delivering the program objective is measured through the following key performance indicators:</p> <ul style="list-style-type: none"> <li>■ Progress new administrative solutions to support taxation and superannuation administration</li> <li>■ Reduce legal risks and increase certainty through ATO views</li> <li>■ Manage our commitments to governments and other agencies</li> </ul> |

### Key corporate priorities

**Implement the government's extensive legislative program, including the Cooper review, superannuation elements of Australia's Future Tax System, the new resource taxation arrangements and the flood levy**

#### Success measures

- Legislative measures are implemented in accordance with expectations of government and in a way which makes it easy for taxpayers
- The level of engagement and involvement with other government agencies to enable taxpayers to meet their government obligations
- New laws or other initiatives are designed and implemented in accordance with the design assurance framework
- Proportion of new policy and other changes developed 'in pattern' (where appropriate) so as to reduce costs and maximise design efficiencies
- All critical business systems are implemented or updated to reflect required changes resulting from new law or other initiatives
- Level of community and other stakeholder engagement in the co-design of administrative solutions put in place to implement new laws and other initiatives
- Improved level of early engagement in the new policy process
- Identify the circumstances where we have made a difference to the enacted laws to
  - ensure government intent is met
  - minimise impacts on the costs of compliance and administration
- Quality costings completed in accordance with established timeframes and accuracy parameters
- Feedback from Treasury and other government stakeholders on our input and advice

## Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Engage with other government agencies to understand the implications and impacts of legislation to develop and implement integrated government services and obligations  | Second Commissioner, Quigley         |
| Coordinate corporately through the Policy Implementation Forum process, advice on, design of, and implementation of, new policy and initiatives, in accordance with government expectations bringing together an ATO-wide perspective  | Second Commissioner, Granger         |
| Co-ordinate corporately through the Super Change Management Steering Committee advice on, design of, and implementation of, new policy and initiatives, in accordance with government expectations bringing together an ATO-wide perspective   | Second Commissioner, Granger         |
| Work with Treasury, the Board of Taxation, other agencies and taxpayer representatives on the development of key reforms of the tax and superannuation systems   | Second Commissioner, Granger         |
| Apply a formalised consultative approach, including through the Policy Implementation Forum process, to ensure new laws are designed and implemented so that they are easy to comply with, maximise the likelihood of voluntary compliance and can be readily enforced where necessary | Second Commissioner, Quigley         |
| Apply forecasting models and methodologies to ensure the soundness of our revenue data provided to Treasury and government   | Second Commissioner, Granger         |
| Lead the design effort involved in the delivery of new measures and/or other significant change initiatives  | Second Commissioner, Butler          |
| Champion the use of enterprise patterns in the design of new laws  | Second Commissioner, Butler          |
| Provide early administrative design and costings advice to government about new policy proposals   | Second Commissioner, Butler          |

### Engage with taxpayers and our consultative forums to address uncertainty and contention in the law through identifying the highest risk issues and their timely resolution

#### Success measures

- The level of engagement from key stakeholders and forums on a range of the highest risk technical issues
- The proportion of issues resolved through the appropriate strategies (internal advice, public advice and guidance, strategic litigation, input to law design) in the right timeframes
- Determine and communicate the ATO view within agreed timeframes
- Maintain the provision of individual guidance and advice within timeframes

- Meeting the expectations of the community and taxpayers in resolving contentious issues
- Uncertain or contentious issues that have been identified through our risk and intelligence areas have been resolved through an appropriate mix of strategies
- The acceptance and use of large corporates with their engagement under the risk-differentiation framework
- The level of certainty in the community, reflected by no consistent trend in the theme of issues raised by different sectors of the community including ATO consultative forums, stakeholders and scrutineers
- Number of issues resolved prior to court action

## Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Improve certainty through actively managing public rulings and strategic litigation on major law issues   | Second Commissioner, Granger         |
| Facilitate early resolution of disputes through championing an integrated and enhanced approach to dispute resolution   | Second Commissioner, Granger         |
| Actively manage individual advice and guidance to provide timely responses and products within quality standards  | Second Commissioner, Granger         |
| Engage with the National Tax Liaison Group, its subcommittees and other external bodies as appropriate to identify issues that require clarification of the law | Second Commissioner, Granger         |
| Implement the risk differentiation framework for the top 200 corporates   | Second Commissioner, Granger         |

## Implement strategies to improve youth and people from non-English speaking backgrounds' engagement with the tax and superannuation systems

### Success measures

- Successfully deployed the digital curriculum resource
- Work closely with the TAFE sector and key industry groups to identify opportunities to work with them in the future
- Build a foundational level education resource to engage secondary school aged students
- Assure enterprise delivery of the corporately endorsed youth engagement
- The number of components of the youth program that are assigned to Corporate Relations are delivered
- Opportunities leveraged through cross-government stakeholder engagement are identified and acted on
- Implementation of the non-English speaking background (NESB) engagement strategy for 2011–2014
- The level of positive feedback from NESB communities and intermediaries through our community outreach program (seminars, ATO stall at community events and talkback radio)
- Number of hits to [www.ato.gov.au/other\\_languages](http://www.ato.gov.au/other_languages) website

## Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Continue to engage with secondary schools to promote tax and superannuation awareness and registration of tax file numbers (including the development and roll out of the digital curriculum resource) | Second Commissioner, Quigley         |
| Continue to engage with the education sector to identify opportunities for inclusion of tax and superannuation content in curricula  | Second Commissioner, Quigley         |
| Lead the enterprise coordination of the youth program of work  | Second Commissioner, Granger         |
| Sponsorship and participation in youth events  | Second Commissioner, Granger         |
| Participate in cross-government stakeholder engagement activities  | Second Commissioner, Granger         |
| Conduct the ATO NESB community outreach program  | Second Commissioner, Granger         |

## Implement strategies to deal with trustees of self-managed superannuation funds where we are concerned with compliance

### Success measures

- Differentiated compliance strategies, including education and communication, delivered in line with the *Compliance program 2011–12*
- Level of industry and trustee awareness of ATO activities and their perception of the health of our administration of self-managed superannuation funds (SMSFs)

## Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Develop differentiated risk identification processes to identify non-compliance and treat it appropriately  | Second Commissioner, Quigley         |
| Undertake active compliance strategies targeted at high risk fund integrity, including: <ul style="list-style-type: none"> <li>■ notices of compliance</li> <li>■ unrectified auditor contravention report</li> <li>■ reviewing high risk breaches reported in auditor contravention reports</li> </ul>   | Second Commissioner, Quigley         |
| Undertake treatment strategies targeted at lower risk self-managed superannuation funds and their advisers, including: <ul style="list-style-type: none"> <li>■ build ATO capability to support the competence of auditors ahead of the proposed registration of auditors</li> <li>■ focus SMSF and related publications on reminding trustees and their advisers of responsibilities of being a trustee</li> </ul> | Second Commissioner, Quigley         |
| Build awareness and understanding of our compliance activities and concerns in relation to trustee compliance with industry and trustees  | Second Commissioner, Quigley         |



## Corporate priorities

### Contribute to whole-of-government initiatives

#### Success measures

- Our contribution to whole-of-government is visible
- Whole-of-government service delivery meets the needs of the ATO and interactions with the community

#### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Maintain relationships with other agencies to influence the emerging whole-of-government service delivery framework, and design for the community   | Second Commissioner, Granger         |
| Be an integral member of cross-government initiatives including 'Ahead of the game' implementation, national reforms to the legal profession, senior leadership development, job profiling workshops and better practice in procurement and contract management | Second Commissioner, Granger         |

## Program deliverables

### Deliverable 1.1: Policy advice and forecasting

#### Success measures

- Quality costings and forecasts completed in accordance with established timeframes and accuracy parameters
- Improved level of early involvement in new policy process
- Improved consideration of administrative impacts in the design of new policy
- Improvement of formal advice provided to Treasury on policy advice and forecasts
- Feedback from Treasury and other government stakeholders on our input and advice

#### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Provide Treasury with influential advice on the ATO view of administrative impacts of new policy proposals  | Second Commissioner, Granger         |
| Provide Treasury and government with influential advice on revenue  | Second Commissioner, Granger         |
| Champion the use of enterprise patterns in the design of new laws   | Second Commissioner, Butler          |
| Monitor and advise on the performance of the tax system with the business and professional communities, and champion opportunities for improvement where laws may not operate as intended, through engagement with the Treasury, Board of Taxation and government | Second Commissioner, Granger         |

## Deliverable 1.2: Design and build administrative solutions

### Success measures

- Improved conformance to guidelines for new policy projects monitored by the Policy Implementation Forum
- New laws or other initiatives are designed and implemented in accordance with the design assurance framework
- Percentage of new policy measures implemented on time and budget and achieve intent
- Percentage of retrospective measures that have mitigation strategies in place (target: 100%)
- Level of conformance of implementation of new law with integrated tax design principles
- Proportion of new policy and other changes developed 'in pattern' (where appropriate) so as to reduce costs and maximise design efficiencies
- All critical administrative and information technology systems implemented or updated to reflect required changes from new law or other initiatives
- Degree of success in delivering stated outcomes of the whole-of-government agenda
- Level of community engagement in the co-design of administrative solutions put in place to implement new laws and other initiatives

### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Ensure processes and information technology systems that implement the government's legislative agenda are consistent with the law, as well as making it easy for taxpayers to comply | Second Commissioner, Butler          |
| Lead the design effort involved in the delivery of new measures and/or other significant change initiatives   | Second Commissioner, Butler          |
| Provide design assistance and/or assurance for less significant change initiatives  | Second Commissioner, Butler          |

## Deliverable 1.3: Input to law design

### Success measures

- Improved level of early involvement in law design process
- Improved consideration of administrative impacts in the design of new law
- Percentage of legislation and explanatory memoranda alignment with administrative and interpretative advice provided

### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Our advice is influential to Treasury in design and development of drafting instructions, legislation and explanatory materials   | Second Commissioner, Granger         |
| Collaborate with Treasury on the development of new legislative measures to ensure that administrative and integrity aspects of the new measures, as well as how the laws will interact with existing provisions are fully considered | Second Commissioner, Granger         |

## Deliverable 1.4: Legal services

### Success measures

- Degree of conformance with work practices and processes
- Work processes are established to improve the ATO's capacity to meet its obligations under the new freedom-of-information laws
- Claims against the ATO for compensation for defective administration are dealt with in a timely, professional and effective way
- Win more than 50% of cases
- Percentage of legal advices and services provided in accordance with negotiated timeframes
- Level of conformance with legislation and/or ATO policy
- Level of conformance with the integrated quality framework
- Act in accordance with legal services directions

### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Provide leadership in the management of tax legal risks through the provision of high quality and timely advice, services and management of disputes     | Second Commissioner, Granger         |
| Provide leadership in the management of non-tax legal risks through the provision of high quality and timely advice, services and management of disputes | Second Commissioner, Granger         |

## Deliverable 1.5: Law assurance

### Success measures

- Level of ATO Executive satisfaction with the implementation of the recommendations of the transforming tax technical decision-making project to optimise our tax technical decision making
- Unqualified certificate of assurance on legal and technical decision making issues
- Number of priority technical issues finalised and timeliness measures for finalisation
- Number of improvement opportunities identified and implemented to achieve expected business outcomes
- Level of conformance with policies, processes, procedures and systems as reflected in the certificate of assurance on legal and technical decision making
- Degree to which new enterprise approaches and innovative practices are reflected in business activity

### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Ensure quality through our professional accreditation program and the development of quality technical learning and development solutions to mitigate capability risks   | Second Commissioner, Granger         |
| Design, build and implement law information technology infrastructure and framework  | Second Commissioner, Granger         |
| Implement the recommendations of the transforming tax technical decision making project  | Second Commissioner, Granger         |
| Continue to support, maintain, develop and improve our law (technical decision making) policies, processes, procedures and systems   | Second Commissioner, Granger         |
| Actively manage interpretative advice and guidance including for those products that contribute to the resolution of priority technical issues, to provide quality responses and products in a timely and effective manner | Second Commissioner, Quigley         |

## Deliverable 1.6: Cross-agency support

### Success measures

- Level of performance in accordance with inter-agency agreements

### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Provide cross-agency support as per inter-agency memorandums of understanding or other arrangements            | Second Commissioner, Quigley         |
| Work with Centrelink to enable the effective operation of the National Emergency Contact Centre                | Second Commissioner, Butler          |
| Work with the Attorney-General's Department to enable the effective operation of the National Security Hotline | Second Commissioner, Butler          |
| Administer excise equivalent goods under delegation from the CEO of Customs and Border Protection              | Second Commissioner, Quigley         |

## Deliverable 1.7: Government and stakeholder relations

### Success measures

- Ratio of time taken to action complaints decreases over time
- Improved support services and products provided to ministers and members of parliament
- Trend in improved relationship with government
- Quality and timeliness of support services and products provided to ministers
- Responses to ministerials meet the benchmark

### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Manage complaints about the ATO  | Second Commissioner, Granger         |
| Provide service and support for parliamentary reviews and inquiries  | Second Commissioner, Granger         |
| Continue to improve effectiveness of relationships with government   | Second Commissioner, Granger         |
| Provide high level service and support to portfolio ministers and members of parliament                          | Second Commissioner, Granger         |
| Provide high level advice, information and support to the ATO Executive and business and service lines           | Second Commissioner, Granger         |
| Develop contemporary service standards that account for community expectations                                   | Second Commissioner, Granger         |
| Redesign our complaints and compliments process and use the intelligence to respond effectively to the community | Second Commissioner, Granger         |

# 02

## Program one component two

We support people willing to participate and make it as easy as possible for them to fulfil their responsibilities at minimum cost

## Objective

The objective of this program component is to manage the collections system and deliver a range of services and benefits to the community by facilitating an open, accountable and practical relationship with the community.

The confidence the community has in the tax and superannuation systems is best demonstrated by the way the ATO interacts with the community, whether they are registering for the first time, lodging a return, making a payment or arranging for a refund, seeking general information, or managing any outstanding obligations.

## Focus areas and key drivers for 2011–12

We consider that the way we engage and provide the range of services to the community influences the confidence the community has in our administration of the tax system. For this reason, in 2011–12 we will continue to focus on improving our service delivery and explore opportunities to deliver that service more efficiently.

We will champion and improve our understanding of the community's expectations and experiences with the ATO. In achieving this we continue to re-engineer our business processes that put the taxpayer at the centre of our thinking and seek opportunities that make dealing with us easier. This year we will transition to enhanced online services which offer increased self-help and eliminate unnecessary contact. We will offer choices for the community to deal with us where they are, and in a way that best suits them. In delivering our support to the taxpayer, we will be transparent about our actions and offer flexible, differentiated approaches compassionate to individual circumstances.

Through our engagement with the community, we aim to deliver services in a positive environment that optimise willing and proper participation resulting in greater confidence in our tax and superannuation systems.

We have enhanced our business processes and systems to reduce the possibility of taxpayers experiencing any delays in the processing of returns during the peak tax time period from July to October.

## Externally reported deliverables and performance indicators

| PBS Deliverables  | Key performance indicators   |
|---|--|
| In administering the tax and superannuation systems we provide the following deliverables:  | The extent of success in delivering the program objective is measured through the following key performance indicators:  |
| <ul style="list-style-type: none"> <li>■ Register taxpayers</li> <li>■ Process returns and check accuracy</li> <li>■ Receive payments, facilitate timely payments, and follow up overdue payments</li> <li>■ Provide guidance to taxpayers on how to meet obligations</li> <li>■ Collect and manage debt</li> </ul> | <ul style="list-style-type: none"> <li>■ Progress new services that support service delivery</li> <li>■ Maintain acceptable service standards</li> <li>■ Maintain quality and practical means of assistance</li> <li>■ Optimise debt collection for the current environment</li> </ul> |



## Key corporate priorities

### Meet or exceed our agreed service standards to support community expectations

#### Success measures

- Performance is met in accordance with service standards
- Our systems process forms in a timely manner

#### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Apply early engagement strategies to provide a positive client experience  | Second Commissioner, Butler          |
| Ensure accurate reporting processes are in place to enable responsiveness  | Second Commissioner, Butler          |
| Utilise workforce sub-plans that clearly articulate what we need, what skill sets we have and when we need them                        | Second Commissioner, Butler          |
| Ensure that cases identified for differentiated treatment, and not eligible to be counted in service standards, are counted separately | Second Commissioner, Butler          |

### Provide assistance through tailored online products, co-designed with stakeholders

#### Success measures

- The community values the online authoritative products we co-designed with business
- Our external forums and the community use online chat rooms for co-design purposes
- The community access webinars to obtain education and information services
- The community uses social media to provide feedback to and obtain information from us
- Increased professionals satisfaction that we leverage and support our professional services

#### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Continue to identify, through liaison with internal and external stakeholders, the co-design of tailored online products | Second Commissioner, Butler          |
| Actively expand the use of Webinar across the organisation   | Second Commissioner, Butler          |
| Continue to look for opportunities to develop and release online products with the business community                    | Second Commissioner, Butler          |

## Support the establishment of a national not-for-profit regulator

### Success measures

- Adequately accomplish for the not-for-profit sector an entity visibly separate from us
- Support the Treasury-established implementation taskforce
- Public information portal is implemented

### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Adequately accomplish for not-for-profit an entity visibly separate from us  | Second Commissioner, Quigley         |
| Provide appropriate support to Treasury for the implementation taskforce to consult on a general reporting framework | Second Commissioner, Quigley         |
| Commence building a public information portal for operation by 1 July 2012   | Second Commissioner, Quigley         |

## Offer practical certainty through annual compliance arrangements, advance pricing agreements, more timely rulings and enhanced relationships

### Success measures

- Number of advance pricing agreements and annual compliance arrangements entered into or renewed
- Effective observation of the mutual responsibilities from annual compliance arrangements
- Reduction in the median cycle times of rulings
- The effectiveness of the early engagement model on rulings
- Extended and broader relationship management services are implemented

### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Conduct near real-time risk assessments on large market taxpayers and apply differentiated compliance activities and products | Second Commissioner, Quigley         |
| Encourage prospective rulings by engaging early with key taxpayers  | Second Commissioner, Quigley         |
| Extend the lead relationship manager model  | Second Commissioner, Quigley         |

## Continue dialogue with large companies on risk categories and governance of tax risks

### Success measures

- The tax performance of large market taxpayers is in line with their economic performance
- Aggressive behaviours of higher risk taxpayers are deterred in real time
- The compliance of key taxpayers is maintained or improved
- Non-compliance by medium risk taxpayers is detected and dealt with
- Large business taxpayers and their advisors are confident in our administration and are engaged in our cooperative compliance approaches
- Risk mitigation strategies implemented to target risks associated with large business and international dealings

### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Engage taxpayers through appropriate relationship management strategies | Second Commissioner, Quigley         |

## Support tax agents and practitioners with free products and services designed to meet their needs

### Success measures

- Percentage of tax practitioners who interact electronically
- Number and type of communication products and services provided to tax practitioners
- Survey results show an improvement in the perceptions of registered tax and BAS agents on the services provided for them by the ATO
- Consultative committee meetings are well accepted and meet member and stakeholder expectations

### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Encourage tax practitioners to interact electronically   | Second Commissioner, Quigley         |
| Provide specifically designed products and services such as the relationship manager program, lodgment assistance and the professional-to-professional program (P2P) | Second Commissioner, Quigley         |
| Provide timely and tailored advice and support to meet the needs of the tax practitioner population using the range of available communication channels              | Second Commissioner, Quigley         |
| Profile tax practitioners and undertake surveys to better understand their needs and design and deliver products and services  | Second Commissioner, Quigley         |
| Enable the corporate consultative committees to consult, collaborate and co-design with industry representatives   | Second Commissioner, Quigley         |

## Improve our community facing systems, for example, portals and [www.ato.gov.au](http://www.ato.gov.au), to encourage the community to transition to online interactions

### Success measures

- Individuals can view and consolidate current super memberships online
- Enduring online and enterprise systems are updated to reflect required law or priority service enhancements
- Increased take up of Standard Business Reporting
- A clear design for clients to interact and transact with us online
- A delivery timeline for what and when the community will have access to interact and transact with us online

### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Implement an online framework that allows the ATO to take advantage of emerging technology trends (device independence, rich features) to support new policy drivers (such as Cooper) and priority service delivery enhancements | Second Commissioner, Butler          |
| Ensure the design of our current enduring systems (that is, portals) reflects priority business outcomes and investment is managed in context of our online strategy   | Second Commissioner, Butler          |
| Continue to evolve our back end processing systems to support online as the primary channel  | Second Commissioner, Butler          |
| Commence the transition of our services from legacy channels to our enterprise and enduring channels   | Second Commissioner, Butler          |

## Take a balanced approach to debt collection activities by helping viable businesses with short-term financial difficulties and taking firm action where businesses are not viable or unwilling to engage

### Success measures

- Number of taxpayers (including businesses) who have received special assistance

### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Continue to provide assistance to viable businesses (who are willing to work with us) by offering tailored solutions to their individual circumstances | Second Commissioner, Butler          |
| Provide hardship assistance to individuals who are experiencing significant financial difficulties   | Second Commissioner, Butler          |

## Reduce the stock of aged debt and maintain the ratio of collectable debt to receipts at approximately 5%

### Success measures

- Collectable debt to total collections
- Payment arrangements kept rate increased
- Reduction in ageing collectable debt

### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Optimise collection activity through an end-to-end approach to debt collection consistent with our business model including roll out of our debt-right-now strategy across all tax types | Second Commissioner, Butler          |
| Improved collections from our conversations and interaction  | Second Commissioner, Butler          |
| Improve debt analysis to support increased differentiated treatments based on taxpayer circumstances   | Second Commissioner, Butler          |
| Improve debt outcomes being more overt and transparent regarding actions for long term debtors   | Second Commissioner, Butler          |
| Priority action on cases where debt continues to escalate  | Second Commissioner, Butler          |
| Enhance the tool to assess business viability of cases under firmer action to allow quicker identification and action including piloting the use of independent viability assessments    | Second Commissioner, Butler          |
| Develop electronic lodgment with external agencies including courts and financial institutions   | Second Commissioner, Butler          |

## Continue our focus on approved auditors

### Success measures

- Professional-to-professional support service implemented according to plan in consultation with industry and the professional accounting bodies
- Differentiated compliance strategies, including education and communication, delivered in line with the *Compliance program 2011–12*
- Level of industry and auditor awareness of ATO activities and their perception of the health of the approved auditor activities on behalf of self-managed superannuation funds

## Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Further grow tailored service for approved auditors of self-managed superannuation funds who require help with compliance issues, in consultation with industry                        | Second Commissioner, Quigley         |
| Develop differentiated risk identification processes to identify non-compliance and treat it appropriately   | Second Commissioner, Quigley         |
| Identify and take action against approved auditors not meeting their responsibilities, including referring non-compliant auditors to their association and the Tax Practitioners Board | Second Commissioner, Quigley         |
| Support approved auditors performing well by ensuring significant breaches reported in auditor contravention reports are rectified and mitigated by trustees                           | Second Commissioner, Quigley         |
| Ensure publications and speeches incorporate engagement of approved auditors and promote tools and services that support them, including the electronic superannuation audit tool      | Second Commissioner, Quigley         |
| Build awareness and understanding of the level of competency of approved auditors and our compliance activities with industry, auditors and trustees                                   | Second Commissioner, Quigley         |

## Corporate priorities

### Seek opportunities to better support and influence taxpayers, while increasing our understanding of taxpayer expectations and emerging trends

#### Success measures

- The level of participation in the system, including increasing rates of electronic engagement with us and lodgments by *e-tax*
- Fewer incidences of the adjustment of returns (including in a pre-issue environment)
- The level of indirect revenue continues to grow in line with underlying economic growth
- Our community consultation programs are identifying opportunities for us to adapt and improve our administrative products and services in line with taxpayers expectations and emerging trends
- The trend over time is fewer taxpayer complaints
- The trend over time in business perception and our professional consultation survey results continues to improve

## Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Continue to provide and refine our education assistance programs   | Second Commissioner, Quigley         |
| Increase pre-filled information in tax returns and facilitate taxpayers' access to information to enable higher levels of compliance                     | Second Commissioner, Quigley         |
| Provide the amount of information and data matching that helps and encourages people to comply and check their overall level of compliance               | Second Commissioner, Quigley         |
| Operate in real time to meet taxpayers expectations  | Second Commissioner, Quigley         |
| Improve community consultation to enhance our ability to understand how we can improve the system to meet community expectations                         | Second Commissioner, Quigley         |
| Use the issues identified in complaints and feedback as an opportunity to improve our service delivery   | Second Commissioner, Quigley         |
| Use the risk-differentiation framework to develop appropriately tailored compliance strategies and service programs for different parts of the community | Second Commissioner, Quigley         |

### **Ensure our business processes, education and compliance strategies support differentiated approaches and allow flexibility to cater for external conditions (for example, short-term financial difficulties)**

#### **Success measures**

- The level of compliance of affected taxpayers meeting their obligations
- The level of feedback from the community that we are seen as professional in terms of the support we provide
- The level of feedback from the community that the cost to the taxpayer reflects their compliance stance
- The level to which we have delivered communications and support services and engaged with stakeholders
- The extent to which we have employed differentiated approaches and processes appropriately

## Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Appropriately deter, detect and deal with non-compliance by having appropriate education, engagement, enforcement and enablement processes in place | Second Commissioner, Quigley         |
| Be deliberate and purposeful in understanding taxpayers' circumstances  | Second Commissioner, Quigley         |
| Target specific populations impacted by external conditions   | Second Commissioner, Quigley         |
| Develop differentiated options and accompanying processes to guide in their use   | Second Commissioner, Quigley         |

### **Build on our strong relations with taxpayers and tax practitioners by providing greater differentiated services to more directly influence their compliance behaviours**

#### Success measures

- The level of compliance of affected taxpayers meeting their obligations
- Taxpayers accessing the 'right' channel in terms of timeliness and cost efficiency
- The level of early intervention with taxpayers to positively influence their compliance behaviours
- Increased percentage of electronic interactions undertaken in preference to a paper based interactions
- Ability to articulate a range of differentiated approaches

## Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Understand taxpayers' and tax practitioners' behaviours and drivers in differentiated markets so that we can most appropriately influence their compliance behaviours and choice of the right channel | Second Commissioner, Quigley         |
| Articulate the ATO-view of what compliance is   | Second Commissioner, Quigley         |
| Appropriately deter, detect and deal with non-compliance by having appropriate education, engagement, enforcement and enablement processes in place   | Second Commissioner, Quigley         |
| Understand the regular contacts of taxpayers, for instances with other government agencies and businesses, to improve differentiated services with taxpayers and tax practitioners                    | Second Commissioner, Quigley         |
| Consciously differentiate between taxpayers' behaviours and risks to directly influence their compliance behaviours   | Second Commissioner, Quigley         |



## Work with the community to help people recognise, reject and report tax avoidance schemes, including taking action to visibly deter and deal with entities who are purposefully and deliberately involved with such schemes

### Success measures

- The level of messaging and coverage of messaging to the community, and where appropriate to sections of the community, about what aggressive tax planning and tax-avoidance arrangements or tax schemes are and the consequences of these
- The level of actual and potential tax-planning arrangements referred to us and our capacity to correctly determine whether they require further examination
- The full range of sanctions are appropriately used to deal with the spectrum of tax-avoidance schemes
- The timeframes between the commencement of the tax-avoidance arrangement or tax scheme and when we are notified

### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Adapt a range of communications strategies describing aggressive tax planning, tax avoidance arrangements and schemes including guidance to taxpayers and promoters of their contestable features and the consequences of promotion | Second Commissioner, Quigley         |
| Provide channels for and encourage reporting of actual and potential tax planning arrangements to ensure we have the capability to correctly determine whether they require further examination                                     | Second Commissioner, Quigley         |
| Use the full range of sanctions to deal with the spectrum of tax avoidance schemes  | Second Commissioner, Quigley         |

## Program deliverables

### Deliverable 2.1: Registrations

#### Success measures

- Performance in accordance with service standards
- Level and age of returned unclaimed stock on hand

#### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Process Commissioner of Taxation-related registrations   | Second Commissioner, Butler          |
| Process Commissioner of Taxation-related updates   | Second Commissioner, Butler          |
| Manage and improve the integrity of our client register  | Second Commissioner, Butler          |
| Respond to the growing requirements of identity management (including identity crime) within the community | Second Commissioner, Butler          |

### Deliverable 2.2: Processing and accounts

#### Success measures

- Performance in accordance with service standards
- Performance in accordance with banking standards
- Level of voluntary lodgment and compliance

#### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Process lodgments   | Second Commissioner, Butler          |
| Generate correct refunds and outward payments               | Second Commissioner, Butler          |
| Process amendments, revisions and variations                | Second Commissioner, Butler          |
| Manage and improve the integrity of our client account data | Second Commissioner, Butler          |
| Process inward payments                                     | Second Commissioner, Butler          |
| Apply applicable interest provisions                        | Second Commissioner, Butler          |

## Deliverable 2.3: Customer contact

### Success measures

- Performance in accordance with service standards
- Effectiveness of self-help services
- Performance in accordance with quality benchmarks
- First contact resolution rates
- Level of customer satisfaction
- Rate of community take up of channels for clients experiencing hardship

### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Respond to general calls   | Second Commissioner, Butler          |
| Respond to tax practitioner calls  | Second Commissioner, Butler          |
| Respond to escalated calls   | Second Commissioner, Butler          |
| Provide self-help services   | Second Commissioner, Butler          |
| Respond to general counter enquiries at shopfronts                               | Second Commissioner, Quigley         |
| Respond to general email enquiries through eRespond                              | Second Commissioner, Quigley         |
| Process inbound correspondence   | Second Commissioner, Butler          |
| Provide messages to the community through social media                           | Second Commissioner, Butler          |
| Timely remediation of requests with missing or incomplete information            | Second Commissioner, Butler          |
| Complaints process re-engineering to streamline client experience                | Second Commissioner, Butler          |
| Provide specific channels for clients experiencing hardship to seek assistance   | Second Commissioner, Butler          |
| Provide dedicated resources to receive and resolve complaints in a timely manner | Second Commissioner, Butler          |

## Deliverable 2.4: Debt collection

### Success measures

- Percentage of debt intake resolved in the year of intake
- Percentage of collectable debt to total collections

### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Respond to a deterioration in payment compliance   | Second Commissioner, Butler          |
| Contain debt levels in key market and product segments   | Second Commissioner, Butler          |
| Optimise the use of internal and external intelligence sources to forecast payment compliance trends and shape appropriate treatment strategies        | Second Commissioner, Butler          |
| Maintain the confidence of government and the community through the effective management and collection of tax and superannuation debt                 | Second Commissioner, Butler          |
| Debt collection capability responds to shifts in taxpayer behaviour  | Second Commissioner, Butler          |
| Have a capability to identify and address businesses that are unviable or who are unwilling to work with us to manage their tax or superannuation debt | Second Commissioner, Butler          |

# 03

## Program one component three

We protect people by deterring and  
dealing with those not willing to comply

## Objective

The primary objective of this program component is to assure and support revenue collection, transfer payments and aspects of superannuation through an appropriate balance of assistance and compliance verification activities.

As a general approach, we aim to intrude as little as possible on the majority of the community and businesses who want to meet their obligations (other than as a source of assistance), while at the same time being highly visible to those who may be reluctant to willingly and properly participate.

## Focus areas and key drivers for 2011–12

The overarching challenge for us, in both the good times and the not so good, is to nurture an environment conducive to high levels of willing participation. This approach engenders trust and confidence in us and in Australia's tax and superannuation systems.

Our tax and superannuation system continues to enjoy high levels of willing participation. This year we will continue our support to help taxpayers participate willingly and properly. We continue to be able to diversify and tailor our communication, education and help to those willing to comply, harnessing the opportunities presented by new online technologies.

On the other hand, we have a responsibility to ensure a level playing field and protect those willing to participate. We are very active in our participation in the international fight against illegal or abusive cross-border tax practices and abusive use of tax havens.

We also maintain our focus on the cash economy and on employers showing a pattern of non-compliance with their superannuation guarantee obligations. We continue to invest in data-matching, audit and review capabilities and will use the full force of the law where people seek to gain an unfair advantage.

Through the budget processes, the government has asked us to focus on areas such as the Cooper review, fraud detection and management, protecting the community from the impacts of phoenix activity, improvements in reporting government grants and payments, and improvements in the administration of the excess contributions tax.

## Externally reported deliverables and performance indicators

| PBS Deliverables   | Key performance indicators  |
|--|---|
| <p>In administering the tax and superannuation systems we provide the following deliverables:</p> <ul style="list-style-type: none"> <li>■ Communicate and market products, services and benefits to the community</li> <li>■ Provide interpretative advice and practical guidance</li> <li>■ Identify and respond to behaviours presenting a compliance risk</li> <li>■ Undertake preventative actions to reduce the rate of occurrence of non-compliant behaviour</li> </ul> | <p>The extent of success in delivering the program objective is measured through the following key performance indicators:</p> <ul style="list-style-type: none"> <li>■ Products, services and tools are available to help people meet their obligations</li> <li>■ Issue advice and practical guidance that assists people to meet their obligations</li> <li>■ Reduce non-compliant behaviours through deterring, detecting and dealing with taxpayers not willing to comply</li> <li>■ Establish the nature and extent of non-compliant behaviour and, where appropriate, apply penalties and prosecute</li> </ul> |

## Key corporate priorities

**Deliver our commitments to government, including GST commitments to the states and territories, as outlined in the GST Administration Performance Agreement, including a focus on fraudulent GST refunds**

### Success measures

- Commitments delivered in accordance with policy intent and agreed measures
- Commitments outlined in the GST special compliance initiative – ‘working together to improve voluntary compliance’ are achieved
- Increased level of activity statement lodgment compliance
- Improved identification of inflated or fraudulent GST refunds, under-reporting of GST liabilities and non-payment

### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Maintain the integrity of the GST system and promote voluntary compliance by increasing our ability to deter, detect and address fraudulent GST refund activity  | Second Commissioner, Quigley         |
| Address the concerns of the community around the impacts of serious evasion of GST obligations by deterring, detecting and mitigating behaviour and promoting a level playing field with specific focus on the property industry | Second Commissioner, Quigley         |
| Deliver GST commitments to the states and territories  | Second Commissioner, Quigley         |
| Deliver ‘Working together to encourage voluntary compliance’ 2011–14 budget measure  | Second Commissioner, Quigley         |
| Develop and implement a range of compliance strategies to address serious evasion and tax crime on the GST system  | Second Commissioner, Quigley         |

## Focus on those who fail to report some or all cash transactions to ensure a level playing field for small businesses, contractors and individual taxpayers

### Success measures

- The ATO demonstrates its ability to detect and respond to businesses who fail to report some or all cash transactions, including increased use of community and third party information
- An increase in the number and scope of industry benchmarks published
- The community is confident in and engaged with our response to the cash economy including business reconstruction following the recent natural disasters
- Commitments to government are achieved
- Meet revenue expectations under the 'Strategic compliance – promoting a level playing field for small business' program
- Less treatment of genuine employment arrangements as contractors
- Unreported cash payments to employees are less frequent
- Contractors meet their tax obligations
- More businesses engaging workers meet their obligations to withhold tax and make superannuation guarantee payments and meet their fringe benefits tax obligations
- More contractors are brought into the system and meet their own tax obligations

### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Continue to use our small business benchmarks and sophisticated data matching to identify and deal with businesses that may have poor record keeping and may be under-reporting cash transactions                                       | Second Commissioner, Quigley         |
| Engage with industry, intermediaries, tax practitioners and professional associations   | Second Commissioner, Quigley         |
| Work with those involved in the reconstruction program following the recent natural disasters in Australia, including those commissioning the work and undertaking the work, to protect the community and support a level playing field | Second Commissioner, Quigley         |
| Provide the information and tools necessary to assist employers to comply with their obligations as an employer   | Second Commissioner, Quigley         |
| Use data matching, compliance monitoring and intelligence reporting to identify those that are at risk of not complying   | Second Commissioner, Quigley         |
| Conduct reviews and audits of high risk cases   | Second Commissioner, Quigley         |
| Leverage strategies through meetings with industry, organisations and stakeholders to influence behaviour   | Second Commissioner, Quigley         |
| Use our intelligence gathering to maintain an up-to-date understanding of labour market trends  | Second Commissioner, Quigley         |



## Continue to extend our coverage of high wealth individuals and wealthy Australians

### Success measures

- Meet our compliance commitments in accordance with policy intent and agreed measures
- Differentiated compliance strategies in place across highly wealthy individuals and wealthy Australians to deal with identified risks, increase engagement and encourage taxpayers to comply with their obligations

### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Continue to develop and apply differentiated compliance strategies across highly wealthy individuals and wealthy Australians based on the risk differentiation framework | Second Commissioner, Quigley         |
| Continue to deliver on our compliance commitments and expand our engagement with highly wealthy individuals and wealthy Australians                                      | Second Commissioner, Quigley         |

## Continue to deal with the abusive use of secrecy havens, including Project Wickenby

### Success measures

- People who have previously used secrecy havens have now improved their tax performance, for example, the Wickenby compliance dividend
- Patterns and trends of flows of international funds measured by AUSTRAC
- Monitoring 'structured story telling' through the movement in media, survey outcomes and community perceptions of taxpayer behaviour
- The effective use of tax information exchange agreements (TIEAs) that are in place
- Number of voluntary disclosures, liabilities raised and collections compared to plan
- Percentage of successful prosecutions

### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Deter, detect and deal with taxpayers and promoters that abuse secrecy jurisdictions by: <ul style="list-style-type: none"> <li>■ working with other agencies (Wickenby), other revenue authorities (JITSIC) and financial institutions (banking transparency strategy)</li> <li>■ harnessing intelligence</li> <li>■ conducting audits</li> <li>■ prosecution action</li> <li>■ seeking reforms (including tax information exchange agreements)</li> <li>■ marketing and education</li> </ul> | Second Commissioner, Quigley         |

## Strengthen involvement in multi-agency task forces that target the tax implications of organised crime

### Success measures

- Improvement in the tax performance (including lodgment and debt) of identified participants in organised crime
- Improvement in proceeds of crime outcomes in matters we have been engaged in
- Fewer attacks on our GST and income tax systems – for example, refund identity fraud

### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| <p>Work closely with law enforcement agencies, especially in taskforces supported by memorandums of understanding (for example, criminal asset confiscation taskforce) we:</p> <ul style="list-style-type: none"> <li>■ harness intelligence and apply taxation remedies</li> <li>■ undertake tax audits, and lodgment and debt action where appropriate</li> <li>■ contribute to Commonwealth strategic forums (Heads of Commonwealth Organisations and law enforcement agencies and the Australian Crime Commission Board)</li> <li>■ support the Commonwealth Organised Crime Strategic framework</li> <li>■ ensure we have controls in place (for example, detection mechanisms to stop fraudulent attacks on the tax and superannuation systems)</li> <li>■ educate the community</li> </ul> | <p>Second Commissioner, Quigley</p>  |

## Continue to focus on high risk accounting and law firms in relation to promoter penalty laws

### Success measures

- Evidence high risk advisory firms (law and accounting firms) and key financial institutions build an explicit consideration of promoter penalty risk exposure into their governance and internal controls
- Increase in the level of referrals from within the ATO and members of the community, such as intermediaries and professional associations
- A shift in the risk profile of clients of high risk law and accounting firms and key financial institutions
- Positive articles in journals, magazines and other outlets about managing risks

## Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Deter, detect and deal with high risk tax advice by: <ul style="list-style-type: none"> <li>■ increasing early engagement around contestable tax-planning arrangements</li> <li>■ communicate what is tax advice, the nature of high risk tax advice and the consequences of not managing the risk</li> <li>■ positively influence behaviours of high risk law and accounting firms and key financial institutions by using visible deterrents through application of promoter penalty sanctions</li> </ul> | Second Commissioner, Quigley         |
| Encourage high risk law and accounting firms and key financial institutions to build into their governance and internal controls consideration of promoter penalty risk exposure  | Second Commissioner, Quigley         |
| Work with key professional bodies to manage risks associated with their members advocating and supporting tax avoidance arrangements  | Second Commissioner, Quigley         |
| Review the tax affairs of individual higher risk advisers   | Second Commissioner, Quigley         |
| Apply the full range of sanctions to deal with high risk law and accounting firms, advisory services and key financial institutions providing higher risk tax advice and contestable tax arrangements   | Second Commissioner, Quigley         |

## Develop strategies to optimise the role of the Tax Practitioners Board, including the referral of tax practitioners who breach their responsibilities

### Success measures

- The timeliness and level of referral of relevant cases and information to the Tax Practitioners Board
- The level of engagement with the Tax Practitioners Board through application of the memorandum of understanding; establishment and maintenance with an executive liaison group, working group and regular review of gatekeeper network
- Feedback from the Tax Practitioners Board on supporting them in their regulatory role with agents and unregistered entities

## Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Evaluate the implementation of the review of the <i>Tax Agent Services Act 2009</i>   | Second Commissioner, Quigley         |
| Work with the Tax Practitioners Board to support and positively influence the tax practitioner market to improve overall compliance and professional standards  | Second Commissioner, Quigley         |
| Encourage tax practitioners and members of the community to make contact with the Tax Practitioners Board if they have concerns about practices that could bring the profession into disrepute, or which abuse Australia's tax and superannuation systems | Second Commissioner, Quigley         |
| Refer relevant cases and information to the Tax Practitioners Board where registered agents demonstrate behaviours which are potentially in breach of the <i>Tax Agent Services Act 2009</i> , including the <i>Code of Professional Conduct</i>          | Second Commissioner, Quigley         |
| Undertake a post-implementation review of the <i>Tax Practitioner Legislative Framework</i>   | Second Commissioner, Quigley         |

## Develop a risk framework for registered agents to better target our compliance approaches

### Success measures

- Registered agents' characteristics and behaviours are profiled and the tax risks of those behaviours are assessed with appropriate mitigation strategies put in place
- Differentiated treatments and engagement strategies are developed and aligned to a registered agent's perceived risk
- Measured changes in behaviours of registered agents and their clients over time trending towards improved compliance, including meeting lodgment requirements and small business benchmarks

## Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Implement the enterprise risk-management framework for tax practitioners  | Second Commissioner, Quigley         |
| Provide a risk-differentiation framework for tax practitioners to: <ul style="list-style-type: none"> <li>■ form a view of the relative tax risk for registered agents and their clients</li> <li>■ determine the likely intensity, frequency and nature of our engagement with a registered agent</li> </ul> | Second Commissioner, Quigley         |
| Use a combination of qualitative intelligence and quantitative analysis to identify a registered agent's characteristics and behaviours and assess the tax risks of those behaviours relative to others   | Second Commissioner, Quigley         |
| Develop and align differentiated treatments and engagement strategies based on a registered agent's perceived risk  | Second Commissioner, Quigley         |

## Corporate priorities

**Investigate all employee complaints in relation to employer obligations, including superannuation guarantee complaints, and proactively target those industries and employers showing a pattern of non-compliance**

### Success measures

- All complaints received concerning employers not complying with their superannuation obligations are investigated within agreed service standards
- Differentiated compliance strategies, including education and communication, delivered in line with the *Compliance program 2011–12*
- Level of community awareness of ATO activities and community perception of the health of the superannuation guarantee system
- Amounts of superannuation transferred into superannuation accounts as a result of activities

## Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Investigate all complaints about employers not complying with their superannuation guarantee obligations  | Second Commissioner, Quigley         |
| Identify and review high risk employers, including those targeted industries, and implement a targeted marketing strategy for the identified high-risk industries | Second Commissioner, Quigley         |
| Investigate all third-party referrals, including superannuation funds, unions, Fair Work Ombudsman and other government agencies                                  | Second Commissioner, Quigley         |

## Continue to target recipients of funds through the government's economic stimulus plan who avoid or deliberately evade their tax and superannuation obligations

### Success measures

- The level of willing participation in the tax and superannuation systems and meeting obligations under these systems
- The level of community confidence that those in receipt of government payments from the economic stimulus plan are complying with their tax and superannuation obligations

### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Working with other government agencies to acquire a range of data to enable data matching activities that identify non-compliance of tax and superannuation obligations   | Second Commissioner, Quigley         |
| Identify deliberate fraud of those who received government payments under the Energy Efficiency Homes and the Building the Education Revolution programs using data-matching activities and risk-management processes | Second Commissioner, Quigley         |
| Review, audit and prosecute, within timeframes and quality standards, those in receipt of the economic stimulus payments who have attempted to defraud the Commonwealth   | Second Commissioner, Quigley         |

## Implement a mix of strategies to deal with issues relating to the taxation of trusts

### Success measures

- We have clear support and compliance strategies that are appropriately deployed in response to client behaviour

### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Identify classes of behaviour in order to design appropriate responses, including both support and protect strategies | Second Commissioner, Quigley         |
| Deploy targeted implementation strategies, as appropriate, and measure their effectiveness                            | Second Commissioner, Quigley         |

## Strengthen our focus on refund fraud and prosecute where appropriate

### Success measures

- A reduction in the value and number of refund fraud attacks including falsification and identity crime
- Level of revenue protected through pre-issue detection
- Prosecution work contributes to the mitigation of other strategic compliance risks, for example, the cash economy
- The level of recognition in the community that we are effectively dealing with serious abuse of the tax and superannuation systems

### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Deter, detect, deal with and prevent crimes against the tax and superannuation systems by ensuring we: <ul style="list-style-type: none"> <li>■ have control systems in place (for example, detection mechanisms)</li> <li>■ harness intelligence</li> <li>■ work with law enforcement agencies</li> <li>■ conduct criminal investigations and take appropriate prosecution actions (tax offences and criminal code)</li> <li>■ educate and send deterrent messages to the community</li> </ul> | Second Commissioner, Quigley         |

## Program deliverables

### Deliverable 3.1: Marketing and communication

#### Success measures

- Proportion of marketing communication strategies addressing known risks or government policy
- Increase in activity and focus designed to improve community engagement
- Communication and research committee governs significant marketing communication and research activities
- Improved alignment to marketing communication protocols across advertising, media campaigns, publishing and research

## Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Engage the community in the tax system  | Second Commissioner, Granger         |
| Produce and manage published products and services to help taxpayers and their advisers understand their rights and obligations | Second Commissioner, Granger         |
| Develop and manage research that tracks awareness, satisfaction and perception of the ATO                                       | Second Commissioner, Granger         |

## Deliverable 3.2: Interpretative assistance

### Success measures

- Advice, guidance, objections and reviews meet service and time standard benchmarks
- Improved timeliness and quality of advice, guidance, objections and reviews

## Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Provide assistance to taxpayers about the application of the laws administered by the Commissioner in the form of binding advice that provides the highest levels of protection  | Second Commissioner, Quigley         |
| Provide assistance to taxpayers about the application of the laws administered by the Commissioner in the form of interpretative guidance  | Second Commissioner, Quigley         |
| Manage and respond to taxpayer objections and reviews about the application of the laws administered by the Commissioner   | Second Commissioner, Quigley         |
| Provide input to our publications and products for internal audiences and to help taxpayers understand their rights and obligations  | Second Commissioner, Quigley         |
| Work across the ATO to support enterprise approaches and maximise innovative business and productivity improvement for interpretative assistance delivery  | Second Commissioner, Quigley         |
| Provide interpretative guidance for tax officers   | Second Commissioner, Quigley         |
| Actively manage interpretative guidance and assistance, including for those products that contribute to the resolution of priority technical issues to provide quality responses and products in a timely and efficient manner | Second Commissioner, Granger         |



## Deliverable 3.4: Active compliance

### Success measures

- The extent to which we protect the tax and superannuation systems by managing material risks detected
- Government commitments are fully delivered
- Improved timeliness and quality of completed cases

### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Protect Australia's revenue base by investigating and/or prosecuting entities outside the system or which are suspected of participating in defrauding activities or those suspected of promoting or participating in tax exploitation schemes  | Second Commissioner, Quigley         |
| Detect non-compliance and ensure that tax obligations are met by using differentiated compliance approaches and action where there is significant risk to revenue   | Second Commissioner, Quigley         |
| Undertake taxpayer reviews to identify compliance issues, encourage voluntary disclosures and deliver intelligence on specific industries, risks and entities   | Second Commissioner, Quigley         |
| Establish and maintain cooperative agreements between taxpayers, their representatives, third parties or other taxation jurisdictions and the Commissioner that are aimed at improving the compliance relationship, providing more certainty through real time compliance and supporting the optimisation of voluntary compliance | Second Commissioner, Quigley         |
| Provide tailored advice and education to give clients every opportunity to meet their obligations   | Second Commissioner, Quigley         |
| Work across the ATO to support enterprise approaches and develop new and innovative ways to increase productivity across the active compliance capability   | Second Commissioner, Quigley         |
| Monitor, analyse and report on the effectiveness of active compliance activities while assisting in the development, implementation and maintenance of the active compliance planning and reporting frameworks, tools and processes   | Second Commissioner, Quigley         |

## Deliverable 3.5: Compliance intelligence and risk management

### Success measures

- New and existing risks are managed in accordance with ATO policies
- Evaluations of differentiated risk treatment strategies, including active compliance strategies, show evidence of improved taxpayer compliance
- Candidate selection and data-matching parameters are informed by timely intelligence and defensible analysis

## Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Perform risk identification and monitoring of compliance risks at a tactical, operational and enterprise level to identify new risks and opportunities and assist in monitoring existing risks                | Second Commissioner, Quigley         |
| Conduct regular risk assessments to determine the likelihood and consequence of these risks occurring, as well as their associated threats and vulnerabilities  | Second Commissioner, Quigley         |
| Manage data and information for operational analysis and modelling in order to identify appropriate cases for risk mitigation activities  | Second Commissioner, Quigley         |
| Develop end-to-end risk mitigation strategies that differentiate on taxpayer behaviour and act to correct, deter and prevent non-compliance and evaluate and report on, the effectiveness of those strategies | Second Commissioner, Quigley         |
| Develop a large market risk differentiation framework which brings together the views from large market income tax and large market indirect taxes, to support our engagement and compliance strategies       | Second Commissioner, Quigley         |
| Develop compliance effectiveness indicators to be used in assessing the effectiveness of these end-to-end strategies over time and report back on these outcomes  | Second Commissioner, Quigley         |

## Deliverable 4.1: Marketing and communication

### Success measures

- Proportion of marketing communication strategies addressing known risks or government policy
- Increase in activity and focus designed to improve community engagement
- Communication and research committee governs significant marketing communication and research activities
- Improved alignment to marketing communication protocols across advertising, media campaigns, publishing and research

## Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Engage the community in the superannuation and transfers systems  | Second Commissioner, Granger         |
| Produce and manage published products and services to help taxpayers and their advisers understand their rights and obligations | Second Commissioner, Granger         |
| Develop and manage research that tracks awareness, satisfaction and perception of the ATO                                       | Second Commissioner, Granger         |

## Deliverable 4.2: Interpretative assistance

### Success measures

- Advice, guidance, objections and reviews meet service and time standard benchmarks
- Improved timeliness and quality of advice, guidance, objections and reviews

### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Provide assistance to taxpayers about the application of the laws administered by the Commissioner in the form of binding advice that provides the highest levels of protection  | Second Commissioner, Quigley         |
| Provide assistance to taxpayers about the application of the laws administered by the Commissioner in the form of interpretative guidance  | Second Commissioner, Quigley         |
| Manage and respond to taxpayer objections and reviews about the application of the laws administered by the Commissioner   | Second Commissioner, Quigley         |
| Provide input to our publications and products for internal audiences and to help taxpayers understand their rights and obligations  | Second Commissioner, Quigley         |
| Work across the ATO to support enterprise approaches and maximise innovative business and productivity improvement for interpretative assistance delivery  | Second Commissioner, Quigley         |
| Provide interpretative guidance for tax officers   | Second Commissioner, Quigley         |
| Actively manage interpretative guidance and assistance, including for those products that contribute to the resolution of priority technical issues to provide quality responses and products in a timely and efficient manner | Second Commissioner, Granger         |

## Deliverable 4.4: Active compliance

### Success measures

- The extent to which we protect the tax and superannuation systems by managing material risks we detect
- Government commitments are fully delivered
- Improved timeliness and quality of completed cases

### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Protect Australia's transfer and superannuation systems by investigating and prosecuting entities outside the system or which are suspected of participating in defrauding activities   | Second Commissioner, Quigley         |
| Detect non-compliance and ensure that transfer and superannuation obligations are met by using differentiated compliance approaches and action  | Second Commissioner, Quigley         |
| Undertake taxpayer reviews to identify compliance issues, encourage voluntary disclosures and deliver intelligence on specific industries, risks and entities   | Second Commissioner, Quigley         |
| Establish and maintain cooperative agreements between taxpayers, their representatives, third parties or other taxation jurisdictions and the Commissioner that are aimed at improving the compliance relationship, providing more certainty through real time compliance and supporting the optimisation of voluntary compliance | Second Commissioner, Quigley         |
| Provide tailored advice and education to give clients every opportunity to meet their obligations   | Second Commissioner, Quigley         |
| Work across the ATO to support enterprise approaches and develop new and innovative ways to increase productivity across the active compliance capability   | Second Commissioner, Quigley         |
| Monitor, analyse and report on the effectiveness of active compliance activities while assisting in the development, implementation and maintenance of the active compliance planning and reporting frameworks, tools and processes   | Second Commissioner, Quigley         |

## Deliverable 4.5: Compliance intelligence and risk management

### Success measures

- New and existing risks are managed in accordance with ATO policies
- Evaluations of differentiated risk treatment strategies – including active compliance strategies – show evidence of improved taxpayer compliance
- Candidate selection and data matching parameters are informed by timely intelligence and defensible analysis

### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Perform risk identification and monitoring of compliance risks at a tactical, operational and enterprise level to identify new risks and opportunities and assist in monitoring existing risks                | Second Commissioner, Quigley         |
| Conduct regular risk assessments to determine the likelihood and consequence of these risks occurring, as well as their associated threats and vulnerabilities  | Second Commissioner, Quigley         |
| Manage data and information for operational analysis and modelling in order to identify appropriate cases for risk mitigation activities  | Second Commissioner, Quigley         |
| Develop end-to-end risk mitigation strategies that differentiate on taxpayer behaviour and act to correct, deter and prevent non-compliance and evaluate and report on, the effectiveness of those strategies | Second Commissioner, Quigley         |
| Develop a large market risk-differentiation framework which brings together the views from large market income tax and large market indirect taxes, to support ATO engagement and compliance strategies       | Second Commissioner, Quigley         |
| Develop compliance effectiveness indicators to be used in assessing the effectiveness of these end-to-end strategies over time and report back on these outcomes  | Second Commissioner, Quigley         |

04

Program three

Australian Business Register

## Objective

The Australian Business Register (ABR) provides an authoritative and trusted source of business identity information and issues Australian Business Numbers (ABNs) to uniquely identify businesses and streamline government and business interaction.

The objective of the program component is to progress the Australian Business Register as a whole-of-government resource in providing information to federal, state and local government agencies for the legally conferred functions of the agencies and for streamlining business and government interactions. The Australian Business Number acts as the unique identifier enabling these interactions.

## Focus areas and key drivers for 2011–12

We continue to work with other government agencies as a whole-of-government resource in achieving the best outcomes for government and the community by:

- managing the Australian Business Register (ABR) and the Australian business number (ABN) as the key identifier for business
- providing support in progressing Standard Business Reporting (SBR), in managing the transmission channel and the single reporting language
- managing the AUSKey system as a single electronic credential for business dealing with government.

This year we will strengthen our focus on streamlining government agency access to data from the Australian Business Register and thereby deriving benefits in policy development and service delivery planning. We will apply significant effort to improving processes and systems to assure accuracy of the data – including the detection and repair of invalid, inappropriate or incorrect data in the register. To further enhance the value of the register we will develop a geo-coding service to provide accurate location information.

A major priority for Australian Business Register will be continued work with the Department of Innovation, Industry, Science and Research in delivering the Business Names Registration system program. This project involves the development of a national register of business names – with the Australian Business Register to provide a combined registration service for the Australian business number and national business name.

We will continue to work actively with government agencies and the community to position AUSKey as a primary authentication solution and broaden its use across all levels of government. We will work closely with Treasury, to provide ongoing leadership to support Standard Business Reporting in the provision of infrastructure services to assist business, software developers and accountants in using the Standard Business Reporting.

## Externally reported deliverables and performance indicators

| PBS Deliverables   | Key performance indicators   |
|--|--|
| <p>In administering the tax and superannuation systems, Australian business number, AUSKey and Standard Business Reporting we provide the following:</p> <ul style="list-style-type: none"> <li>■ Issue, maintain and cancel ABN and AUSKey registrations to support interactions between government and businesses</li> <li>■ Promote the ABR, AUSKey and SBR as a whole-of-government resource. Provide eligible government agencies with access to details of registered ABN holders</li> <li>■ Provide the community with access to publicly available data to assist in verifying core business identity and other government registration information</li> </ul> | <p>The extent of success in delivering the program objective is measured through the following key performance indicators:</p> <ul style="list-style-type: none"> <li>■ Progress new services that support whole-of-government projects</li> <li>■ Increase agency awareness and engagement</li> <li>■ Improve integrity of the ABR data</li> <li>■ Maintain acceptable service standards</li> </ul> |

### Key corporate priorities

**Encourage the broader use of the Australian business number as the key identifier for business-to-government dealings and work with other agencies to implement and encourage the use of the ABR and SBR**

#### Success measures

- Increased number of federal, state and local government agencies obtaining and using information from the ABR for appropriate purposes
- SBR system is operational and delivering within the agreed service standard
- Number of active AUSKey has grown and the number of government agencies accepting AUSKey as their authentication credential has increased

#### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Manage the Australian Business Register, and the Australian business number as the key identifier for business | Second Commissioner, Butler          |
| Work with government to progress Standard Business Reporting for business interactions with government         | Second Commissioner, Butler          |



## Corporate priorities

### Provide authoritative information that helps federal, state and local government in their planning activities

#### Success measures

- Data in the ABR is of an acceptable level of accuracy including demographic details and accurate Australia New Zealand Standard Industrial Classification (ANZIC) coding
- Increased number of federal, state and local government agencies obtaining and using information from the ABR for appropriate purposes
- Federal, state and local government agencies collect ABNs as part of their business process
- Number of active AUSkeys have grown and the number of government agencies accepting AUSKey as their authentication credential has increased
- SBR system is operational and delivering within agreed service standard
- Number of ATO forms developed into the taxonomy has increased
- Items in the definitional and reporting taxonomies meet the needs of participating agencies
- Program of work and design of systems for Business Registrations and Reporting (BRR) aligns with the key outcomes they want to achieve

#### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Manage the Australian Business Register, and the Australian business number as the key identifier for business                | Second Commissioner, Butler          |
| Work with government to progress Standard Business Reporting for business interactions with government                        | Second Commissioner, Butler          |
| Manage the AUSkey system; a single electronic credential for business dealing with government                                 | Second Commissioner, Butler          |
| Ensure the integrity of ABN so business and government are confident in their dealings  | Second Commissioner, Butler          |
| Support Business Registrations and Reporting (BRR) with key strategic design thinking to assist them to achieve their outcome | Second Commissioner, Butler          |

## Program deliverables

### Deliverable: R3.1 Registrations

#### Success measures

- Improved conformance with service standards
- Change in the number of ABN registrations processed
- Increased efficiency and number of digital credentials issues
- Improved level of conformance with the integrated quality framework

#### Strategies

| Strategy                                 | Lead second commissioner responsible |
|--|--------------------------------------|
| Process and maintain ABN registrations   | Second Commissioner, Butler          |
| Process digital credential registrations | Second Commissioner, Butler          |
| Process registrar-related updates        | Second Commissioner, Butler          |

### Deliverable: R3.2 Progress the ABR and AUSKey

#### Success measures

- Increased number of federal, state and local government agencies obtaining and using information from the ABR for appropriate purposes
- Increased accuracy and efficiency in provision of publicly available data to the community

#### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Progress the ABR as the government's business register                                | Second Commissioner, Butler          |
| Provide eligible government agencies with access to details of registered ABN holders | Second Commissioner, Butler          |
| Provide the community with access to public data                                      | Second Commissioner, Butler          |
| Progress the AUSKey authentication credential as multi-agency solution                | Second Commissioner, Butler          |

## Deliverable: R3.3 Standard Business Reporting

### Success measures

- SBR system is operational and delivering within agreed service standard
- Increased number of ATO forms developed into the taxonomy has increased
- Items in the definitional and reporting taxonomies meet the needs of participating agencies

### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Support the Standard Business Reporting initiative                                    | Second Commissioner, Butler          |
| Progress the use of Standard Business Reporting for the ATO as a participating agency | Second Commissioner, Butler          |

05

Program four

Australian Valuation Office

## Objective

The Australian Valuation Office (AVO) aims to provide independent, impartial and fee-competitive valuation services and advice on behalf of the Australian Government.

The objective of the AVO is to be recognised as the valuer of choice for government. This requires it to focus both on the needs of clients and on the capability of its people to collectively build a resilient, viable and sustainable business into the future.

## Focus areas and key drivers for 2011–12

The AVO will continue to deliver client-focused valuation services and advice to government organisations across Australia while aligning to the *Commonwealth Competitive Neutrality Guidelines*.

The AVO will build on its recent investment in upgrading its information and communications technology capability by implementing a business application refresh across its business systems. This enhancement will provide a sharper focus on client service and efficiency in our operations.

The AVO will focus on renewing its service agreements with a variety of key clients, with particular focus on Centrelink and the Department of Human Services, as it supports the *Commonwealth Service Reform Agenda*. Complementary to this effort, the AVO will consolidate its approach to business development by strengthening its marketing and tendering processes as it focuses on servicing the needs of government organisations in the areas of human services, security, environment, territories and financial.

The AVO's approach to enhancing internal learning and development opportunities will continue, with greater focus on coordinating its learning and development investment and building relationships with external learning-based organisations.

## Externally reported deliverables and performance indicators

| PBS Deliverables  | Key performance indicators  |
|---|---|
| <p>In administering the tax and superannuation systems the AVO provides the following deliverables:</p> <ul style="list-style-type: none"> <li>■ Valuation services</li> <li>■ Policy and strategic advice on valuation issues</li> </ul> | <p>The extent of success in delivering the program objective is measured through the following key performance indicators:</p> <ul style="list-style-type: none"> <li>■ Progress new services that support delivery of valuation services and policy advice</li> <li>■ Maintain acceptable service standards</li> <li>■ Strengthen relationships and satisfaction with key clients</li> <li>■ Maintain appropriate governance and reporting processes</li> <li>■ Maintain appropriate level of quality of valuation services</li> </ul> |

## Key corporate priorities

### Implement a program of refreshing our business applications to enhance our services to government clients

#### Success measures

- Organisational improvements yield enhanced client services, business efficiencies and employee performance
- Enhanced business applications and systems are flexible and meet current and planned future client requirements
- Deliver an infrastructure that supports continuous improvement and knowledge sharing throughout our business

#### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Implement the business application refresh project | Second Commissioner, Granger         |

## Corporate priorities

### Provide expert valuation advice and services to government agencies, including under our long-term memorandum of understanding with Centrelink and meeting rates of return, in alignment with competitive neutrality requirements

#### Success measures

- Client satisfaction with services provided by the AVO, in accordance with service commitments
- Professional behaviours are aligned with industry standards and in accordance with the AVO quality framework
- Financial results are in alignment with competitive neutrality requirements and place AVO on a sustainable footing
- Business development regarding valuation opportunities is timely and relevant and aligned with the long term sustainability of the AVO
- Organisational improvements yield enhanced client services, business efficiencies and employee performance

## Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Maintain professional integrity, transparency and good governance   | Second Commissioner, Granger         |
| Identification and implementation of high leverage valuation-related opportunities  | Second Commissioner, Granger         |
| Client-centric delivery of valuation services and advice that builds long-term partnerships with government organisations | Second Commissioner, Granger         |
| Build organisational capability and agility through continuous improvement  | Second Commissioner, Granger         |

## Program deliverables

### 4.1: Valuation services

#### Success measures

- Client satisfaction with services provided by the AVO, in accordance with service commitments
- Professional behaviours are aligned with industry standards and in accordance with the AVO quality framework
- Financial results are in alignment with competitive neutrality requirements and place AVO on a sustainable footing
- Business development regarding valuation opportunities is timely and relevant and aligned with the long term sustainability of the AVO
- Organisational improvements yield enhanced client services, business efficiencies and employee performance

## Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Maintain professional integrity, transparency and good governance   | Second Commissioner, Granger         |
| Identification and implementation of high leverage valuation-related opportunities  | Second Commissioner, Granger         |
| Client-centric delivery of valuation services and advice that builds long-term partnerships with government organisations | Second Commissioner, Granger         |
| Build organisational capability and agility through continuous improvement  | Second Commissioner, Granger         |

## 4.2 Policy and strategic advice on valuations issues

### Success measures

- Client satisfaction with services provided by the AVO, in accordance with service commitments
- Business development regarding valuation opportunities is timely and relevant and aligned with the long term sustainability of the AVO

### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Maintain professional integrity, transparency and good governance                  | Second Commissioner, Granger         |
| Identification and implementation of high leverage valuation-related opportunities | Second Commissioner, Granger         |



# 06

## Enabling program component one

We are open and accountable through  
our robust governance framework

## Objective

The objective of this enabling program component is to deliver a set of responsibilities, policies and procedures to provide strategic direction, ensure objectives and outcomes are achieved, manage performance and use resources responsibly and with accountability.

The ATO achieves this program by providing a sound governance framework that considers both performance and conformance through corporate governance processes, corporate financial management, and effective information and knowledge management.

## Focus areas and key drivers for 2011–12

Operating within budget continues to be a significant area of focus. This year we will continue to retain our strong focus on effective resource management, allocation and reporting as well as maintaining our focus on strengthening the ATO's procurement and contract management processes.

Continuing the work on integrating our business, workforce and accommodation planning, budget allocation, risk management, capital management and *ATO online 2015* will be important in ensuring that we are best placed to manage our ongoing workloads and overall budget position.

## Key corporate priorities

**Draw the line-of-sight between our *Strategic statement 2010–15*, our corporate values and our corporate plan so that staff are provided with clear direction and purpose**

### Success measures

- The experience of our staff, the government and the community is consistent with our aspiration
- There is a clear line-of-sight from the *Strategic statement 2010–15* to the *ATO corporate plan 2011–12* and down through our plans
- Outcomes of our key corporate forums encompass the strategic direction and themes of the *Strategic statement 2010–15*

## Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Engage our staff in our vision for the future in everything we do   | Second Commissioner, Granger         |
| Design discussions at committees and forums, and the communication of their outcomes, to align to the direction and themes outlined in the <i>Strategic statement 2010–15</i> | Second Commissioner, Granger         |
| Develop a communications program which shows alignment of our strategic statement and corporate priorities to our people  | Second Commissioner, Granger         |
| Develop our planning documentation so that it aligns to our strategic statement and that this is cascaded through each level of planning                                      | Second Commissioner, Granger         |
| Review and alignment of sub-plan processes that support our annual corporate planning processes and engage our staff  | Second Commissioner, Granger         |

### **Maintain a strong system of governance and accountability through the Audit Committee, the Integrity Adviser, assurance processes and reporting to parliament and the minister**

#### Success measures

- The level of government and community confidence in the management of the organisation
- Identification of emerging issues and early management and treatment of those issues
- The level of adverse findings from scrutineers and the extent to which recommendations are implemented in a timely manner
- Staff perceptions and attitudes to fraud and serious misconduct reducing number of cases in managing integrity of system

## Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Be responsive to feedback from government and scrutineers and work to improve our systems and processes that deliver high quality services   | Second Commissioner, Granger         |
| Monitor and advise the Audit Committee on the progress in implementing recommendations of the Inspector-General of Taxation, Australian National Audit Office and the Commonwealth Ombudsman | Second Commissioner, Granger         |
| Effectively administer the fraud-control guidelines set down by the Commonwealth thereby managing the risks across the whole of the ATO  | Second Commissioner, Granger         |
| Our systems and policies are in place to minimise fraudulent behaviours and opportunities inside the ATO   | Second Commissioner, Granger         |
| Continuously review our tax systems and processes to identify our internal integrity risks   | Second Commissioner, Granger         |

## **Integrate our business, workforce and accommodation planning, budget allocation, risk management, capital management plan and *ATO online 2015***

### Success measures

- The level to which the ATO Executive is comprehensively informed to make major corporate decisions about the organisation
- Various planning processes are brought together in a re-designed corporate planning framework

## Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Further integrate our strategies for people, IT, property and finance into our planning process   | Second Commissioner, Granger         |
| Re-design the corporate planning framework to better align our current budget, workforce, accommodation, risk and capital-management planning processes | Second Commissioner, Granger         |

## Maintain a focus on our integrity

### Success measures

- Staff perceptions and attitudes to fraud and serious misconduct reducing number of cases in managing integrity of system

### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Continuous review of our tax systems and processes to identify our internal integrity risks | Second Commissioner, Granger         |

## Continue to manage our budget through effective resource management, allocation and reporting with a view to a balanced budget

### Success measures

- The ATO Executive is informed of any budget pressures on an ongoing and timely basis
- The ATO manages its budget to within +/- 1%

### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Continue to drive improvements in departmental budget and forecast management at the enterprise level through the Resource Forum and ATO Executive | Second Commissioner, Granger         |

## Support changes to the Freedom of Information Act

### Success measures

- Key projects scoped, outcomes agreed and plans developed
- Plan schedule elements for 2011–12 implemented successfully
- Feedback from business partners on the quality of progress to meet ultimate business outcomes
- The ATO's contribution to the Information Publication Scheme meets the expectations of the community and the Office of the Australian Information Commissioner
- ATO staff are aware of the implications that the Freedom of Information Act (FOI) has on their day-to-day work
- Our CMPS on processing FOI requests reflects the changes to the FOI Act and facilitates good working practices to enable compliance with the new law
- The timely delivery of key corporate products made available to our staff, government and community

## Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Implement stage three of the our freedom-of-information reform strategy (2011–2012)   | Second Commissioner, Granger         |
| Promote an internal pro-disclosure culture that fully reflects and gives effect to the objects of the FOI Act that furthers the corporate value of being open and accountable | Second Commissioner, Granger         |
| Proactively publish a wide range of information about the ATO to enable the community to engage with us, assess our performance and use information for their benefit         | Second Commissioner, Granger         |
| Look for opportunities to broaden community understanding of our work   | Second Commissioner, Granger         |
| Implement better practices and processes to improve our management of community access to our information holdings  | Second Commissioner, Granger         |

## Enabling program deliverables

### Deliverable E1.1: Corporate governance

#### Success measures

- Governance systems and processes operate in a manner appropriate to the Australian Public Service and ensure our effective corporate governance and effective decision making in the ATO
- Demonstrate our commitment to being an open and transparent agency by drafting corporate governance materials with the intention of broad publication
- Endorsement of the ATO corporate plan
- Completion of annual targeted number of audits as outlined in the *Internal Audit forward work program 2011–12*
- Audit Committee is satisfied with the controls and recommendations made by Internal Audit
- Endorsement of the 2013–14 Internal Audit forward work program
- Improvements in governance of ATO risks
- Enterprise reports delivered and used
- Endorsement of our service delivery framework
- Compliance with the business continuity management assurance calendar

## Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Deliver to the organisation an integrated approach to effective corporate governance   | Second Commissioner, Granger         |
| Strengthen the ATO's longer term strategic direction and deliver the corporate suite of plans ensuring alignment with key reporting outcomes   | Second Commissioner, Granger         |
| Support business in the implementation of the ATO's corporate policy framework and the development of corporate management practice statements | Second Commissioner, Granger         |
| Manage internal and external committees and forums to support the senior leadership, quality decision making and strategic discussions         | Second Commissioner, Granger         |
| Development of a service standards' framework and improved reporting mechanisms  | Second Commissioner, Granger         |
| Deliver the outcomes of the ATO integrity framework including ensuring compliance and integrity with external and internal obligations         | Second Commissioner, Granger         |
| Develop and implement internal audit policy and procedures   | Second Commissioner, Granger         |
| Develop and deliver the Internal Audit forward work program  | Second Commissioner, Granger         |
| Enhance our analytical capability to foster an environment of forward thinking and more effectively position our use of intelligence           | Second Commissioner, Granger         |
| Strengthen risk management across the ATO by leveraging the enterprise risk management framework   | Second Commissioner, Butler          |
| Deliver enterprise reports that include organisational level metrics and are more efficient, repeatable and consistent                         | Second Commissioner, Butler          |
| Develop and deliver the ATO service delivery framework   | Second Commissioner, Butler          |

## Deliverable E1.2: Financial management, procurement and assurance

### Success measures

- Strategies are in place that demonstrate a proactive intent to improve business practice and a responsiveness to client feedback, legislative and policy change and risk mitigation in order to maintain the ATO's reputation within the community as a highly rated financially sound organisation
- The ATO is well positioned to advance its business as a result of sound financial leadership and stewardship
- Scrutineers see us as a best practice organisation with respect to its financial management, procurement and governance framework and infrastructure

### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Provide financial decision support  | Second Commissioner, Granger         |
| Deliver financial reporting to internal and external stakeholders                     | Second Commissioner, Granger         |
| Lead and support corporate procurement and contract management                        | Second Commissioner, Granger         |
| Undertake treasury and banking management   | Second Commissioner, Granger         |
| Assist the ATO to comply with internal and external financial management requirements | Second Commissioner, Granger         |
| Manage the ATO's own tax obligations as a taxpayer                                    | Second Commissioner, Granger         |

## Deliverable E1.3: Sub-plan and line governance

### Success measures

- Governance processes are overt and provide confidence to the executives and forums that the sub-plans are fulfilling their obligations
- The sub-plans have integrated and best practice approaches to corporate governance processes and practices focused on supporting a one-ATO view
- Increase in the availability of information via dashboards and cubes resulting in a decrease in the number of systems accesses required
- Level of conformance with corporate integrity indicators, as demonstrated through improvement or sustained performance in integrity indicators trends
- Number and percentage of audit and review recommendations implemented in accordance with agreed standards
- Level of conformance of sub-plan and line governance products (for example, planning, reporting, assurance, project management and financial management products) with corporate requirements and timeframes



## Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Provide professional and effective services to sub-plan committees and forums to support informed and timely business decisions including compliance with CMPSS and other guidelines                             | Second Commissioner, Granger         |
| Provide advice and support to influence an integrated approach to planning, reporting, assurance and other governance activities, and champion corporate policies and frameworks across the sub-plans            | Second Commissioner, Granger         |
| Provide sub-plan and line support to corporate areas and senior management to manage and deliver ATO's corporate outcomes including planning, assurance, reporting, corporate policy and agency-wide initiatives | Second Commissioner, Granger         |
| Provide advice, support and influence a consistent approach to financial management across the sub-plans   | Second Commissioner, Granger         |

## Deliverable E1.4: Information and knowledge services

### Success measures

- Successful transition to electronic records for targeted business processes
- Continued reduction in records inventory
- Improved level of compliance with policies and practices for records management
- High priority reporting products performing to agreed operating standards
- Enterprise collaboration workspaces delivered and utilised
- Establish agreed standards and practices for appropriate knowledge sharing
- Level of high and severe classified email breaches
- Percentage of 'protected' documents and emails stored outside of approved locations
- Number of security incidents relating to high risk data transfers
- Targeted communication awareness delivered to high risk areas
- Percentage of staff using eLibrary and other information sources and find them useful
- Level of satisfaction with library information staff and the provision of effective research support and/or library services
- Level of conformance with copyright assurance process and timely payment of royalties

## Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Continue our movement of records management to the electronic record as the 'record of authority'   | Second Commissioner, Butler          |
| Develop and provide enterprise-wide products and services that support knowledge sharing and collaboration  | Second Commissioner, Butler          |
| Support our research capability by providing and continuously improving online library and precedent tools including eLibrary, ATO law and the legal database | Second Commissioner, Granger         |
| Enhance our business intelligence capability enabling the delivery of improved reporting and analysis across the ATO  | Second Commissioner, Butler          |
| Embed information security policies, guides, and put in place mitigations to address any significant risks  | Second Commissioner, Butler          |
| Support the development and maintenance of the Standard Business Reporting (SBR) definitional taxonomy as a participating agency                              | Second Commissioner, Butler          |

## Deliverable E1.5: Issues management and support to scrutineers

### Success measures

- Number and percentage of scrutineer recommendations implemented in accordance with defined action plan and target dates
- Trend in improved relationship with scrutineers
- Senior leaders are provided with targeted and timely advice on matters of strategic significance that supports informed decision making and effective issues management

## Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Continuously improve effectiveness of issues management                    | Second Commissioner, Granger         |
| Provide administrative and business support to the Tax Practitioners Board | Second Commissioner, Granger         |
| Provide advice, information and support processes for external scrutineers | Second Commissioner, Granger         |
| Maintain and manage the memorandum of understanding policy framework       | Second Commissioner, Granger         |
| Continuously improve the identification and management of corporate issues | Second Commissioner, Granger         |

# 07

## Enabling program component two

We enhance the capability of our people  
to meet our corporate outcomes now  
and into the future

## Objective

The objective of this enabling program component is to develop a capable and engaged workforce.

This is achieved through the setting of people strategy and direction, design and implementation of workforce plans, development and delivery of products and services across the people management spectrum and internal and employee communications.

## Focus areas and key drivers for 2011–12

We will continue to lead and enhance the enterprise-wide people system that positions our workforce, enabling the ATO to achieve its current and future business outcomes. We will achieve this through an integrated, yet multifaceted, approach to ongoing support and improvement to our workforce capability, recruitment strategies, resource planning and staff engagement. This approach will be informed by a greater focus on improving our people analytics capability.

We will continue to maintain our efforts to sustain and develop a capable and engaged workforce, focusing corporate attention on enhancing the leadership capability of our frontline managers. We will continue to deliver the ATO career management program and engage tertiary institutions to forge stronger, mutually beneficial relationships with us. We will provide a range of development advancement programs and work placements to provide all of our employees with opportunities to advance their careers.

Our culture of engagement, productivity and integrity will continue to develop through promotion of continuous improvement and innovation, through targeted engagement strategies and in supporting site leadership to build business cohesion and a sense of community. A new enterprise agreement will also be established with our employees to renew the employment framework.

## Key corporate priorities

**Sustain a culture of engagement, productivity and integrity by delivering our *People strategy 2009–12* including:**

- implementing the enterprise agreement
- promoting continuous improvement and innovation through our innovation centre of expertise
- supporting site leadership to build business cohesion, performance and talent development, championed by our SES and EL2 officers

### Success measures

- A positive shift in engagement of our staff in relation to the key focus areas of the 2009 engagement survey and outcomes of the state-of-service report, including the culture of innovation in the organisation
- Evaluation of site leadership indicates increased business cohesion and sense of community within sites
- Evaluation of viable ideas indicates improvements in business effectiveness
- Implement and embed the 2011–13 enterprise agreement
- The agreed plan to address key employee engagement focus areas is delivered
- The endorsed national site leadership intent is implemented

## Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Provide corporate leadership for the implementation of the ATO innovation framework and end-to-end continuous improvement model | Second Commissioner, Butler          |
| Implement and administer the enterprise ideas management system and intranet site   | Second Commissioner, Butler          |
| Identify and facilitate cross-line and enterprise wide ideas for improvement  | Second Commissioner, Butler          |
| Identify key focus and priority areas from a range of different sources to enhance staff engagement                             | Second Commissioner, Granger         |
| Ensure implementation of the national site leadership intent strategy   | Second Commissioner, Granger         |
| Achieve the implementation project plan for the enterprise agreement  | Second Commissioner, Granger         |

### Grow our expertise through enterprise-wide learning and development by:

- continuing to implement the learning management system and finalising job profiling
- enhancing the leadership capability of our frontline managers

### Success measures

- Deliver against the ATO learning and development plan
- The level of satisfaction of the community measured through surveys
- A green rating for relevant components of the corporate outcome measures relating to people

## Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Implement the ATO learning and development plan | Second Commissioner, Granger         |

## Focus on prevention, early intervention and encouraging personal responsibility for health and safety

### Success measures

- A vision is in place for encouraging personal responsibility for health and safety
- Fair workplace principles are developed and in place that reflect fair and professional workplace behaviours
- The transition has occurred to the workplace occupational health and safety harmonise laws

### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Develop and implement a vision for encouraging personal responsibility for health and safety   | Second Commissioner, Granger         |
| Implement the workplace occupational health and safety harmonisation laws  | Second Commissioner, Granger         |
| Develop and design fair workplace principles for all employees which encourages personal responsibility for a healthy, safe and professional workplace | Second Commissioner, Granger         |

## Corporate priorities

### Develop our people analytics capability to inform the people strategy, resource plan, workforce plan and location strategy

#### Success measures

- A human resource dashboard for senior managers to help inform their business strategies

### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Establish a centre of expertise to ensure alignment at the whole-of-government enterprise level with corporate outcomes | Second Commissioner, Granger         |
| Work with the Office of the Chief Knowledge Officer to ensure alignment with enterprise reporting                       | Second Commissioner, Granger         |

## Enabling program deliverables

### Deliverable E2.1: Employment framework

#### Success measures

- The rate of disputation on matters referred to external bodies that relate to the ATO's employment framework is reduced (excluding Comcare)
- ATO policies, guidelines and procedures provide comprehensive coverage of the employment framework and are available to all ATO employees
- New employment instruments for SES are implemented by 1 July 2012
- 100% of eligible SES receive base pay and performance pay in an accurate and timely manner

#### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Manage employment relations with employees and unions and provide expert support and advice in the negotiation of agreements and disputes  | Second Commissioner, Granger         |
| Continue to refine and implement the employment framework, ensuring it is up-to-date, relevant, and in accordance with employment agreements and legislative framework                             | Second Commissioner, Granger         |
| Administer conditions of service and payment of employees and provide manager and employee support services  | Second Commissioner, Granger         |
| Develop and implement diversity strategies to ensure we attract the widest possible talent and that our workplace is reflective of the broader community and free of discrimination and harassment | Second Commissioner, Granger         |
| Develop new employment instruments for all SES   | Second Commissioner, Granger         |

### Deliverable E2.2: Workforce strategy and recruitment

#### Success measures

- All recruitment strategies are delivered as per legislative requirements and aligned with gaps in workforce capability
- All workforce shifts have strategies implemented in timeframes agreed with the business areas impacted
- SES recruitment meets business needs in the short and longer term
- Career-management strategy deployed as per endorsed approach
- Deliver an agreed plan to address key employee engagement focus areas
- Implementation of the endorsed national site leadership intent

## Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Forecast, monitor and assess our workforce direction against internal and external labour market trends to determine our current and future workforce needs | Second Commissioner, Granger         |
| Design and implement recruitment, promotion, workforce shifts and mobility solutions  | Second Commissioner, Granger         |
| Recruit for the future to refresh our people  | Second Commissioner, Granger         |

## Deliverable E2.3: Workforce development

### Success measures

- The investment we make in learning and development results in the delivery of programs that address identified capability gaps
- Deploy the career management strategy as per endorsed approach
- Learning and development options (generic and tailored solutions) are available to SES

## Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Building the capability of our people to meet business outcomes now and into the future through investment in learning and development | Second Commissioner, Granger         |
| Enhance our learning culture   | Second Commissioner, Granger         |
| Coordinate and review appropriate development programs, including the graduate program   | Second Commissioner, Granger         |
| Build the capability of our leaders  | Second Commissioner, Granger         |
| Progress the implementation of the career management strategy  | Second Commissioner, Granger         |



## Deliverable E2.4: Performance and integrity

### Success measures

- Trend of quality referrals to Integrity Assurance increases
- Deviation between our protection system and investigation outcomes narrow over time
- Percentage of conformance to *Commonwealth Fraud Control Guidelines*
- The ATO has in place the necessary practices, documentation, governance and capabilities in order to manage issues of people performance and behaviours
- Our managers have access to documentation and support in order to maintain and manage employee performance and behaviour
- Performance and integrity products and services delivered in accordance with internal service standards
- Appropriate processes are in place to ensure the integrity of incoming employees as per agreed benchmarks

### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Provide a performance system that meets the changing needs of both the business and employees                                   | Second Commissioner, Granger         |
| Support high performance through recognition of employees' contributions  | Second Commissioner, Granger         |
| Promote appropriate behaviour and address underperformance and inappropriate behaviour  | Second Commissioner, Granger         |
| Manage and influence the provision of working with children and pre-engagement integrity checks and security clearance services | Second Commissioner, Granger         |
| Manage the fraud-control and prevention program   | Second Commissioner, Granger         |
| Provide a confidential and impartial service for employees to escalate issues and concerns                                      | Second Commissioner, Granger         |

## Deliverable E2.5: Safety and health

### Success measures

- There is a downward trend in our compensable injury rate
- There is a downward trend in our average length of incapacity for psychological injury
- Our wellbeing program is aligned to identified risks and is communicated and implemented

### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Drive a prevention and early intervention approach to health, safety and wellbeing | Second Commissioner, Granger         |
| Maintain the health and safety management system                                   | Second Commissioner, Granger         |
| Manage compensable and non-compensable injuries                                    | Second Commissioner, Granger         |
| Explore and implement differentiated approaches within Health Case                 | Second Commissioner, Granger         |

## Deliverable E2.6: Internal communications

### Success measures

- News Extra delivered in accordance with agreed schedule
- All corporate internal communications products are delivered in accordance with the Internal communication framework structure

### Strategies

| Strategy                               | Lead second commissioner responsible |
|--|--------------------------------------|
| Lead and shape internal communications | Second Commissioner, Granger         |

## Deliverable E2.7: Sub-plan and line people

### Success measures

- High level of alignment of sub-plan and line communication strategies with corporate communication strategies and delivered within the governance structure of the Internal communications framework
- People strategies developed at the sub-plan and line level align with and complement corporate policies and agreed timeframes
- Number of sub-plan and line people strategies and plans implemented in accordance with agreed timeframes
- Level of conformance of sub-plan and line people strategies, initiatives and plans with corporate requirements, business priorities, needs and agreed timeframes

### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Provide advice and support to embed corporate policies and programs across the sub-plan in relation to the employment framework                                       | Second Commissioner, Granger         |
| Provide advice, support and contribute to sub-plan workforce planning, including recruitment and accommodation, that aligns with our workforce plan                   | Second Commissioner, Granger         |
| Provide advice, support and contribute to the learning and development program  | Second Commissioner, Granger         |
| Implement policies and programs to manage and reward performance and assure ethical behaviour in the sub-plans  | Second Commissioner, Granger         |
| Ensure a safe and healthy workforce and workplace through the implementation of early intervention, prevention and wellbeing programs at the sub-plan and line levels | Second Commissioner, Granger         |
| Manage and provide sub-plan and line internal communication and events  | Second Commissioner, Granger         |

08

## Enabling program component three

Our processes, infrastructure and  
technology meet the changing needs  
of the community

## Objective

The objective of this enabling program component is to deliver adaptive and practical information and communications technology and workplace infrastructure that meet our changing business needs and timeframes. The work under this program component provides a platform for cost-effective processing, internal management, and communication and interaction with taxpayers that result in improvements in compliance and service levels.

A further objective is to develop innovative approaches that substantially improve our business processes to deliver enterprise-wide productivity improvements.

This work also focuses on high priority accommodation projects to ensure that the long term infrastructure is in place to support our business with cost effective, functional and sustainable accommodation.

## Focus areas and key drivers for 2011–12

We are continually exploring the possibilities new media presents, such as being available on demand at any time from any form of digital communications device. Content production in real-time as well as being at the fore-front of technology introduces a number of risks to reputation and information security. Our careful approach to communications provides for innovation and enables improvements in productivity and streamlining of processes. We keep pace with the changing needs of business, delivering adaptive and practical information while continuing to strengthen our relationships with service providers.

We aim to foster a productive work environment, promoting proper administrative practice and supporting business needs. We are changing to sustainable accommodation and fleet services, delivering dynamic and sustainable workspaces and a productive working environment.

This year we will increase our focus on high priority accommodation projects to ensure that the long term infrastructure is in place to support ATO business with cost effective, functional accommodation. Through the ATO location plan, we will position ATO business and accommodation for the next 25 years.

We will also define and establish the carbon footprint of the ATO developing clear strategies to lessen the impact of our activities on the environment and establishing clear benchmarks for measuring improvements. This will position us well for reporting against future government targets as part of the broader 'Carbon cost' scheme expected to be introduced in 2012.

## Key corporate priorities

### Ensure the systems that support Tax Time 2011 and 2012 are stable and secure

#### Success measures

- Level of satisfaction with delivery of Tax Time 2011

#### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Work with business to identify key priorities  | Second Commissioner, Butler          |
| Deliver Tax Time 2011 with administration of changes to the various systems for income tax processing for individuals and non-individual taxpayers | Second Commissioner, Butler          |
| Continue to enhance technical architecture in line with evolving industry standards and emerging technologies                                      | Second Commissioner, Butler          |
| Apply a formalised collaborative and co-design approach to facilitate the design component of Tax Time 2012  | Second Commissioner, Butler          |

### Leverage and adapt the use of our integrated systems to re-engineer processes, and improve productivity and effectiveness

#### Success measures

- The level of business engagement in developing, adopting and applying enterprise business processes in all work types processed through the enterprise solution
- Improved operational performance and productivity results
- Where possible, new laws or other change initiatives are implemented in the enterprise solution and leverage existing business processes
- The level of community engagement with the current systems and the extent of our understanding of their expectations for our systems today, tomorrow and into the future

## Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Work collaboratively to build knowledge of the enterprise solution and to encourage its optimal use  | Second Commissioner, Butler          |
| Ensure leverage of the enterprise solution by designing in pattern (where possible), so as to: <ul style="list-style-type: none"> <li>■ enable timely response to government</li> <li>■ ensure consistency of systems and processing for business</li> <li>■ improve the client experience</li> <li>■ maintain the integrity of the enterprise solution</li> </ul> | Second Commissioner, Butler          |
| Periodically review and, where required, update our enterprise systems and processes to ensure they meet emerging needs and remain “fit for purpose”   | Second Commissioner, Butler          |

## Settle the ATO online strategy

### Success measures

- A shared vision has been clearly articulated to our staff and the community
- Our program of work for online is confirmed, and overall we achieve the right balance of online investment and core systems evolution, and across strategic and tactical initiatives

## Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Communicate, and align our executive and staff to our online strategic direction    | Second Commissioner, Butler          |
| Commit to the program of work required to deliver on our online strategic direction | Second Commissioner, Butler          |

## Continue to improve www.ato.gov.au

### Success measures

- Improvements to www.ato.gov.au are made in line with the direction set by our online blueprint

### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Our online blueprint will inform the direction of improvements to www.ato.gov.au            | Second Commissioner, Butler          |
| A plan to amalgamate the current www.ato.gov.au with our new online capability is confirmed | Second Commissioner, Butler          |

## Upgrade systems to meet our government commitments, including displaying superannuation membership

### Success measures

- Degree of success in delivering key deliverables, including the government commitment to display superannuation membership
- Degrees of success in delivering the stated intent of the government commitment, including displaying superannuation membership
- Major program releases are deployed on schedule, meet agreed levels of functionality and staff are well equipped to use them

### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Through adherence to major program release schedules, complete the deliverables to meet government commitments, including displaying superannuation membership | Second Commissioner, Butler          |



## Promote safeguards against technology-enabled threats, in particular identity theft and risk to the integrity of the Tax File Number

### Success measures

- The level of performance against IT security integrity indicators
- The level of adherence with audit reports, threat and risk assessments, and penetration test
- The number of critical IT systems that have system security plans in place

### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Manage the IT security system accreditation process  | Second Commissioner, Butler          |
| Enhance our monitoring and implementation of IT security risk treatments and recommendations | Second Commissioner, Butler          |
| Enhance our IT security intelligence and threat monitoring capability                        | Second Commissioner, Butler          |
| Manage the security hardening program  | Second Commissioner, Butler          |
| Promote safer computing practices in the community   | Second Commissioner, Butler          |

## Develop strategies to lessen the impact of ATO activities on the environment

### Success measures

- Define our carbon footprint and establish benchmarks, including targets

### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Develop and implement the action plan to manage our carbon footprint  | Second Commissioner, Granger         |
| The ATO Environmental Management Committee will develop strategies to support our business managers in managing business impacts on the environment | Second Commissioner, Granger         |
| Develop approaches to incorporate environmental considerations as a key component of our decision-making model                                      | Second Commissioner, Granger         |

## Corporate priorities

**Continue to manage and refresh our accommodation to ensure it meets our needs, including new sites for Geelong and Melbourne CBD**

### Success measures

- Deliver accommodation infrastructure that meets the accommodation needs of people now and in the future in accordance with the *ATO location plan 2011–16*

### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Project manage the delivery of accommodation solutions for Box Hill, Dandenong, Wollongong, Brisbane CBD, Chermside, Melbourne CBD, Adelaide, Albury, Moonee Ponds and Upper Mount Gravatt | Second Commissioner, Granger         |

## Enabling program deliverables

### Deliverable E3.1: Strategy, architecture and futures

#### Success measures

- Level of compliance with whole-of-government strategies and policies
- Number of research portfolios developed and published
- Number of strategy and architecture documents published
- Number of architecture reference group work items completed
- Number of projects developed to assist IT in meeting the emerging requirements of the administrative change agenda and future directions
- Degree of success in standardisation and adoptions of enterprise architecture principles and standards
- Degree of success in delivering intended outcomes of IT projects in accordance with strategy and architectural intent
- Level of satisfaction with professionalism in related areas
- Degree of success in facilitating the monitoring of program plans to allow for appropriate redistribution of resources
- Degree of success in delivering depth and scope of business capabilities
- Increased levels of client self-service
- Increasing electronic interactions
- Increased client satisfaction with ATO service delivery
- We are recognised as a leader in service delivery
- Ensure resilient architecture and process design is aligned to priority business functions whilst maintaining a timely and co-ordinated incident response capability

## Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Monitor and engage in the identification and assessment of business intent, design and risks   | Second Commissioner, Butler          |
| Provide direction and leadership in the identification, assessment and integration of any new technologies and technology related innovation that may be appropriate to us                           | Second Commissioner, Butler          |
| Develop and maintain our IT strategy ensuring corporate directions are effectively mapped against the changing technology landscapes   | Second Commissioner, Butler          |
| Provide direction in the development and implementation of the whole-of-government technology agenda   | Second Commissioner, Butler          |
| Promote inter-agency discussion and collaboration to improve cross-agency intelligence functions and efficiencies  | Second Commissioner, Butler          |
| Provide and ensure our enterprise architecture definitions are appropriate and well used as references in applications, information and technology development and change management                 | Second Commissioner, Butler          |
| Provide ongoing architectural assurance of the conduct and outcomes of IT processes and activities   | Second Commissioner, Butler          |
| Review and update the ATO assurance framework (including independent and internal assurance) to ensure the assurance program is comprehensive and aligned to our business and technical requirements | Second Commissioner, Butler          |
| Actively increase electronic interactions through the delivery of the ATO service delivery framework   | Second Commissioner, Butler          |
| Identify and drive resilient design and response capabilities to mitigate risks for the resources that support our priority business functions   | Second Commissioner, Butler          |

## Deliverable E3.2: Infrastructure provisioning and service delivery

### Success measures

- Service requests, work requests and service-level agreements, completed in accordance with agreed service standards and contractual arrangements
- Management of outsourcing expenditure
- Capability to recover mainframe, midrange and data warehouse environments in the case of an emergency
- Level of satisfaction with IT environment as demonstrated by balanced scorecard annual assessment
- Level of satisfaction with outsourcing services and service delivery
- Increase in conformance with our guidelines, policy and legislative requirements with respect to the governance and design of IT systems, strategy and program of work and enterprise reporting
- Increase in the availability of information via dashboards and cubes resulting in a decrease in the number of systems accesses required

### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Support our activities by providing accountability and governance for IT service delivery, including advice and support, and ongoing engagement and relationship building with key stakeholders, vendors and service providers | Second Commissioner, Butler          |
| Enhance our reputation with the community and the government through reliable systems  | Second Commissioner, Butler          |
| Support enterprise-wide processes, products and systems  | Second Commissioner, Butler          |
| Continue to support infrastructure projects and create and maintain key aspects of IT and communications capabilities  | Second Commissioner, Butler          |
| Ensure that quality assurance processes are followed in business-as-usual activities and all new business applications   | Second Commissioner, Butler          |
| Maintain effective communication, engagement and relationships with our major external partners to ensure continuity of service and achievement of business-focussed service levels  | Second Commissioner, Butler          |
| Manage the relationships, performance and contracts with our external service providers to ensure the availability and reliability of ICT services to ATO business   | Second Commissioner, Butler          |
| Build and maintain corporate systems   | Second Commissioner, Granger         |

## Deliverable E3.3: Alignment and integration of design

### Success measures

- Level of satisfaction with delivery of design services (for example, through post-implementation reviews)
- Level of staff participation in design learning and knowledge refresh and sharing activities (across the organisation), in line with design capability workforce strategies
- Increased visibility of innovation and quality processes, tools and techniques and improved engagement with business areas
- Design capability is sufficient to meet demands, in line with design capability workforce planning strategies
- Level of alignment between our service delivery framework and strategic direction
- Level of satisfaction reported by clients about our provision of technology-based service solutions
- Number of legislative, compliance, administrative, operations and infrastructure projects that deliver strategically aligned service delivery solutions to our clients

### Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Establish the corporate design direction, maintain the corporate design methodology and ensure the design assurance framework is applied | Second Commissioner, Butler          |
| Lead and facilitate innovation, quality improvement and assurance  | Second Commissioner, Butler          |
| Ensure the design capability is appropriately resourced across the ATO (both in capability and capacity) and highly functioning          | Second Commissioner, Butler          |

## Deliverable E3.4: Application development and management

### Success measures

- Number of severity 1 and 2 incidents received and resolved in accordance with service level agreements
- Number of change requests provided in accordance with agreed time frames
- Percentage of incidents managed within service standards
- Operating expense variation from budget is within acceptable limits
- Number of releases built and implemented on schedule
- Number of legislative, compliance, administrative, operations and infrastructure projects delivered within business agreed timeframes and within agreed budget
- Number of defects raised post production implementation
- Level of adherence to practice statement as assessed by internal and/or external auditors
- Number of architecture design service requests completed within agreed timeframes
- Number of architecture assurance service requests completed within agreed timeframes

## Strategies

| Strategy   | Lead second commissioner responsible |
|--|--------------------------------------|
| Work in collaboration with our business partners to focus on delivering solutions that realise business needs and benefits   | Second Commissioner, Butler          |
| Continue to enhance our IT systems, processes and applications to ensure they remain stable, secure and responsive to the complexities of the Australian taxation system | Second Commissioner, Butler          |
| Enable business continuity by provisioning development and support for core business applications and related processes  | Second Commissioner, Butler          |
| Maintain and regularly renew our current production systems to ensure that they operate reliably to deliver new policy and cyclical changes to a very high standard      | Second Commissioner, Butler          |

## Deliverable E3.5: IT system security, compliance and assurance

### Success measures

- Number of IT security compliance and assurance reviews undertaken
- Number of risk assessments and threat models undertaken
- Number of IT projects obtaining sign-off through the IT security process
- Number of outstanding IT security risk treatments
- Number of IT systems accredited
- Degree of success in achieving an appropriate balance between IT security controls and application useability
- Number of vulnerabilities identified
- Number of IT security research papers provided
- Compliance against audit report recommendations
- Number of computer forensics investigations conducted
- Level of performance against IT security integrity indicators

## Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Improve assurance and compliance work based on the assurance and compliance blueprint, resulting in a better ability to target issues of risk and ensure greater coverage of our systems and employees and service providers                        | Second Commissioner, Butler          |
| Enhance our IT security intelligence and threat modelling capability  | Second Commissioner, Butler          |
| Support our compliance initiatives through IT forensic support, investigation and analysis  | Second Commissioner, Butler          |
| Enhanced capability of IT staff through provision of better tools and technology for conducting access visits and warrants  | Second Commissioner, Butler          |
| Develop specific focus and processes to ensure compliance with audit logging plans  | Second Commissioner, Butler          |
| Balance IT security requirements with business needs, including recommendations from external reviews   | Second Commissioner, Butler          |
| Enhance the IT security system accreditation framework and plan to accredit remaining critical systems including those from service providers   | Second Commissioner, Butler          |
| Enhance our monitoring and/or implementation of IT security risk treatments and/or recommendations in a timely manner   | Second Commissioner, Butler          |
| Ensure the IT security framework is aligned with our business needs and security control requirements. Review and enhance security architecture within the enterprise architecture framework to ensure that emerging threats are adequately managed | Second Commissioner, Butler          |
| Enhance the Vulnerability Management and Research (VMR) capability through additional skills and resources  | Second Commissioner, Butler          |
| Leverage from expertise and access to global knowledge base of service providers such as Hewlett Packard Enterprise Services (HPES) to assist in formulating strategy to support some of our outcomes   | Second Commissioner, Butler          |

## Deliverable E3.6 Physical workplace and administration

### Success measures

- Property and accommodation management fosters a physical working environment that enhances productivity and safeguards personal security
- Property, accommodation and fleet management is responsive to the changing needs of our business while meeting ongoing government requirements
- Property, accommodation and fleet management delivers efficiencies to us

### Strategies

| Strategy  | Lead second commissioner responsible |
|---|--------------------------------------|
| Manage property and accommodation to meet business needs  | Second Commissioner, Granger         |
| Provide corporate security policies and services (non-IT) | Second Commissioner, Granger         |
| Provide and manage site physical services                 | Second Commissioner, Granger         |
| Provide and manage facilities services                    | Second Commissioner, Granger         |
| Manage our fleet  | Second Commissioner, Granger         |
| Manage our carbon footprint                               | Second Commissioner, Granger         |









# Compliance program 2011–12



Australian Government  
Australian Taxation Office

# Foreword

Our compliance program is part of our holistic approach to encouraging, supporting, protecting and championing the interest of honest taxpayers and advisers, and of continually improving our processes and capabilities for doing that.



The professional administration of Australia's taxation and superannuation systems is something we strive for and the community expects.

These systems are community assets and our role is to support and protect those willing to properly fulfil their civic and legal responsibilities and to be fair but firm with those who do not do so.

We foster an environment that encourages willing participation and ensures those who do participate appropriately are not disadvantaged. We do this by making good use of the information available to us and by seeking innovative ways of doing business through technology.

By providing assistance and guidance to taxpayers and their advisers and using preventative strategies we make compliance with the law as easy and inexpensive as possible.

We encourage people to come and talk to us upfront so that we can provide certainty, or come and talk to us if they think they have a problem – as we may be able to help out.

If people seek to disadvantage others and the community, they may face serious consequences. It's not worth the risk.

The approach we take in our compliance program is consistent with our compliance model. The model directs us to differentiate between the different attitudes of taxpayers and their advisers as we address risks to the fair operation of Australia's taxation and superannuation systems.

Our compliance program highlights the compliance issues attracting our attention and what we are doing to address them. In doing so it reflects our corporate value of openness and accountability. It also seeks feedback from the community on the risk-management choices we make.

A handwritten signature in black ink that reads "Michael D'Ascenzo". The signature is written in a cursive, flowing style.

**Michael D'Ascenzo**  
Commissioner of Taxation

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# Introduction

We believe that the taxation and superannuation systems are community assets and that we all have a role to play in their protection.



To help protect these systems we deter and detect non-compliance.

The compliance program highlights the issues attracting our attention, how we will monitor and treat them and the consequences for those unwilling to participate.

Importantly, the program raises community awareness by helping people understand their rightful entitlements and to recognise behaviours that pose risks to them.

We outline our risk management approaches that are based on our considered view of taxpayers' compliance history and relationship with us.

This year we have included three feature articles:

- Promoting a level playing field for Australian business
- What is Project Wickenby
- Good governance and promoter penalty laws.

The snapshot of our 2010–11 compliance activities is provided as an appendix.

We have a professional and capable workforce that supports the community to build on Australia's strong culture of willing and proper participation. This helps us provide a world-class taxation and superannuation administration for the benefit of all Australians.

A handwritten signature in black ink, appearing to read 'Bruce Quigley', with a long horizontal flourish extending to the right.

**Bruce Quigley**  
Second Commissioner, Compliance

# Our compliance program

Our compliance program identifies what is attracting our attention, what we see as risks and what remedies we will adopt. It focuses on all aspects of the taxation and superannuation systems including how we work with tax practitioners.

While the program explains how we plan to respond to the major risks we have identified it does not attempt to cover every aspect of our compliance work.

## Our general approach

We encourage taxpayers and businesses to comply willingly with their taxation and superannuation obligations. Our compliance strategies vary depending upon a taxpayer's circumstances and the information they provide.

We want to make it as easy as possible for taxpayers to do the right thing by providing help and education, record-keeping advice and lodgment assistance.

We assist those in our community who are new to the tax system, or to Australia, to understand their obligations. Providing information in other languages, our portals, e-tax, use of SMS, online tools and Tax Help are just some of the ways we make it easy for taxpayers to comply.

Through pre-filing we provide upfront access to the information held in our systems for those who choose to deal with us electronically. This allows taxpayers and tax practitioners to address any discrepancies in the data before lodging and helps reduce post-lodgment compliance activity.

Data matching makes a major contribution to our compliance efforts as we continue to examine new sources of data and programs.

We cooperate and share information with a range of bodies including state and Australian Government law enforcement agencies, other government departments and agencies and increasingly with overseas tax administrations.

Sometimes people will need our assistance in the form of a reminder or visit to help get things going correctly. Where necessary, we step up our actions, which may include reminder letters, record-keeping visits and phone calls to arrange debt repayments.

We clarify the law and communicate our views through public and private rulings, checklists, fact sheets, practice statements, taxpayer alerts and strategic litigation. We also consult with industry bodies on issues of concern to them.

Furthermore, the certainty provided through the private ruling system is an important factor and depends on taxpayers making full and true disclosure of the relevant facts.

As part of our risk management approach, we may follow up from time-to-time on taxpayer implementation of private rulings to ensure the integrity of the rulings system is maintained and continues to deliver the certainty expected by taxpayers.

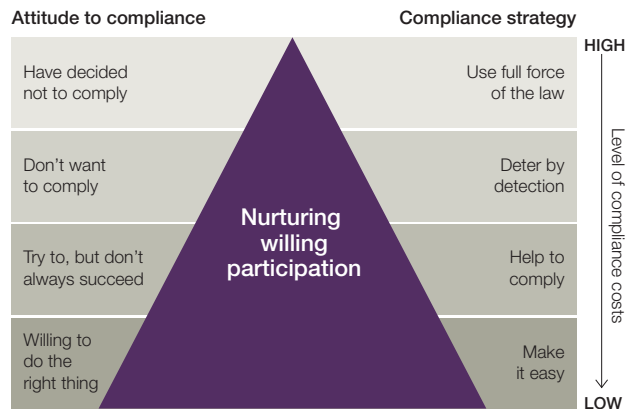
Detecting non-compliance deters others. Where a taxpayer chooses not to comply, we introduce more intense strategies. These may include compliance reviews and audits, final notices, penalties and legal action.

We continue to provide guidance and support through a range of dedicated products developed especially for different practitioners.

## Our compliance model

The model reflects the different taxpayer attitudes towards compliance and the corresponding strategy that best responds to each particular attitude. With the right responses and interventions we can positively influence taxpayer behaviour.

Our aim is to influence as many taxpayers as possible to move down the pyramid into the 'willing to do the right thing' zone.



## Risk management

We take a risk-management approach to compliance and are increasing our efforts to differentiate our engagement with taxpayers based on our view of their relative likelihood of non-compliance and the consequences of their behaviour.

We will verify compliance via risk reviews and audits where we believe the likelihood of non-compliance is higher and we will also seek assurance that compliance is occurring where the consequences are relatively high.



# At a glance

We have a strong focus on deterring, detecting and dealing with non-compliance to ensure that those meeting their civil and legal responsibilities are not disadvantaged.

The economy continues to feel the impacts of the global financial crisis, recent floods and other natural disasters. This environment presents a number of challenges as we balance the support we give to people in these circumstances and the actions we take against those unwilling to comply with their taxation and superannuation obligations.

We are committed to supporting viable businesses experiencing short-term financial difficulties. We take the individual circumstances of each taxpayer into account when considering the level of support and assistance we can provide.

Our support for taxpayers, tax agents and superannuants extends across a range of high quality products and services.

We know tax practitioners play an important role in supporting the integrity of our taxation and superannuation systems. We are dedicating significant resources to managing our relationship with them, by providing specifically designed services and products to meet their needs.

We are focused on improving online services for approved auditors of self-managed superannuation funds.

When many in the business community are under pressure it is important that the

system is seen as fair and equitable. We are taking firm action where businesses are not viable or unwilling to engage. These businesses have an unfair advantage by not complying with their taxation and superannuation obligations.

We use data-matching and risk-profiling techniques to identify entities that appear to be using non-lodgment, or partial lodgment, as a means of circumventing our compliance efforts.

Our work on Project Wickenby contributes to protecting the integrity of Australia's financial and regulatory systems by preventing promotion of, and participation in, abusive secrecy haven schemes.

Our collaboration with the Organisation for Economic Co-operation and Development (OECD) is increasing global transparency and providing significantly more exchanges of information. We are continuing our partnerships with international revenue authorities and domestic law enforcement bodies.

We work with Treasury and continue to consult, collaborate and co-design with taxpayers and our consultative forums to address those issues of uncertainty and contention in the law.

We welcome the community's cooperation in identifying tax avoidance arrangements, including employers where they are not meeting their obligations and abusive practices and schemes involving promoters and participants.

## Our compliance program identifies matters of concern to us and highlights what we intend to do so that taxpayers can make informed choices.

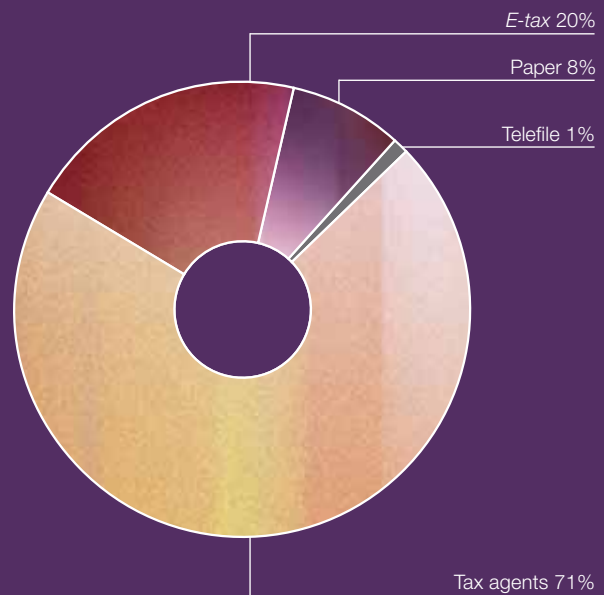
This year we will:

- enhance our tax fraud detection and management
- concentrate on sham contracting arrangements where individuals are incorrectly set up as contractors, instead of as employees of a business
- deliver our GST commitments to the states and territories
- reduce phoenix arrangements through a coordinated program of reviews and audits of directors
- focus on those who fail to report some or all cash transactions to ensure a level playing field
- protect employee rights by ensuring employers are paying the correct amount of superannuation guarantee
- use data matching and risk profiling to identify those who are using non-lodgment or partial lodgment to circumvent their responsibilities
- identify businesses who have received government payments and review those suspected of not correctly reporting income or not meeting their pay as you go withholding and superannuation obligations
- examine businesses operating outside our small business benchmarks
- extend our focus on lodgment compliance within private groups, including wealthy Australians
- continue to deal with the abusive use of tax secrecy havens including Project Wickenby
- strengthen our involvement in multi-agency task forces that target the tax implications of organised crime
- consider tax exploitation schemes and apply promoter penalty legislation
- implement strategies to deal with concerns we have with trustees of self-managed superannuation funds
- regulate self-managed superannuation funds and act against the illegal access or release of superannuation
- engage our very largest taxpayers in cooperative compliance approaches
- examine large business corporate governance processes for managing income and indirect tax risks
- develop strategies to optimise the role of the Tax Practitioners Board, including the referral of tax practitioners who breach their responsibilities
- develop a framework to tailor information, products and services for registered agents that enable us to differentiate and target our approaches
- focus on tax returns or activity statements lodged by unregistered preparers.

# 01

## Individuals

Each year around  
12.4 million individuals  
lodge income tax returns.



For most individuals, lodging an annual income tax return is their major – and sometimes only – interaction with us.

We provide targeted and meaningful information to the community through a variety of programs. These range from assisting people new to the taxation and superannuation systems to being on the ground helping people affected by natural disasters.

As most Australians willingly meet their obligations, we are protecting the taxation and superannuation systems by deterring, detecting and dealing with those who do not.

Each year around 634,000 people register for a tax file number, taking their first step into the taxation and superannuation systems. These people, along with others in the community, may need extra support to understand their obligations.

We are continuing our work to include taxation and superannuation concepts in all levels of the education system. We are also building an online, interactive curriculum resource to help teachers educate youth and prepare them for the workforce.

### Employees and contractors

From our field work we have gathered evidence of sham arrangements, where individuals are incorrectly set up as contractors instead of as employees of businesses. As a result these individuals may not report all of their income; they may access welfare benefits unfairly, avoid paying their fair share of tax and not fulfil other obligations. They may also miss out on entitlements, such as superannuation, leave and workers compensation.

People can advise us if their employers have not been making superannuation guarantee contributions on their behalf. We investigate all of these complaints. For example, last year we received over 16,300 employee complaints.

We will audit businesses to ensure they are meeting their obligations as employers (see Micro enterprises chapter page 11).

### Work-related expenses

Deductions for work-related expenses have increased by around 16% since 2007 and are one of the largest categories of claims made in tax returns. Advisory letters are being issued to help people understand their tax obligations and correctly claim expenses.

We also have a number of guides for specific occupations. This year we will closely examine claims for deductions made by:

- real estate employees
- carpenters and joiners
- earthmoving plant operators
- flight attendants.

We selected these occupations because of the number of employees and the relatively high amount of work-related expenses being claimed in previous years compared with other similar occupations.

One example we find is that claims for travel deductions by flight attendants are not always correct. Where an amount for travel expenses is included in the salary package of a flight attendant then these payments are not considered to be a bona fide travel allowance, so any deductions for travel expenses need to be fully substantiated.

We will also visit tax agents with clients in these occupations.

The most common mistakes for many occupations include:

- insufficient documentation to support motor vehicle and travel expenses
- incorrectly claiming home office, mobile phone and internet expenses.

### Overseas income

People with overseas income need to be aware of their Australian tax responsibilities. This includes reporting in their tax returns money received as pensions, rent, and interest from bank accounts, dividends and other business income from Australia and overseas.

We work closely with AUSTRAC, banks and other overseas tax jurisdictions to improve our ability to trace fund flows around the world and identify Australians with income and assets hidden offshore.

Last year we contacted over 10,000 taxpayers where we identified a potential discrepancy – and adjusted returns in over 90% of cases. We intend to contact a similar number this year.

Taxpayers can make voluntary disclosures of undeclared foreign income, profit from offshore assets or over-claimed deductions. When taxpayers make a voluntary disclosure any penalty is reduced.

Over the last four years, people have made over 7,600 voluntary disclosures and we have conducted a further 2,600 audits. We are increasing our audit activities in cases where businesses may try to conceal income and assets offshore.

To obtain more complete information about offshore income and assets, we have increased our use of exchange-of-information provisions in Australia's existing double tax agreements and in newly-signed tax information exchange agreements.

## Pre-filing tax returns

Our pre-filing service helps individuals and tax practitioners get tax returns right by partially completing tax returns with information we already have. Individuals still need to check and, if necessary, correct the pre-filled details and add any missing information. Pre-filing continues to have a very good take-up by the 91% of individuals lodging via a tax agent or *e-tax*. In 2010–11, the pre-filing service was accessed 2.4 million times by the 2.5 million individuals lodging through *e-tax*.

Given this strong reliance by taxpayers, we are continually seeking to improve the information available for pre-filing. For example, share disposals and employee share scheme data will be available for pre-filing in 2011 tax returns.

We will alert people who have received Australian Government Disaster Recovery payments that they may be eligible to claim exemption from the Temporary Flood and Cyclone Reconstruction Levy.

## Information matching

Each year we cross reference information reported in tax returns against at least 500 million transactions reported by other parties. Information that we match includes:

- employment, welfare and investment income
- property and share dividends and disposals
- employee share schemes
- foreign transactions and international funds transfers
- superannuation information
- health insurance policies, including the level of cover held by an individual.

We will contact over 400,000 taxpayers who have apparent discrepancies in the information they reported. Where necessary we will amend their returns.

Where people have not lodged, we will issue assessments based on information we currently hold. We will impose penalties as appropriate.

Our matching program also extends to superannuation obligations. We will match information provided by superannuation funds, including member contribution statements, lost member reports, auditor contravention reports and self-managed superannuation fund annual returns. We will ensure the law is followed when individuals claim income tax deductions for personal contributions to superannuation funds. The information will also help us to manage contribution caps and calculate co-contributions.

## Refund fraud

Some individuals, organised groups of people and unregistered tax return preparers are making false claims to receive a refund. These claims may arise for a number of reasons, but for others it may include the use of a false identity or theft of tax file numbers and personal details.

Claims outside normal occupation, individual or industry ranges may result in us thoroughly reviewing all aspects of the person's tax affairs before we issue a refund. Last year we checked around 29,000 refunds and found more than 20,000 were incorrect or fraudulent.

We expect to review over 30,000 refunds and will remove any incorrect or fraudulent claims before we issue refunds.

## Split loans

We will be monitoring products currently being marketed or utilised that are claimed to allow those with both business and personal loans to use their business income to pay off their personal loan. We will be issuing guidance in the form of a tax determination during the year and then following up with both the marketers and participants in these arrangements to make sure their arrangements are allowable.

## Referrals to the Tax Practitioners Board

Tax returns or activity statements lodged by unregistered preparers are a concern. Last year we referred 17 unregistered preparers to the Tax Practitioners Board for investigation. These are part of 175 groups of 50 or more people we identified as having their tax returns lodged via a single source through *e-tax*.

## Superannuation

People can advise us if their employer has not been making superannuation guarantee contributions on their behalf. We investigate all of these complaints. Last year we received over 16,300 employee complaints and expect this year to investigate approximately 17,000 employee complaints.

The establishment and operation of illegal early-release schemes, even on a small scale, undermines confidence in Australia's superannuation system.

There are strict rules, with limited exceptions, for preserving superannuation savings until retirement. Schemes offering early access to superannuation, often targeting particular groups within the community, are illegal and attract significant penalties for promoters and individuals.

As illegal early-release schemes are identified we will warn the community about them through media releases, alerts and other communication activities. We have put in place processes that stop registrations of suspect self-managed superannuation funds and tools that allow larger funds to check on the membership of self-managed superannuation funds, before rolling over funds, thereby decreasing the opportunity for illegal early-release. We will also audit both promoters and participants of schemes. Last year we referred four cases for prosecution and will refer future cases where appropriate.

Superannuation contribution caps limit the amount of contributions qualifying for concessional tax treatment. We will review contributions to identify cases where the caps have been exceeded and deal with them appropriately.

### **Executives, directors and other highly paid individuals**

We review the tax affairs of individuals with incomes over \$1 million and in particular their use of closely-held entities, including charitable trusts and self-managed superannuation funds.

This year we will pay particular attention to:

- large deductions, including gifts and donations and the cost of managing tax affairs
- incorrect calculations of net capital gains and losses
- deductions for contributions to self-managed superannuation funds
- claims for large revenue losses
- non-disclosure of partnership and trust distributions
- alienation of personal services income
- non-commercial loans with related entities
- under-reporting of employment benefits including participation in employee share schemes.

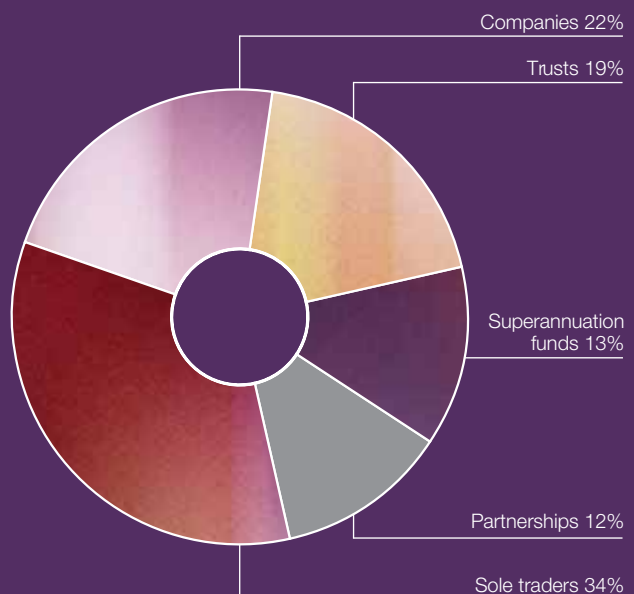
Over the last four years we have reviewed the tax affairs of a high risk group of over 2,000 highly-paid people. During this time we corrected around 60% of tax returns as a result of audit or review. This included correcting higher deductions or loss claims where people were not entitled to them. Other areas of concern are the omission of income, especially from employee share schemes, and the use of tax-minimisation strategies.

This year we will also focus on a number of highly-paid professions, including those from medical practices and football codes.

# 02

## Micro enterprises

There are around 2.8 million micro businesses and 422,000 self-managed superannuation funds in the micro enterprises market.



Micro enterprises have an annual turnover, or superannuation fund assets, of less than \$2 million. They range from owner-operators to entities with significant numbers of employees. Many of these are sole traders or family businesses.

Registered tax agents and business activity statement (BAS) agents play a crucial role in this market with 93% of micro enterprises using them to lodge their returns and 50% to lodge their activity statements. Our support programs recognise the importance of these intermediaries and include flexible programs for lodgment of returns and statements.

## Employer obligations

About 20% of the Australian workforce was employed by micro enterprises last year. As employers they withhold and pay about \$14 billion in pay as you go withholding on behalf of their employees.

Although the majority of employers do the right thing, some do not meet their obligations – and we follow up with field, phone and desk reviews. This year we expect to review the tax affairs of around 24,500 businesses to ensure they are reporting the correct amounts of pay as you go withholding.

Some employers may be incorrectly treating employees as contractors, pressuring them to get Australian business numbers, thereby reducing labour costs and gaining a competitive advantage over other businesses. Many of these arrangements are 'shams' as they aim to sidestep an employer's obligations to their workers, including pay as you go withholding, superannuation guarantee and a range of other workplace entitlements.

While prevalent in the building and construction industries, sham arrangements are spreading into industries with more traditional employee-employer relationships. We have identified cases in:

- call centres
- cleaning
- security
- logistics
- retail
- tourism and hospitality
- education
- aged care
- health
- telecommunications.

In our field visits with employers we use our online employee/contractor decision tool to differentiate between legitimate contracting and arrangements that seek to disguise the true relationship in order to blatantly abuse the tax system and to avoid employer responsibilities to workers.

The Temporary Flood and Cyclone Reconstruction Levy has been incorporated in the pay as you go withholding schedules to update the rates of withholding. A new flood levy exemption withholding

declaration will cater for employees entitled to exemption. When we visit businesses to check compliance with their employer obligations, we will review their tax affairs to ensure employers are correctly applying the levy and exemptions.

We investigate all complaints about employers not meeting their superannuation guarantee obligations. Last year we followed up complaints on around 14,000 mainly micro employers. This year we expect to contact around 12,500 mainly micro employers regarding complaints about unpaid superannuation.

We will continue our pro-active activities regarding employer compliance with superannuation guarantee obligations. We will undertake an education and communication campaign aimed at promoting knowledge of superannuation guarantee obligations in several target industries:

- cafes and restaurants
- real estate services
- carpentry services.

These industries have been selected based on analysis of previous employee complaints.

We will review over 4,000 high risk employers where we find evidence of non-compliance with superannuation guarantee obligations, particularly in the industries where we have previously focused our communication activities, including:

- computers system design and related services
- accommodation
- accounting services.

## Contractors

Many contractors operate as sole traders or through companies, partnerships or trusts. In many cases, the income received for the work they do may be classified as personal services income. Income received for a particular contract is personal services income if the majority (more than 50%) of it is for the skills, knowledge, expertise or efforts of the person performing the services.

Individuals streaming their personal services income through another entity may incorrectly split their income with an associate, sometimes a spouse or child, in a much lower income tax bracket. These types of arrangements often mean people in the same work situation inappropriately pay different levels of tax.

We will continue our test-case program to clarify the law relating to personal services income. We will provide further information to contractors and tax practitioners to help them get the tax treatment right.

We will use information received from labour hire firms to identify contractors, particularly in engineering and computer technology industries. We may review or audit the tax affairs of these contractors where we see apparent anomalies.



## Information matching

We cross reference information reported in tax returns and activity statements against transactions reported by other parties including:

- payments received from government programs
- payments to contractors
- income from investments and partnerships and trusts distributions
- property and share ownership and disposals
- foreign transactions and international funds transfers.

In this way we are able to identify micro enterprises that have not lodged, have under-reported income and goods and services tax or over-claimed entitlements.

## Government payments

Some micro businesses are receiving payments from government agencies as the result of the Economic Stimulus Plan and other initiatives. To ensure that this income is correctly accounted for in tax returns and activity statements, we continue to collect and match payment details.

We have received information relating to payments made by the Department of Climate Change and Energy Efficiency to over 10,000 insulation installers. We also use our data-matching program to analyse payments made to businesses by state governments and building management groups under the Building the Education Revolution program.

We will identify businesses that have received government payments. We will review the tax affairs of businesses we suspect of not correctly reporting this income, or not meeting their pay as you go withholding and superannuation obligations.

## Internet trading

Businesses are using a number of avenues to advertise their goods and services on the internet. These include individual websites, online newsletters/blogs, internet search engines, online marketplaces and social media platforms.

We will pay particular attention to those using the internet to conduct their business and we will take action, including information matching, where we find businesses trading over the internet and not reporting all their income. Last year a project found under reporting of income by businesses trading over the internet to be a significant issue.

## Reconstruction activity

For those involved in repair and reconstruction activities following the recent natural disasters, we are supporting business reconstruction. At the same time, we are addressing emerging tax and superannuation issues in communities affected by the disasters.

We support reconstruction efforts by ensuring government agencies and authorities, insurance companies, employers, contractors and employees have access to all relevant information to help meet their obligations.

## Cash economy

Some businesses participating in the cash economy are not paying their fair share of tax. They continue to undermine Australia's taxation and superannuation systems. These businesses are becoming more visible to us as a result of increased and more sophisticated data-matching activities.

We are likely to detect businesses with inadequate records, or those failing to record all sale transactions, paying cash-in-hand wages or operating outside the system. Last year we continued to see poor record-keeping practices by some small business owners. Specifically, some businesses did not record all sales transactions, thereby leading to a higher risk of not reporting all cash income and their GST on sales.

A clear link exists between compliance with tax obligations and good record-keeping practices. Record keeping therefore continues to be an important focus of our compliance and help and education strategies. We will continue to visit businesses and work with tax practitioners and industry and professional associations to identify and share best practice in record keeping.

We will pay particular attention to the:

- plastering and
- coffee shop industries.

We will work closely with these industries and their associations to ensure we provide the assistance people in these industries need to help them meet their obligations. We will review the tax affairs of businesses that appear to be doing the wrong thing. Administrative penalties and prosecutions may result from these reviews.

## Small business benchmarks

Our small business benchmarks help businesses compare their performance against the rest of their industry. They are also used in our risk-assessment and audit-selection activities.

We have now benchmarked the key business ratios across 107 industries, covering 600,000 businesses. In the next 12 months we will publish benchmarks for a further 30 industries showing a high degree of cash economy activity. Our use of benchmarks shows that many businesses appear to be doing the right thing.

However, we have identified 46,000 businesses potentially under-reporting their cash income. A significant portion of these businesses are associated with a relatively small number of registered agents. We will be contacting tax agents with a high number of clients operating outside our small business benchmarks to identify any particular reasons for this.

Businesses outside industry benchmarks may need to review their record-keeping and business management practices.

We will always take into account the individual circumstances of each business we review, based on records maintained by that business. Where a business does not have records to show its income and expenses, we can use our benchmarks and other information available to us to assess the profits of the business. Default assessments may include an additional penalty of up to 75% of the tax liability. Businesses can also incur penalties for failing to either maintain correct records or to keep them for the statutory five years.

## Investments

We will review or audit businesses where we identify:

- that the sale of shares and property has not been included in income tax returns and activity statements
- that claims have been incorrectly made for the small business capital gains tax concession
- the GST margin scheme rules may have been applied incorrectly
- outstanding tax returns and activity statements when we know a capital gains tax event has occurred.

We will also review property developers who claim activity statement refunds during the construction stage of a development, but fail to fully report sales for both income tax and GST as they complete the developments. This year we expect to undertake approximately 580 property-related GST audits and reviews, including consideration of prosecution in egregious cases.

## Self-managed superannuation funds

Self-managed superannuation funds allow people to control their own super investments for their retirement. Each year there are about 30,000 new self-managed superannuation funds established. At 31 March 2011 there were over 445,000 funds in operation.

Trustees of self-managed superannuation funds are responsible for running their funds in accordance with the strict requirements for attracting concessional tax treatment. We will continue to support the vast majority of trustees seeking to do the right thing by providing guidance and support such as the *SMSF News* publication, both to trustees themselves and the intermediaries they rely on such as approved auditors.

We work with self-managed superannuation funds trying to fix problems that may occur. We also take firm action, including making funds non-complying, if they commit serious breaches of the rules.

Failure by a fund to lodge an annual report is a breach of tax and superannuation law. Where a self-managed superannuation fund has repeatedly not lodged a return we may issue assessments with penalties based on the information available to us. As these funds have not met their regulatory obligations we may also make the fund non-complying. This will result in the fund losing access to concessional tax treatment. Prosecutions may result where trustees fail to meet their fund's lodgment obligations.

This year, the focus of our compliance activity will be on:

- newly registered funds, to ensure they have not been established to provide illegal early release of superannuation funds to their members
- funds lodging their first annual return to ensure they are entitled to receive their 'notice of compliance'
- auditor contravention reports
- related-party investments, to ensure they are not contravening the prohibition of lending to members or the 5% in-house asset limit
- exempt current pension income and non-arms length income
- re-reporting of contributions and compliance with excess contributions tax release authorities.

Where appropriate, we will apply non tax shortfall penalties to cases where we identify incorrect fund reporting.

## Business activity statements

Around nine million business activity statements are lodged by micro enterprises each year. We analyse these statements to detect errors or possible fraudulent activity before we issue refunds. In some cases we may release the refund and seek verification at a later stage by phoning or visiting businesses and contacting third parties to substantiate claims.

We expect to verify over 47,000 refund claims during the year.

We will refer to the Tax Practitioners Board details of unregistered preparers and registered agents who have prepared fraudulent statements. Individuals who have perpetrated the fraud may be prosecuted.

We have received additional funding from government to increase our focus on preventing refund fraud, sham business operations and identity fraud. The more blatant fraudulent claims will be referred for prosecution.

Many businesses can access credits for the fuel used in business activities. We will review fuel tax credit claims that appear to be inflated or not legitimate. Those involved in preparing fraudulent statements may be prosecuted.

## Wine equalisation tax producer rebate

Wine producers finding it difficult to determine their liability and eligibility for the rebate can seek help through our assistance program.

Our reviews indicate that some wine producers have entered into uncommercial arrangements to gain access to the wine equalisation tax producer rebate. We also have concerns about the potential diversion of wine exports to local consumption. We plan to conduct approximately 100 compliance activities on micro enterprises in relation to their wine equalisation tax obligations and activities associated with the reporting of wine exports.

## Excise equivalent goods

Excise equivalent goods are imported alcohol (excluding wine products subject to wine equalisation tax), tobacco and petroleum products. We manage these, under delegation from Australian Customs and Border Protection Service, as part of the overall management of excise.

This year we will conduct around 20 compliance activities on micro enterprises in relation to excise equivalent goods.

## Managing tax debt

Micro enterprise collectable tax and superannuation debt is currently over \$9 billion, representing about two-thirds of outstanding collectable debt. We therefore place a strong focus on managing tax and superannuation debts in this segment.

We take a balanced and differentiated approach, based on a consideration of each business's individual circumstances. Where businesses face short-term difficulties but work with us to address their tax debts, we offer support. We balance this support with firmer action where businesses choose not to work with us, repeatedly default on agreed arrangements or do not have the capacity to pay. This ensures a level playing field for business.

When taking firmer action, we may use a range of available administrative and legal options, including garnishee notices, director penalty notices, claims, statutory demands and commencement of bankruptcy or wind-up proceedings.

If a business has a history of defaulting on payment arrangements or an escalating debt, we may ask for an upfront payment or request that payments are made by direct debit before agreeing to a payment arrangement.

Concerns we may have about the viability of a business will need to be addressed before we agree to a payment arrangement. When assessing a business's viability, we look at its ability to pay outstanding debts and to meet ongoing commitments.

We have a range of services to help viable businesses having difficulty paying their tax debts including:

- flexible payment arrangements aligned with cash flow
- remission of general interest charges where appropriate.

Businesses experiencing difficulty meeting their obligations should contact us early to discuss their situation and the assistance options available to them.

# Promoting a level playing field for Australian business

In our level-playing-field work, we have been targeting contracting arrangements. We visit businesses and review the way they engage their workers, paying particular attention to individual workers who may be common law employees but are being incorrectly treated as contractors. There are many circumstances where it is appropriate for a business to engage a contractor. But some businesses are deliberately engaging workers as contractors where the legal relationship is clearly employment. In these arrangements employers often require workers to obtain an Australian business number to make the arrangement look like a legitimate contract. Being able to quote an Australian business number does not make the worker a contractor.

Since commencing this work in 2009, we have completed approximately 2,000<sup>1</sup> level-playing-field reviews and are concerned about the extent of 'sham' contracting we have detected. Up to 35% of businesses we visited were incorrectly treating employees as contractors. These arrangements have been long prevalent in the building and construction industry. But we are now finding these arrangements across many different sectors of the community, including cleaning, call centres, security, logistics, retail, tourism and hospitality, restaurants and cafés, education, aged care, health, transport, entertainment and telecommunications.

Under these 'sham' arrangements, employers sidestep their obligations to withhold from payments to their employees under pay as you go withholding and make superannuation contributions on their behalf. This gives them an unfair competitive advantage over complying employers' businesses. Employees miss out on their rights and entitlements such as leave, superannuation, workers compensation insurance and award wages and conditions. Some are happy to accept these arrangements to evade their own tax obligations and escape detection by other regulatory authorities including Centrelink and the Child Support Agency.

In our field reviews with employers we capture details of amounts paid to contractors (whether sham or legitimate) and use the Australian business

number to match these with our records to check whether contractors are correctly reporting their contract income. Over 10% of invoices we have collected did not contain an Australian business number or contained an invalid number. We have been able to match income details of over 22,000 contractors. Of these, 31% of individual contractors appear not to have lodged a tax return and a further 20% have lodged but do not appear to have declared their contract income. We are following these up to ensure that they properly report their contract income.

We will continue with the level-playing-field work in 2011–12, to ensure that workers are properly engaged in the taxation, superannuation and welfare systems and correctly reporting their income, and that employers are meeting their obligations to their employees and not unfairly undercutting their competitors.

In the 2011–12 federal budget, the government announced a new tax compliance measure to require certain businesses to report annually to us on payments they make to contractors in the building and construction industry. The system aims to improve compliance with taxation obligations by providing us with payment information that will allow us to undertake industry-wide data matching and targeted audits of those who do not voluntarily report their income.

The introduction of a reporting regime will help to level the playing field within the building and construction industry, to the benefit of compliant contractors and businesses.

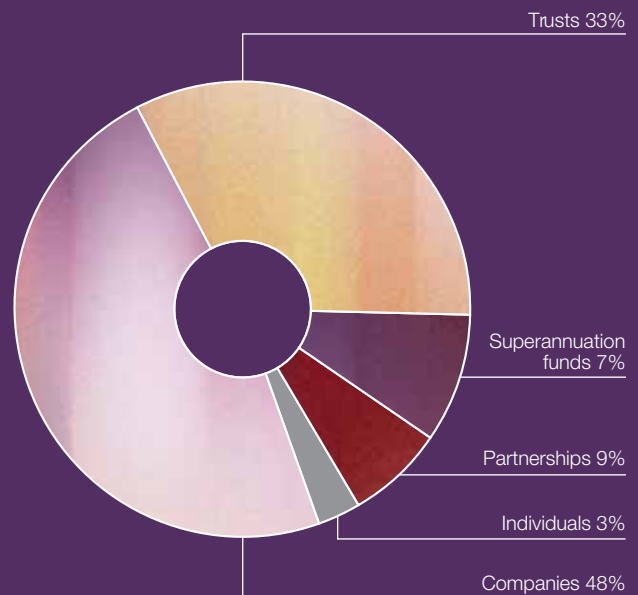
The new arrangements will apply from 2012–13. This year we will be consulting with industry representatives to inform the drafting of regulations to govern the details of the reporting arrangements. We will also work with software developers to provide the opportunity for the reporting provisions to be built into accounting packages. Before the commencement date, we will conduct an assistance and education campaign to help businesses understand the new arrangements.

<sup>1</sup>These reviews are the employer-related component of our level playing field activities.

# 03

## Small-to-medium enterprises

There are over 175,000 businesses in Australia with an annual turnover of between \$2 million and \$250 million. We classify these businesses as small-to-medium enterprises.



Small-to-medium enterprises range from simple single entities, to businesses with highly complex group structures, many with offshore interests. This segment is notable for the diversity of its taxpayers in terms of structure, business size, activities and industry.

However, most of these enterprises share one characteristic – around 98% are privately-owned. The private nature of many small-to-medium enterprises can give rise to issues about transparency of decisions and actions of individuals in control that may influence the tax affairs of businesses they own.

### Private groups

Using sophisticated data mining techniques, we are now better able to detect relationships between grouped entities, including individuals, trusts, partnerships and beneficiaries. This capability allows us to better understand the compliance behaviours of private groups and track the funds flow through to the individuals in control.

Private groups, and the individuals who control them, can expect an increase in the level of scrutiny. Where we detect non-compliance, our treatments are differentiated to reflect the diversity of our population and the level of risk we identify.

The compliance approach in this segment is comprehensive and flexible. It is designed to treat basic non-compliance, such as omission of income and inappropriate access to small business concessions, through to complex tax arrangements often found among larger groups. We also focus on taxpayers with outstanding debts.

We recognise that smaller, privately-held businesses cannot access the same level of resources and expertise as larger businesses, although they often deal with equally complex tax issues. We therefore work with taxpayers and their advisers to co-design support products and services addressing specific needs of identified populations within this diverse segment. A key element of this work will be a refresh of our *Wealthy and wise* booklet. This booklet clarifies the compliance approaches we adopt for private groups in particular, highly wealthy individuals and wealthy Australians.

### Highly wealthy individuals

We are continuing our focus on highly wealthy individuals. We define a highly wealthy individual as an Australian resident who, together with associates, effectively controls \$30 million or more in net wealth. At June 2011, we have identified and are monitoring the compliance of 2,660 highly wealthy individuals.

We are increasing our engagement with the tax practitioners and advisers managing the affairs of these people. We will work with key intermediaries to co-design products that help taxpayers achieve practical certainty and reduce ongoing compliance costs. These products may include annual compliance agreements and private binding rulings.

As we identify additional highly wealthy individuals, we will engage with them to help them understand our compliance approach and how we can support them in applying appropriate tax governance arrangements.

We manage our interventions according to our risk-differentiation framework. This enables us to apply an appropriate strategy, depending on the individual risk profile of taxpayers.

Common risks associated with highly wealthy individuals include:

- classification between revenue and capital account items
- capital gains tax not being returned
- Division 7A – access to company profits other than via dividends
- overseas interests and international dealings
- arrangements involving trusts.

These risks will be the subject of ongoing risk assessment and audit activity according to the strategies outlined in the risk-specific sections later in this chapter.

We will be contacting highly wealthy individuals where we identify outstanding lodgment obligations. We will also work closely with those who have been subject to compliance activity to clarify their payment obligations and support the collection of any outstanding debt.

Last year, we raised over \$800 million in income tax adjustments from highly wealthy individuals, although much of that remains in dispute.

This year we will complete more than 380 risk assessments and reviews and 60 audits of these highly wealthy individuals.

## Wealthy Australians

Having developed our approach to private groups through our ongoing focus on highly wealthy individuals, we have been funded by government to expand this compliance approach to a broader group of wealthy Australians.

Over the last two years, we have been progressively applying this approach to individuals controlling a net wealth of between \$5 million and \$30 million. Currently, this population consists of more than 82,000 private groups. This reflects the diversity of the broader small-to-medium enterprise population. Having applied our risk-differentiation framework, we find most wealthy Australians meet their basic taxation obligations. Where we do identify risks, they generally reflect those we found among highly wealthy individuals.

Our interactions are driven by the nature and complexity of the risks involved. Where appropriate, we will contact taxpayers or issue pre-lodgment advice letters to resolve relatively straightforward issues. We will use this strategy to verify instances where income from dividends and interest is not disclosed. We will also pursue outstanding tax returns and associated schedules. We expect to contact over 2,000 wealthy Australians to resolve these issues.

Where we detect complex tax planning arrangements relating to capital gains tax, Division 7A, international and trust risks, we will move to more intensive interaction – such as review or audit. In 2011–12, we will complete at least 400 risk assessments and reviews and 55 audits of high risk wealthy Australians.

## \$100 million–\$250 million segment

This is the final year of the four year budget-funded program to expand our risk assessment of businesses with turnovers between \$100 million and \$250 million. In the program's first three years, we have completed over 1,000 risk assessments, 270 reviews and 30 audits. This work has generated over \$245 million in liabilities, with an additional \$53 million liabilities raised from associated lodgment enforcement activities.

Our risk assessments find risks relating to international transactions, capital gains tax, trusts and tax-reconciliation items.

This year, we will:

- finalise our four-year program of risk assessments
- complete 400 risk assessments and reviews and 40 audits
- engage taxpayers and/or practitioners where we identify continued poor tax performance
- share our key findings and trends we identify with tax practitioners and key advisers servicing this segment.

## Employer obligations

Small-to-medium enterprises employ 28% of the Australian workforce and withhold and pay over \$31 billion in pay as you go withholding obligations on behalf of their employees. They also make superannuation guarantee contributions on behalf of their employees. Where they provide taxable fringe benefits they may also have fringe benefits tax obligations.

Although the majority of employers do the right thing, some do not meet their obligations. In these cases we follow up with field, phone and desk reviews. This year, we expect to review the tax affairs of over 3,400 small-to-medium businesses to ensure they are reporting the correct amounts of pay as you go withholding. We will also review contracting arrangements to ensure employers are not engaging in sham contracting that sidestep obligations to their workers.

We will continue our focus on ensuring employers meet their superannuation guarantee obligations. This year, as part of our broader superannuation guarantee compliance strategy, we will ensure compliance reviews include small-to-medium enterprises showing a pattern of non-compliance. We will also investigate all employee complaints about employers not complying with their superannuation guarantee obligations.

## Lodgment compliance

We will continue to focus on lodgment compliance within private groups, including wealthy Australians and highly wealthy individuals. We will use data matching and risk profiling to identify companies, superannuation funds, trusts, partnerships and controlling individuals that appear to be using non-lodgment or partial lodgment as a means of circumventing our compliance programs. We will be contacting higher risk taxpayers and where appropriate refer for prosecution those who have not complied.

This work will focus on:

- using external data matching, such as AUSTRAC and property and share databases, to identify entities conducting significant business transactions
- industries and sectors with higher rates of non-lodgment and late lodgment, such as property, building and construction, mining and financial and insurance services.

## Trusts

We will continue to support the community in understanding the trust taxation provisions (currently subject to legislative change) while at the same time protecting the integrity of the tax system. We will publish fact sheets, public rulings and other products to clarify new and existing law.

A number of basic reporting requirements relating to trusts will not be affected by the law change. The trust taxation regime requires resolutions to be made in accordance with the trust deed by the end of the tax year. Distributions need to be properly recorded in trust accounts and trust returns need to be lodged on time. We will continue to monitor compliance with these requirements.

To better detect non-compliance, we are employing sophisticated relationship-mapping systems and increasing our use of external data sources. These strategies will be augmented by increased enforcement activities regarding lodgment and debt collection involving trusts (including cases where small advance payments of tax are made ahead of attempts to default on these obligations). Practitioners as well as trustees involved in manipulative practices will be subject to increased compliance focus through audits and reviews.

We will contact around 2,000 trustees and beneficiaries about a variety of issues including lodgment, correct return of trust distributions and the private use of trust assets. These activities will include the audit of a number of aggressive trust arrangements, including where we have identified non bona-fide beneficiaries. Criminal sanctions may also apply to the most egregious forms of trust-related tax schemes.

## Phoenix arrangements

Phoenix activity is the evasion of tax and or superannuation guarantee liabilities through the deliberate, systematic and sometimes cyclic liquidation of related corporate trading entities. We continue to focus on reducing fraudulent phoenix activity through a coordinated program of reviews, audits and prosecutions. We anticipate enactment of new legislation this year. This will increase our ability to address this behaviour by making directors more accountable for the pay as you go withholding tax and superannuation debts of their companies.

In the 2011–12 federal budget, the government provided \$22.1 million in extra funding over the next four years to help us address phoenix behaviour. In addition, 2010 legislation now allows the demand of payments of a 'security bond'. To date, we have issued 10 'security bonds'.

We will implement a number of new strategies to ensure we detect potential phoenix activity sooner and treat it appropriately. We have an integrated program of raising awareness, compliance and debt collection to address this risk. This will be augmented by the proposed changes to the director penalty regime. We will establish an ATO-wide phoenix database to support the ongoing and timely scrutiny of phoenix operators in their interactions with us, involving registration, lodgment, reporting and payment.

We will work closely with other government agencies to improve the exchange of information in relation to phoenix activity.

## Overseas interests and international dealings

Currently, over 32% of small-to-medium enterprises are involved in international activities. Increasing globalisation raises a number of compliance issues, ranging from transfer pricing to simple errors.

We match data received under tax treaties, through automated exchange-of-information requests, and from AUSTRAC. We use this information to target our awareness-raising campaigns and select higher risk cases for review.

International profit shifting remains an area of concern. We will continue to promote our program of transfer-pricing advanced pricing arrangements. These arrangements allow businesses to obtain certainty and reduce ongoing costs. We offer 'simplified' arrangements where we will assist businesses with turnovers up to \$250 million with arm's-length benchmarking analysis. We will undertake 25 reviews and 10 audits where we identify a significant risk of profit-shifting, particularly for companies with a history of profit performance consistently below industry averages.

We will be contacting over 600 taxpayers across a range of support and compliance campaigns focusing on:

- foreign source income derived by Australian residents
- international shipping companies operating in Australian waters
- non-resident withholding tax, with respect to payments of interest, dividends and royalties – with a specific focus on franchising and governance controls
- thin capitalisation, with respect to non lodgment of thin capitalisation schedules and reviewing calculations of safe-harbour limits
- the use of preferential tax regimes to evade income tax obligations.



## Division 7A

Division 7A of Part III of the *Income Tax Assessment Act 1936 (ITAA 1936)* is an integrity measure aimed at preventing private companies from making tax-free distributions of profits to shareholders (or their associates). We are concerned that private company owners and some tax advisors do not fully understand their obligations regarding the correct treatment of company funds received by shareholders and associates other than by way of dividend.

We will issue around 350 pre-lodgment awareness letters to private companies and shareholders reminding them to put in place compliant loan agreements prior to lodging their tax returns. We will also contact private company owners through their tax representatives to verify compliance with their Division 7A obligations.

This year we are also focusing on the application of Division 7A to unpaid present entitlements. To help taxpayers meet their obligations, we will contact the owners or shareholders of private companies we have identified as having trust distributions in the past. We will advise private company owners about how the law applies, as explained in Practice Statement Law Administration 2010/4 and Tax Ruling 2010/3.

To help provide certainty regarding whether an unpaid present entitlement can satisfy the extended definition of loan for Division 7A purposes, we are working with the tax profession to identify a suitable case for test case funding.

## Capital gains tax

We are increasing use of third-party data to match real property and share transactions. We will match third-party data from real property sales to our records as an integrity approach to identify instances of non-reporting. We expect to extend this approach to the matching of share transactions using third-party share registry data. We will also match disposals by private groups to capture intra-group transfers and identify non-reporting of disposals by non-residents and corporate trustees not registered with us.

Where possible we will issue pre-lodgment letters, or contact taxpayers where we detect discrepancies. We will also use post-lodgment letters where we suspect taxpayers may have omitted or incorrectly reported their capital gains or losses. We will escalate high risk cases we identify for review or audit.

We will provide taxpayers and their practitioners with messages to help them manage their capital gains tax reporting obligations. We will use a range of communication products to raise awareness of new and emerging capital gains tax risks.

## Foreign residents

There are certain exemptions from capital gains tax for foreign residents, except when the asset is taxable Australian property. Taxable Australian property includes either real property situated in Australia, or a mining, quarrying or prospecting right in Australia. Disposals of shares in land-rich companies are also subject to taxation.

We are improving our ability to identify these transactions by monitoring merger and acquisition activity and through ongoing analysis of external data. Given the difficulty in collecting capital gains tax once the proceeds of any sale leaves Australia, we will need to act expeditiously.

We will continue to raise awareness of Division 855 by issuing taxpayer alerts, rulings and interpretative decisions clarifying the application of these provisions.

## Capital and revenue losses

We are seeing compliance issues when small-to-medium enterprises report losses and offset losses against income or capital gains. These issues include:

- errors in the calculation of the loss amount reported in the tax return
- incorrect classification of the loss on either revenue or capital account
- limited awareness of the requirement to satisfy the continuity of ownership test and same-business test when using a carried forward loss against income or capital gains.

We will contact or send pre-lodgment awareness letters to taxpayers reporting losses for the first time. This will assist taxpayers and their agents with these issues. We will also contact taxpayers to verify higher risk loss claims through questionnaires. Where warranted, we will follow up with reviews and audits to address inappropriate or incorrect loss claims.

## Restructuring by professional firms

Professional firms play a significant role both as taxpayers and as intermediaries within the tax system. We have observed considerable restructuring among professional firms, particularly by accounting and legal practices.

We have commenced several reviews where we have noticed discretionary trusts being added or substituted as partners, and where the income of practitioners has dropped significantly post-restructure. We seek to understand the drivers of the restructure and whether the legal form of the new structure has been followed in practice. Where there is evidence that the legal form of the structure differs from that which has been entered into by the taxpayers, we will undertake a review to understand the commercial drivers of such restructures.

## Fringe benefits tax

We regularly receive information from the states and territories, including data on motor vehicle registrations, boat registrations and real property.

Areas of concern that have carried over from last year's program include employers:

- failing to identify taxable fringe benefits
- failing to correctly value fringe benefits
- failing to lodge fringe benefits tax returns
- inappropriately accessing concessions and exemptions.

We will contact around 5,000 employers regarding these concerns as part of a broader employer obligations strategy. We have found some taxpayers mistakenly assuming their motor vehicle is exempt from fringe benefits tax without considering the private usage requirements of the vehicle. We will focus on this issue when contacting employers. We will contact employers who have stopped lodging fringe benefits tax returns to determine whether non-lodgment is appropriate.

We are seeing increasing use of exempt living-away-from-home allowances to remunerate employees. In many cases, these claims may be legitimate. However, we believe a growing population is using these exempt fringe benefits incorrectly to provide tax-free payments to their employees. Our data matching has also highlighted taxpayers who appear to be claiming excessive exempt amounts of fringe-benefits-tax exempt income. We will use reviews and audits to clarify these situations.

In the 2011–12 federal budget, the government announced reforms to the current 'statutory formula' method for determining the taxable value of car fringe benefits. The reforms will replace the current statutory rates with a single rate of 20% that applies regardless of the distance travelled. We will support employers in understanding and applying the new rate.

We are also increasing our level of engagement with employers, salary package advisors/promoters and tax practitioners to provide guidance and help them comply with fringe benefits tax obligations.

## Taxation of financial arrangements (TOFA)

We are concerned that some taxpayers in the small-to-medium enterprise segment are not aware they may be subject to the TOFA rules. Alternatively, some smaller taxpayers may not have access to the resources or expertise to appropriately adopt these rules. We will continue our support and compliance activities to address these issues (See Large businesses chapter on page 29).

## Small business and general business tax break

This tax break has specific timelines and requirements for investment and acquisition that may give rise to a number of compliance risks. We intend to review over 60 claims.

## Goods and services tax (GST)

We will encourage taxpayers to self review their GST obligations by providing a range of education and assistance products – such as our governance and risk-management guide, our property interactive tool and other checklists and fact sheets. We work with tax agents and BAS agents to build willing participation and compliance by taxpayers with their GST obligations.

We will use reviews and audits to ensure businesses comply where we detect non-compliance with their GST obligations.

## Refund integrity

Using third-party data and data-modelling techniques we continue to monitor GST refunds in the small-to-medium segment. We do this by undertaking pre- and post-issue verification checks to ensure the correct amounts are claimed, while seeking to minimise the impact on the cash flow of businesses.

We have received additional funding from government to increase our focus on preventing refund fraud sham business operations and identity fraud. The more blatant fraudulent claims will be referred for prosecution.

This year we expect to undertake over 12,000 audits and reviews of small-to-medium enterprises to ensure refund claims are correct.

## Property

Property transactions remain a high risk for compliance with GST. Some property transactions can be one off or unusual transactions not normally undertaken by a business. We will therefore monitor property transactions outside the traditional property industry sector.

A particular concern in the property sector is property developers claiming activity statement refunds during construction, but failing to fully report property sales, going into liquidation at that point.

To detect and deal with taxpayers not correctly reporting their GST on property transactions we will:

- improve our use of data-matching and analysis of property transactions and activity statements to inform businesses and their agents when we detect probable non-compliance – encouraging them to reassess the transactions and correct their reporting if appropriate
- continue our exchange of information and working with state and territory revenue offices to improve community compliance with property-related income tax, GST and state government obligations.

This year we expect to conduct around 1,200 audits and reviews relating to property transactions.

## Retirement villages

We will continue to work with the retirement village industry to address complex technical issues – making it easier for the industry to comply, particularly in relation to the apportionment of GST credits.

On 27 April 2011 we published *GSTR 2011/1: Goods and services tax: development lease and disposal of a retirement village tenanted under a 'loan-lease' arrangement*. This explains the GST implications relating to developing, leasing and selling tenanted new retirement villages; and the relevance of ingoing contributions (or 'interest free loans') received by the owner/operator. We will continue to work with the industry on understanding and applying our view.

## Integrity of business systems

Businesses with poor tax governance and risk-management frameworks present higher risks in terms of correctly reporting their GST liabilities. Ineffective systems can lead to significant under-reporting of GST.

To assist we will be developing a governance and risk-management guide on internal controls for businesses. Our fact sheet, *GST and the integrity of your business system*, outlines common errors and gives real-life examples.

This year our reviews and audits will focus on:

- retail
- construction
- financial and insurance services
- mining industries
- mergers and acquisitions.

We expect to undertake approximately 480 audits and reviews involving taxpayer contact.

## Financial supplies

We will work with taxpayers, industry groups and advisers to provide clarity and certainty, through rulings and information products, on:

- the correct characterisation of certain transactions – that is, whether they are input-taxed financial supplies
- determining the taxpayer's entitlement to input-taxed credits where the taxpayer makes both input-taxed and taxable and/or GST-free supplies.

We will develop an apportionment decision-making framework to assist both us and taxpayers apply a common approach to determining if an apportionment methodology is fair and reasonable.

We plan to undertake 30 audits and reviews in relation to the apportionment methodologies used by taxpayers.

Our *GST guide – claiming input tax credits on acquisitions made in connection with a merger and acquisition activity* provides advice on how to treat specific transactions through the various phases of the acquisition and merger process.

## International and cross-border transactions

We continue to work with industry to clarify the law relating to international transactions, and to improve business understanding of the GST treatment of such transactions. Recent law changes regarding the domestic leg of international freight transport is an example of this approach.

Our focus will be broadened from incorrect classification of intangible/services to include various business models being used by exporters and importers of goods. In particular, we will be working with Australian Customs and Border Protection Services on the findings of their recent enhanced compliance campaign around the low-value threshold. Information received will be evaluated to determine if consignees regularly importing goods valued at less than \$1,000 are required to register for GST, or if the suppliers of the goods to the consignee are making a taxable supply because the goods are delivered or made available within Australia.

## GST serious evasion

We will undertake approximately 300 audits and reviews, in relation to taxpayers involved in serious and significant non-compliance with their GST obligations. This audit activity will also look at compliance with their income tax and other tax obligations. Where appropriate, we will refer for prosecution businesses that:

- purposefully do not register to participate in the GST system
- intentionally do not report, or under-report, their GST and other tax obligations
- collude with others to evade or avoid GST and other tax obligations
- intentionally do not pay their GST or other tax obligations, including through engaging in phoenix behaviour or offshore arrangements.

We are also working closely with other agencies, including Australian Customs and Border Protection Services and state revenue authorities, to share information indicating serious non-compliance.

## Excise

This year we will undertake around 20 audits and reviews specifically targeting taxpayers engaged in serious and significant non-compliance with their excise, fuel tax credits and other fuel-transfer payments obligations. We will refer for prosecution those we find engaged in serious evasion or fraud in relation to these obligations.

## Excise equivalent goods

'Excise equivalent goods' are imported alcohol (excluding wine products subject to wine equalisation tax) tobacco and petroleum products which we manage under delegation from Australian Customs and Border Protection Services as part of overall management of excise.

This year we will conduct approximately 90 compliance activities on taxpayers in relation to excise equivalent goods. Our activities aim at addressing the following issues:

- warehouses releasing goods without the proper authority to deal
- non-existent or inadequate record keeping
- taxpayers not meeting their licence obligations
- the risk of diversion of goods from import and export.

These activities will focus on the importer, owner of goods and warehouse operators.

We will continue to work closely with the Australian Customs and Border protection Service in relation to these risks.

## Tax reporting of exports including excisable goods

We will be examining the risks associated with tax reporting of exports of excisable goods and wine. We will also be looking at the entire tax obligations of entities, in relation to exports, to enable us to understand whether exporters are complying with GST and income tax obligations.

We are concerned with a number of risk scenarios:

- entities may be claiming or reporting they have exported goods, including excisable goods, but no export has occurred – this may include diversion of goods
- entities may be reporting exports to Australian Customs and Border Protection Services and exporting goods but not including income in income tax returns.

We will be examining data across a number of agencies including Australian Customs and Border Protection Services and AUSTRAC to identify entities for further compliance activities.

## Wine equalisation tax

We will increase our focus on entities we believe to have entered into uncommercial arrangements to gain access to the wine equalisation tax producer rebate. We also have concerns about the potential diversion of wine exports to local consumption.

We will undertake 40 active-compliance activities relating to producer rebate claims.

## Alternative fuels

The parliament has passed legislation for arrangements for the taxation of alternative fuels. Subject to royal assent, the measure will commence on 1 December 2011.

We will use educational products and tools to encourage and support new and existing taxpayers and to facilitate willing participation.

The key industries affected will be manufacturers, importers, distributors and certain users of alternative fuels including biodiesel, liquefied petroleum gas (LPG), compressed natural gas (CNG), liquefied natural gas (LNG), methanol ethanol and renewable diesel.

## Superannuation

Our administration of the superannuation system relies on timely and accurate reporting by superannuation funds of contributions they have received and other information.

We plan to undertake around 110 audits of small-to-medium enterprise funds regulated by the Australian Prudential Regulation Authority. Our audits will ensure the accuracy of fund reporting, including in respect of lost members and their treatment of amounts paid to departing temporary residents.

We will also check they have met their obligations to pay unclaimed money to us, and to release excess contributions where a release authority has been issued.

We will select these funds where their reporting indicates any potential inadequacies or discrepancies. We will apply non-tax shortfall penalties to incorrect fund reporting in appropriate cases.

We closely monitor the compliance of self-managed superannuation funds because of their higher value and higher risk.

We will ensure that trustees of these funds fulfil their obligations thereby ensuring that the considerable concessions provided for their retirement savings are appropriate. We will provide support and guidance to trustees of these funds and their advisers. We will also take firm action where we identify non-compliance, such as lodgment delays, unrectified auditor contravention reports and loan investments.

## Managing business tax debt

We have a range of services to help businesses experiencing difficulty paying their tax debts (see Micro enterprises chapter page 14).

# What is Project Wickenby?

Project Wickenby is a multi-agency taskforce. Its role is to protect the integrity of Australia's financial and regulatory systems by preventing promotion of and participation in abusive secrecy haven schemes.



## Timeline

|      |   |
|------|---|
| 2006 | Project Wickenby starts<br>AUSTRAC show dramatic rise in fund flow from Australia to secrecy havens   |
| 2007 | Offshore voluntary disclosure initiative begins   |
| 2008 | Positive change in behaviour is seen through compliance dividend  |
| 2010 | Over \$1 billion in liabilities have been raised to date. AUSTRAC results show a considerable decline in annual flows to secrecy havens<br>The first ever extradition of a foreign citizen to Australia for tax fraud and money laundering<br>Tax information exchange agreement is signed with Vanuatu |
| 2011 | Results of the offshore voluntary disclosure initiative: 7,699 disclosures with \$836.02 million omitted income disclosed<br>18 people to date have received custodial sentences<br>Tax information exchange agreement is signed with Liechtenstein   |

## Goals

- Reduce tax avoidance and evasion
- Enhance Australia's capability to detect, deter and deal with international tax avoidance and evasion
- Assure the community the government is tackling serious abuse of the taxation system

## Partners

We lead a partnership of eight agencies, each bringing its expertise to deal with tax avoidance and evasion.

Our partners are the Australian Crime Commission, the Australian Federal Police, the Australian Securities and Investments Commission, the Commonwealth Director of Public Prosecutions, AUSTRAC, the Attorney-General's Department and the Australian Government Solicitor.

## Strategies

Project Wickenby agencies have powers to assist in the investigation and prosecution of conduct associated with international tax mischief. Available methods include:

- letters and notices
- access visits and search warrants
- examinations and audits
- recovering proceeds of crime
- taxation assessments
- action for breaches of taxation and corporation laws
- criminal prosecutions of serious and summary matters.

## Tools

We have a variety of intelligence techniques and tools to identify secrecy haven arrangements and their promoters. We use computer-based analytical tools to draw links between internal and external data and intelligence and to identify high-risk transactions and the parties involved.

Our information sources include:

- AUSTRAC
- international information exchanges under our tax treaties
- financial institutions and other external sources
- credit and debit card transaction data
- tax returns
- internet research
- information from the public.

## Concerns

People are becoming increasingly involved in international business and investment. Most dealings with secrecy havens are within the law. However, some schemes we are investigating involve:

- concealing income or gains, or creating false or fraudulent tax deductions
- concealing assets offshore to avoid obligations in Australia
- returning funds to Australian taxpayers in a deceitful manner, including as laundered money.

Concealment is our main concern. A taxpayer may seek to conceal assets and income by setting up a bank account in a secrecy

haven where we do not have an agreement to exchange information. Taxpayers may also use an international promoter to set up and manage offshore trusts or companies that seek to conceal the taxpayer's beneficial ownership of assets.

## Actions

Action taken against people found to be involved in concealing income, gains or illegal deductions will vary according to the level of their involvement and the nature of the offences committed. It may include all of the following:

- auditing
- amending tax assessments
- applying penalties and interest
- action under the *Proceeds of Crime Act*
- civil action under tax and corporations law
- criminal prosecution, fines and imprisonment
- banning directors of companies from the financial services industry – where relevant
- restricting departure from Australia.



## Relationships

We are also expanding our relationships with tax administrations in other countries.

Through our bilateral tax treaties, we are able to share information on taxpayers suspected of being involved in abusive arrangements.

## Tax information exchange agreements

These agreements outline an obligation between Australia and other participating jurisdictions. We agree to help each other by exchanging correct tax information relevant to the administration and enforcement of our respective domestic tax laws – civil and criminal. Under these agreements information is provided only on request – that is, a jurisdiction has no obligation to provide information unless the other party asks for it.

Currently we have signed 28 agreements.

## Secrecy jurisdictions

Secrecy jurisdictions are countries with secretive tax or financial systems. They also may have minimal or low taxes for non-residents. The number of secrecy jurisdictions is gradually shrinking but remains a concern. Our focus has been on Vanuatu, Liechtenstein and Switzerland and now includes Panama, Samoa and the Channel Islands.

There are many secrecy jurisdictions of concern on our radar and Australia continues to monitor these.

**‘...the effect of dishonesty and non-disclosure of income increases the burden on all other taxpayers and particularly those who have truly disclosed their gross income.’**  
**2008/11/1001 – R v Anthony Joseph Luis Hill**

## Results

Project Wickenby is proving to be a significant deterrent against tax crime. So far we have:

- received information on over 32,000 bank accounts
- completed 2,124 audits and reviews and issued 1,911 assessments notices – there have been 23 criminal investigations, with 62 people charged and 18 convicted of serious offences
- witnessed a decline in fund flows of 80% to Liechtenstein, 50% to Vanuatu and 22% to Switzerland where Project Wickenby has had significant focus
- raised over \$1 billion in tax liabilities
- collected over \$563 million (including approximately \$255 million in cash collections from active compliance, a compliance dividend of approximately \$306 million and \$2.1 million of other moneys recouped).

## Messages

It is not illegal for taxpayers to deal with a secrecy haven, provided they comply with the relevant tax laws of both jurisdictions.

We encourage people to come forward and voluntarily disclose unreported income from offshore accounts and activities. Where taxpayers make a voluntary disclosure, they will generally face reduced penalties, provided they come forward before we conduct a review or audit. Generally, there will also be less chance of criminal investigation.

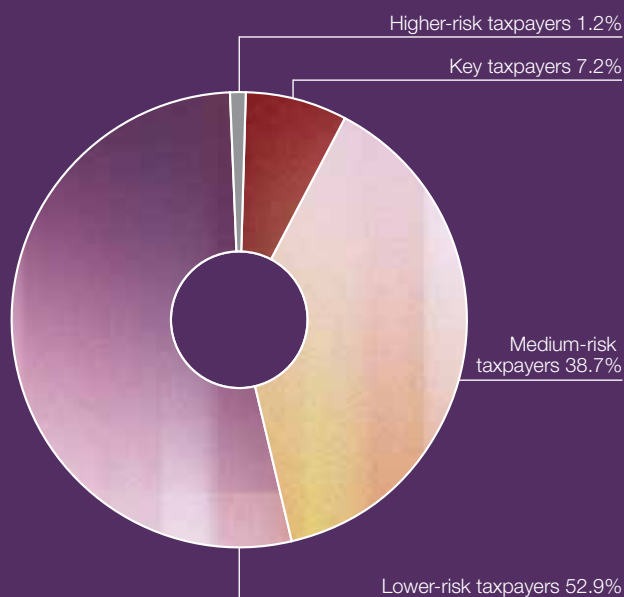
We are always willing to help taxpayers do the right thing. If you are concerned you may be involved in a suspect scheme and would like to discuss your situation with a tax officer, phone us on **1800 306 377**.

You can remain anonymous if you prefer.

# 04

## Large businesses

The large market consists of over 1,300 economic groups and entities encompassing over 32,000 businesses.



The majority of large businesses are public companies, with government enterprises, not-for-profit organisations and superannuation funds also represented.

About 1,100 of these groups have a turnover greater than \$250 million and because of their unique characteristics we manage the remainder within the large market.

We have a range of strategies to encourage long-term voluntary compliance – positively supporting compliant behaviours and discouraging negative ones.

In a recent initiative, we engaged with businesses to develop a reportable-tax-position schedule. The schedule helps businesses increase disclosure of their most contentious and material tax risks.

We expect to issue around 300 private and 100 class rulings to provide guidance on the application of the tax law to particular arrangements. We also need to conduct tax reviews on around 400 large businesses to check on whether tax risks are present in these businesses and tax audits on around 150 large businesses to resolve identified tax issues.

### Good tax corporate governance

We encourage large businesses to have in place sound management controls for tax governance and tax risks. Large businesses can anticipate a review of their corporate governance processes for managing income and indirect tax risk as a part of a risk review conducted by us. Our review of tax-governance processes may set the tone for the enquiry into tax issues – as the outcome may highlight potential weaknesses or deficiencies concerning compliance with tax obligations.

Businesses may report incorrect amounts of GST if their systems for capturing and recording taxation information fail. Businesses going through systems upgrades or other business changes are most at risk of incorrectly reporting their GST.

This year we will hold governance and risk workshops with the mining, retail, manufacturing, agriculture, electricity, gas, water and waste industries to share concerns in the area of compliance with GST.

Our relationship managers program will continue to work with large corporates, focusing on internal control and systems for all tax types in relation to mining joint ventures and merger and acquisition transactions.

We provide a number of products to assist businesses accurately assess and manage their tax risks including:

- annual compliance arrangements – help businesses achieve practical certainty and reduce compliance costs through upfront dialogue and disclosure
- advance pricing arrangement – an agreement between us and large business on the future application of the arm's-length principle in their international dealings with related parties. Like annual compliance arrangement, advance pricing arrangements provide practical certainty and reduce compliance costs for international dealings

- our rulings program – our view on a transactions, issues or products, providing taxpayers with legal certainty, provided they have disclosed all material facts
- publications addressing corporate governance and outlining our approach and processes – such as the *Large business and tax compliance* booklet and the *GST governance and risk management* guide, both available at [www.ato.gov.au](http://www.ato.gov.au)

### Working together

We maintain relationships with numerous industry associations and have established consultative forums with large businesses and their advisors. We share information about how the tax system is operating, this helps us develop differentiated strategies for addressing risks and reducing compliance costs.

To provide guidance on specific issues, we also provide many electronic and printed publications, including the *Large business and tax compliance* booklet and the *Integrity of business systems* fact sheet. We also have periodic publications such as our e-magazine *Large Business Bulletin*, available by subscription.

### Obtaining certainty

We encourage large businesses to meet with us before lodging private ruling requests. This ensures we deal effectively and efficiently with the requests. Our early-engagement model provides a structured approach to dealing with ruling requests. This ensures we assess requests on receipt and identify technical issues and any information gaps. We also have a comprehensive strategic litigation program in place to resolve contentious issues.

### Cooperative compliance

To our largest businesses we offer a range of specialised services, including our key-client manager program and our expanded GST and excise-specific client-relationship manager program. We are also providing senior officers as dedicated lead relationship managers to an increasing number of key taxpayers – to resolve issues quickly and reduce irritants across all taxes.

We meet with large businesses regularly to discuss significant events, risk, technical and service issues. Sharing our perception of the relative risk level of a business allows us to work with them on a more personalised basis.



## Corporate restructures mergers and acquisitions

Australia's continuing recovery from the economic downturn is being accompanied by growth in merger and acquisition transactions involving complex arrangements and significant deal value.

These transactions involve a range of interactions with the tax system, giving rise to both income tax and indirect tax liabilities and entitlements, at both the corporate and shareholder level.

We have developed a mergers and acquisitions guide setting out the key compliance issues and common themes in merger and acquisition transactions. The guide is available on [www.ato.gov.au](http://www.ato.gov.au)

We will examine:

- restructures involving complex or novel financial arrangements and/or steps which do not appear to be necessary to achieve the business needs of the parties
- changes to effective ownership or control of businesses or assets where the appropriate taxing point is deferred or avoided
- arrangements that seek indirect tax benefits (see Financial supplies and GST on page 29 for further details)
- issues relating to capital gains and losses made by Australian companies on the sale of overseas companies, including the sale of controlled foreign companies.

We continue to encourage businesses and their advisers to engage with us early and seek our advice on transactions before they occur.

## Foreign residents

We are concerned about capital gains tax planning by foreign residents, including foreign owned consolidated groups, seeking to circumvent the integrity measures that deal with the disposal of land rich property interests.

We are enhancing our ability to identify these and other transactions by monitoring merger and acquisition activity and other data.

We will raise awareness of capital gains tax obligations for foreign residents more generally by improving content on our website and addressing our areas of concern through targeted communications and alerts.

## Inappropriate outcomes involving consolidation

The consolidation laws are a significant feature of Australia's corporate income tax system. Risks include unintended or inappropriate outcomes where there are complex interactions between the consolidation provisions, other parts of the tax law and external regulatory frameworks. While this is often first seen as a change in the tax cost of assets on entry or exit from consolidated groups, the results can include reductions in capital gains tax and/or increases in losses or deductions under the capital allowance rules.

We will initiate reviews and audits on risks relating to consolidation, mergers and acquisitions and other transactions or business activities. Of particular concern are arrangements where the tax outcomes do not reflect the economic substance of the arrangement.

The rights to future income and residual cost setting rules have been the subject of review by the Board of Taxation. We will continue to monitor developments in relation to these laws and undertake activities to assist, and ensure, compliance with those laws.

## Profit shifting

We are concerned about the use of arrangements between Australia and offshore affiliates to shift or shelter profits. This incorporates a number of aspects of our international tax legislative regime, including transfer pricing and our anti-tax deferral regimes. We will undertake approximately 50 audits focusing on a range of international issues, including transfer pricing and thin capitalisation.

## Private equity – exiting Australia

We have issued four tax determinations: TD 2010/20, TD2010/21, TD 2010/D7 and TD 2010/D8 to provide clarity when private equity exits Australia. We have sent letters to private equity firms reinforcing our positions as set out in the determinations and requesting private equity firms to engage with us to provide certainty when disposing of Australian target companies.

We will present information sessions to advisers, private equity firms, industry representative bodies, chartered accounting firms, legal firms and other government stakeholders on our views in this area. We have five reviews in progress and we will conduct seven additional reviews and follow-up audits where necessary in relation to the identified risks.

## GST and international and cross-border transactions

We will work with stakeholders to implement law changes such as the International Telecommunications Amendment, those relating to international freight transport and any changes that might flow from the Board of Taxation's review of GST.

## Non-resident withholding tax

Risk to the Australian tax base arises when there is a failure to withhold, report or remit non-resident withholding tax on payments of interest, dividends and royalties to non-residents.

In circumstances where the withholding tax is payable, there may be other international tax risks associated with these transactions, such as transfer pricing.

Our compliance focus is on several specific areas and types of transactions including:

- transfers of Australian intellectual property (such as copyright) to non-residents where royalties are payable. Where these transfers involve related parties, transfer pricing issues may also arise
- mis-characterisation of payments properly subject to withholding tax – such as the characterisation of the payment as a service fee when a royalty is the correct characterisation
- circumstances where there has been a failure to identify a liability in the case of a bundled payment (where correct characterisation of parts of the payment would reveal a non-residents withholding tax liability)
- structured arrangements designed to, or claiming to have the effect of, avoiding withholding tax – such as hybrid financing where the return is claimed as a price differential and not ‘interest’ or a ‘dividend’ as defined in the withholding tax legislation.

## Stapled group financing

We will continue to look at the financing arrangements undertaken by stapled groups to test compliance levels against the debt/equity rules. This includes commencing approximately six risk reviews and completing up to seven current audits. In conjunction with this compliance activity, we plan to formally communicate our view on this issue publicly through the release of a draft taxation ruling.

## Taxation of financial arrangements (TOFA)

We will monitor income tax returns and undertake profiling activities to ensure TOFA taxpayers are applying the measure appropriately.

We will also undertake targeted compliance activities, including implementation reviews. These activities will look at:

- identifying taxpayers who meet the TOFA thresholds to ensure they are applying the TOFA rules
- restructuring prior to entry into TOFA
- calculating the balancing adjustment for TOFA taxpayers who have made the transitional election to bring in their existing financial arrangements
- the validity of elections made under the TOFA rules
- the appropriate application of the TOFA tax-timing methods, including compliance with the hedging method recording requirements.

## Financial supplies and GST

Businesses making financial supplies may face uncertainty in determining their entitlement to claim GST credits. Our strategies continue to focus on providing clarity and certainty in characterising transactions and determining entitlement to input-tax credits.

We will do this through ongoing engagement and consultation with taxpayers, industry groups and advisers to increase our common understanding using forums, client relationship managers and compliance activity.

Businesses engaging in capital raising activities (for example, initial public offerings, mergers and acquisitions, rights issues and share buy backs) remain a particular focus area given the potential for GST credits to be over-claimed on related costs. A recently issued GST guide *Claiming input tax credits on acquisitions made in connection with merger and acquisition activity* gives practical guidance to businesses on how to treat specific transactions through the various phases of the acquisition and or merger process.

We will send letters to taxpayers involved in mergers and acquisitions including a copy of the GST guide and ask them to ensure they are correctly treating transactions for GST purposes during the process. We will also undertake 50 risk reviews on these activities to ensure they have properly complied with the GST law correct decisions. We will follow up with targeted communications to those involved in such transactions, reminding them of their responsibilities.

We remain concerned about a small number of businesses engaged in merger and acquisition transactions adopting non-commercial arrangements to claim input-tax credits which they would not normally be entitled to. We have issued a taxpayer alert (TA2010/11) outlining our concerns about these arrangements and will follow them up with appropriate action.

## Foreign partnerships

To determine whether interest is deductible in Australia, we are examining the inclusion of foreign partnerships in consolidated groups to facilitate interest deductions in two countries (double dipping). We will exchange relevant information with foreign tax authorities where appropriate.

### Black-hole expenditure

We are concerned about the possible incorrect treatment of business capital expenditure. This includes:

- claiming black-hole expenditure as an operating expense of the business in the year costs were incurred
- claiming black-hole expenditure where it should, for example, otherwise be amortised over the life of an asset
- failing to apportion a claim where the business is in receipt of both assessable and non-assessable non-exempt income.

We will consider the correctness of approximately 32 claims made, which in aggregate amount to in excess of \$210 million. We will also seek to identify events where it is reasonable to expect a claim to be made or where a claim is absent from the income tax return, to enable a deduction to be made.

### Exploration expenditure

We will be reviewing approximately 45 significant claims for an immediate deduction for mining, quarrying or prospecting rights to ensure they are in accordance with the legislation given increased level of mergers and acquisitions activity in the mining and petroleum industries.

### Tax and capital losses

With the increase in losses incurred and carried forward during the recent global economic downturn, and the removal of foreign loss quarantining, there is a heightened compliance risk associated with losses.

We will be testing claims for losses to check for those that do not reflect genuine commercial arrangements, lack economic substance and do not meet the continuity-of-ownership test or the same-business test.

We will also be reviewing the large market financial services industry given the \$47 billion of capital losses carried forward. Trusts (in particular managed investment trusts), superannuation funds and life insurance companies will be the subject of a specific focus to ensure capital losses incurred are genuine and used in accordance with the legislation.

### Research and development claims (R&D)

Research and development expenditure registered with AusIndustry in 2008–09 was \$18.08 billion, a 21% increase from 2007–08.

We are concerned with a number of issues in regard to R&D claims including:

- normal business activities are being incorrectly classified as R&D activities
- companies are not capturing R&D expenditure on a contemporaneous basis, but rather claims are being calculated after the event by apportioning expenditure
- failing to apply specific R&D rules, for example the 'on own behalf' rules and feedstock rules
- non-capitalisation of labour involved in the construction of R&D assets
- unsubstantiated and ineligible claims of the R&D tax offset.

We will focus on producing guidance and ATO-view products to ensure taxpayers understand our view of the law and to encourage voluntary compliance. In the large market we plan to undertake reviews and audits of around 30 companies.

### Property transactions and GST

We are concerned about incorrect reporting of property transactions and whether GST is being reported correctly in relation to the construction and sale of retirement villages. We will be conducting approximately 10 risk reviews of large companies engaging in major property transactions.

As part of our overall property audit program we will seek to identify and take action on taxpayers who:

- obtain non-complying margin scheme valuations that reduce GST payable on property sales.
- are outside the property sector who occasionally undertake property transactions. We encourage taxpayers to adopt robust governance approaches to correctly classify, capture and report these transactions.
- attempt to carve out or separate particular supplies in an uncommercial manner in relation to retirement village operators that may result in an additional GST benefit as outlined in Taxpayer Alert 2010/7.

## Superannuation funds

There are around 75 large superannuation funds. We are continuing to develop our 'real time' approach for engaging with key superannuation funds. Under our risk-differentiation framework we are applying our resources and tailoring our approach to large superannuation fund compliance based on our assessment of likelihood and consequences of non-compliance.

We will continue to review large fund compliance with their obligations to make pay as you go tax instalments and their income tax obligations including:

- exempt current pension income claims
- industry practice regarding the foreign income tax offset
- tax risks specific to pooled superannuation trusts
- fund mergers in light of capital gains tax loss rollover provisions
- use of trust structures and the tax treatment of distributions
- addressing potential unintended consequences of legislation applicable to large superannuation funds including those raised by industry
- capital losses being reported
- reporting under taxation of financial arrangements.

Our administration of a number of key aspects of the superannuation system relies on timely and accurate reporting by large funds of contributions they have received and other information.

We plan to undertake around 25 superannuation audits of large funds regulated by the Australian Prudential Regulatory Authority to ensure the accuracy of their reporting, including in respect of lost members and their treatment of amounts paid to departing temporary residents. We will also check they have met their obligations to pay unclaimed money to us, and to release excess contributions where a release authority has been issued.

We will select these funds where their reporting indicates potential inadequacies or discrepancies. Non-tax shortfall penalties will be applied to incorrect fund reporting in appropriate cases.

## Alternative fuels

The parliament has passed legislation for arrangements for the taxation of alternative fuels. Subject to royal assent, the measure will commence on 1 December 2011.

Our client relationship managers will encourage and support new and existing taxpayers to comply with this measure with educational products and tools to facilitate willing participation.

The key industries affected will be manufacturers, importers, distributors and certain users of alternative fuels including biodiesel, liquefied petroleum gas (LPG), compressed natural gas (CNG), liquefied natural gas (LNG), methanol ethanol and renewable diesel.

# 05

## Abuse of the taxation and superannuation systems

We identify, deter and deal firmly with those who intentionally seek to obtain advantage through the illegal use of the taxation and superannuation systems. Through our actions we reassure the community we are serious about protecting them from those who intentionally seek to abuse Australia's taxation and superannuation systems.

## Secrecy jurisdictions

Transactions disguised through offshore secrecy or through arrangements designed to hide the source, nature or ownership of assets and income are an ongoing focus for us.

We are detecting more cases for action by analysing AUSTRAC data, our banking transparency strategy and liaising with other government agencies and overseas revenue authorities. We also receive information through data-matching activities from concerned citizens. We conduct profiling to classify risk and take appropriate action. Our action may involve taxpayer questionnaires, letters to promoters, taxpayer reviews, default assessments, audit activities, imposing penalties and interest and prosecutions.

Project Wickenby has been effective in improving future compliance by identifying an additional \$306 million in tax paid.

AUSTRAC's long-term analysis also indicates Project Wickenby is having a considerable impact on tax abuse associated with secrecy havens.

A general analysis of fund flows from Australia to secrecy havens shows a 15.8% decrease to 13 haven countries, particularly Vanuatu, Liechtenstein and Switzerland where Wickenby had a significant focus. This demonstrates the broader impact of Project Wickenby.

As we sign more taxation information exchange agreements we increase our ability to share information. Working with our jurisdictional and Project Wickenby partners will continue to improve our ability to find tax evasion arrangements. We will also focus on those who did not take the opportunity to come forward.

We are still seeing cases where foreign income is not declared. Under our current arrangements taxpayers are entitled to penalty reductions for voluntarily disclosing income not previously taxed.

Another focus is on offshore promoters who deal with advisers, participants and potential participants. By targeting these promoters, we expect to reduce participant numbers and raise community awareness that dealing in arrangements involving abusive secrecy haven schemes is not worth the risk.

## Refund fraud

This year we have additional federal budget funding to support our efforts in integrity outcomes relating to refunds of income tax, goods and services tax and excise. In particular this will enable us to enhance our detection of refund fraud across all lodgment channels, as well as providing additional compliance support, including criminal investigations. We will continue to send a strong deterrent message to the community by referring appropriate cases for prosecution.

We continue to expand our access to third-party data. In particular, additional data we are sourcing from the Department of Immigration and Citizenship will improve risk profiling of claims from temporary visitors, particularly claims for residency for tax purposes, spouse offset and goods and services tax refunds.

We will closely scrutinise returns where offsets and rebates are generating a refund, including a focus on the education tax refund. We will stop potentially fraudulent claims for refunds from issuing while we contact taxpayers for additional information to support their claims.

We protect and educate potential victims, including those ill-informed or poorly advised, by alerting them to the risks and consequences of involvement. We have increased both our broad and targeted messaging on tax file number and identity protection.

## Organised crime

Organised crime is using highly organised, business-like and abusive approaches to the taxation and superannuation systems. Analysis of intelligence, including from other agencies, and our compliance casework, shows an increase in sophistication, increasing use of new technologies, and organised methods to manipulate the system.

We support the Commonwealth Organised Crime Strategic Framework by applying tax laws to taxpayers associated with organised criminal activity. We have increased our contribution to cross-agency taskforces by taking action to appropriately apply taxation powers to matters referred to us by law enforcement agencies. We expect this to be an increasing focus of our work. We have seconded officers to the Commonwealth Criminal Assets Confiscation Taskforce and expect to raise taxation liabilities in other taskforces dealing with serious and organised crime.

Our focus is across all markets and entities abusing the taxation system or having significant amounts of unexplained wealth.

## Prosecutions

Taxpayers may be prosecuted if they attempt to:

- defraud the tax and superannuation systems
- facilitate or collude with others to evade their obligations
- deliberately fail to participate where they should
- deliberately under-report or fail to report their income
- overstate their losses or deductions
- evade their superannuation responsibilities
- access super fund amounts illegally.

We continue to refer matters to the Commonwealth Director of Public Prosecutions. We are also broadening our prosecutions under the *Taxation Administration Act 1953*.

## Tax-avoidance arrangements

We work with taxpayers and their advisers across all markets, assisting and encouraging them to recognise, reject and report tax avoidance arrangements.

Reporting tax avoidance arrangements to us can prevent taxpayers becoming involved in inappropriate arrangements and ensure a level playing field by eliminating a competitive advantage that less scrupulous tax intermediaries may otherwise enjoy. Some people, including tax professionals, have provided us with information on arrangements they have seen. People may provide information to us by phoning **1800 177 006**. We welcome this information.

Where we have concerns about particular arrangements, we will continue to warn the community – for example, by promptly issuing and following up on taxpayer alerts. We will continue to issue taxpayer alerts on a range of income tax, goods and services tax and superannuation issues as they arise. This keeps us on the front foot in protecting honest taxpayers.

We have published a guide for tax intermediaries, *Good governance and promoter penalty laws* and written to prominent entities in the law, accounting and financial product industries to help them understand the laws and highlight the need for improved governance. We have met with a number of these entities and will continue this program of engagement this year.

We strongly encourage entities involved in financial products being offered widely to seek product rulings from us. Rulings provide certainty about the tax consequences of participation in the arrangements. Where product issuers do not seek rulings, we will follow up. And where we have concerns about a product, we will take appropriate action, such as adjusting the claims of investors, issuing taxpayer alerts, seeking modification of the product by the entity and, in the most serious cases, applying the promoter penalty laws. We will also check the arrangements of some products with rulings to ensure they have been implemented in accordance with information provided to us in product ruling applications.

We will also ask advisory firms to encourage their clients to more fully engage with us through the private or class rulings system.

Where widely offered products, or boutique arrangements, offer tax benefits not available at law, we will encourage the issuers of these arrangements to modify or remove these features. Where these entities do not self-correct we will issue them with warnings highlighting the risks they run if they continue with their conduct. For the most serious cases involving the highest levels of risk and lowest levels of self-correction, we will consider applying sanctions available under the promoter penalty laws, including civil penalties and Federal Court injunctions.

In our ongoing assessment of key law and accounting advisory firms and financial institutions we have identified a number of firms and individual advisers with histories of advocating or supporting tax avoidance arrangements. We are now including this as one factor in our overall risk assessment of taxpayers.

We will commence reviews of higher risk advisory firms and financial institutions, and their clients, to determine whether they have participated in the same or other aggressive arrangements. We will also commence targeted reviews of individual advisers to ensure tax compliance in respect of their own affairs. Our assessments have shown that the higher risk advisers and promoters may also be higher risk taxpayers.

In addition, we will use our access and information-gathering powers to resolve enquiries faster and take more effective corrective action against scheme promoters and their clients.

## Superannuation

The establishment and operation of illegal early release schemes, even on a small scale undermines confidence in Australia's superannuation system.

We will continue to review all registration applications for self managed superannuation funds to ensure that only people who are fit and proper are allowed to register and that funds are not established for the purpose of facilitating illegal early release.

We will also monitor the rollover process to ensure integrity in the system, work with the Australian Prudential Regulation Authority in promoting good practices in the funds they regulate, and provide our self-managed superannuation funds member verification service for those funds.

We will continue to identify, investigate, assess for tax and refer for prosecution individual participants and promoters of illegal early release schemes.

# Good governance and promoter penalty laws

April 2011 marked the fifth anniversary of the introduction of the promoter penalty laws. Our experience in administering these laws shows a positive impact in deterring the promotion of tax avoidance and evasion schemes and changing behaviours in relation to the promotion of aggressive arrangements.

These laws provide a flexible set of remedies for the Commissioner to apply to deter the promotion of tax avoidance or evasion schemes and implementation of product ruling arrangements in ways that result in materially different tax outcomes for investors. In addition to accepting voluntary undertakings, the Commissioner can apply to the Federal Court for restraining or performance injunctions and/or seek civil penalties of up to \$2.75 million per entity per scheme.

Our approaches for the first two years focused on helping tax intermediaries to prepare for the changes that these laws meant for their important roles in the system.

Since then, we have worked with a variety of tax intermediaries to educate them about the risks of engaging in conduct prohibited by these laws, both in general and through specific contacts about arrangements of concern.

We encourage tax practitioners to report such arrangements to us to help eliminate the competitive advantage that less scrupulous tax intermediaries may otherwise enjoy. We act upon referrals received from tax practitioners and the community to identify at-risk/high-risk arrangements and those who are involved in promoting them. Where appropriate, we have issued taxpayer alerts to advise the community of our concerns and followed up with the promoting entities, their associates and participating taxpayers to enforce compliance.

Since the commencement of the laws, we have conducted over 550 reviews of the conduct of entities potentially involved in arrangements that may have contravened these laws.

In most cases, entities we contact about specific conduct regarding doubtful arrangements correct their conduct without us needing to impose sanctions under these laws. Many have taken material off websites, changed seminar materials, altered scripting content or even ceased marketing particular products.

In addition to this self-correction, some entities involved in more complex or higher value arrangements have offered us enforceable voluntary undertakings for the purposes of these laws, which we have accepted.

In other cases where entities have not self-corrected at first instance, we have warned them of our concerns, highlighting the risks they run in continuing with their conduct, which has resulted in further self correction.

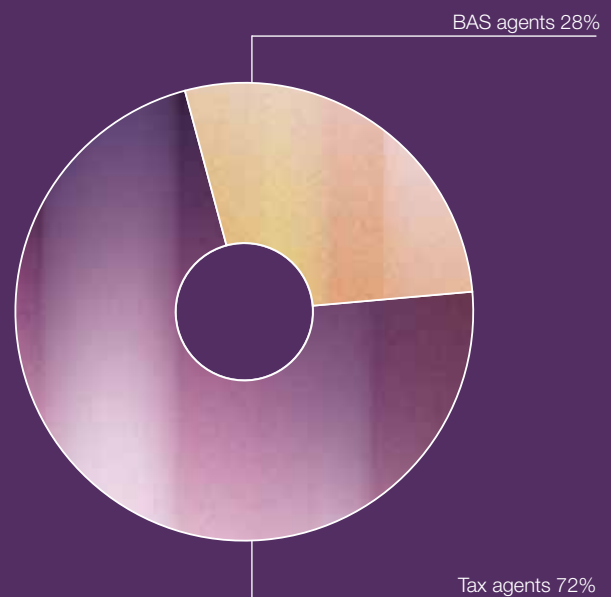
For the most serious cases involving the highest levels of risk and lowest levels of self-correction, we will initiate proceedings in the Federal Court to seek a civil penalty or an injunction as appropriate.



# 06

## Tax practitioners

Since the introduction of the *Tax Agent Services Act 2009* registered agents now include tax agents and BAS agents. More than 53,000 practitioners are now registered with the Tax Practitioners Board. Many newly registered agents operated in the profession before they were required to register.



Registered tax agents lodge around 71% of income tax returns for individuals and more than 95% of business tax returns. Many agents also act as approved auditors of self-managed superannuation funds.

Some tax practitioners are not required to register with the Tax Practitioners Board. These include legal practitioners providing tax advice to people or acting on their behalf, superannuation fund auditors, and bookkeepers providing accounting or other services as employees within businesses and organisations.

### Understanding registered agents

We will improve our understanding of the population of registered agents and how their behaviours influence the willing participation of others. We are improving our ability to profile a registered agent's practice, based on a risk assessment of demonstrated behaviour.

Working with key stakeholders, we will develop a framework differentiating our approach to them based on likelihood and consequences of risk. This will guide our decisions and response to registered agent behaviours. This will allow us to develop tailored information products and services, and better target our compliance approaches.

### Lodgment program performance

The lodgment program will differentiate between those with a proven track record of good performance and those who don't meet the standard lodgment program and regularly seek deferrals. We are working with registered agents to understand why they seek deferrals.

We will better target the support we offer through our lodgment assistance program, and limit ongoing support to practices that do not meet minimum standards.

### Small business benchmarks

Cash economy small business benchmarks help tax agents compare their client's individual business performance against similar businesses in their industry.

Most businesses are within benchmark and most registered agents have clients operating within benchmark. We have identified that about 50% of those businesses falling outside benchmark are represented by about 1,900 registered tax agents. We will contact registered tax agents with a high number of clients whose results fall outside benchmarks to gain an understanding of why this is the case.

We recognise the important role tax and BAS agents play in encouraging clients to keep good records. We will work with all registered agents to help them lift the standards of client record keeping.

### Encouraging compliance

We dedicate significant resources to managing our relationships with tax practitioners – including the provision of specifically designed services and products, like our professional-to-professional program, and tailored consultative arrangements.

Under the code of professional conduct administered by the Tax Practitioners Board, all registered agents must comply with taxation laws in the conduct of their personal affairs. Failure to meet these requirements puts a registered agent at risk of receiving compliance action. This may include prosecution and referral to the Tax Practitioners Board for consideration of disciplinary action under the *Tax Agent Services Act 2009*.

Our intelligence gathering and risk analysis allows us to detect agents who may be breaching the code of professional conduct, under the *Tax Agents Services Act 2009*, or entities that have not registered with the Tax Practitioners Board for the provision of tax agent services. We refer these matters to the Board for further investigation and application of sanctions by it, where appropriate.

We work through our consultative forums and industry associations to help deal with non-compliance with personal obligations by tax practitioners who don't need to register under *Tax Agent Services Act 2009*.

We encourage tax and BAS agents and the community to phone the Board on **1300 362 829** if they have concerns about practices that could bring the profession into disrepute. These could include activities of unregistered agents or those activities which abuse Australia's tax and superannuation systems. We will continue to support the Tax Practitioners Board on these matters.

### Superannuation intermediaries

Approved auditors of self-managed superannuation funds are a key part of the assurance framework for the self-managed superannuation funds system.

In collaboration with their professional associations, we will support auditors through guides, publications and support tools, such as the recently updated electronic superannuation tool eSAT. This tool assists auditors to complete compliance audits of self-managed superannuation funds and satisfy reporting obligations. We will also extend the super professional-to-professional support service to the top 100 approved auditors, who complete over 30% of the audits of self-managed superannuation funds.

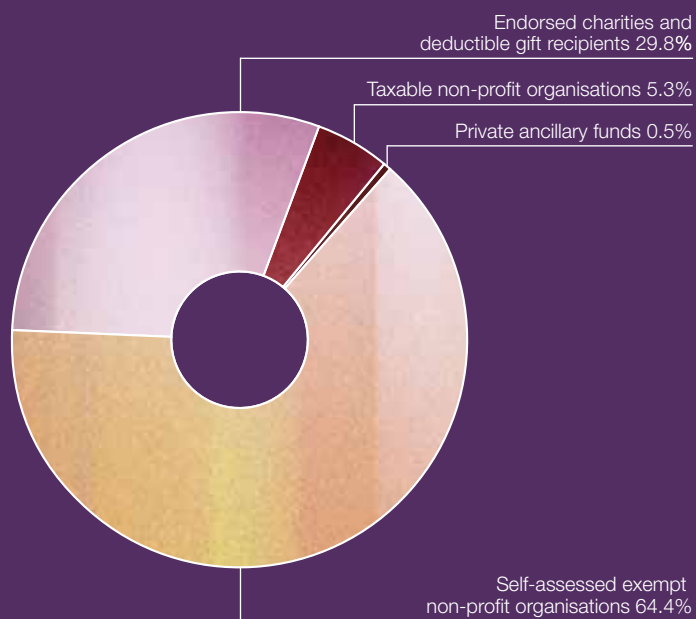
We will be expanding our program of audits and reviews of approved auditors of self-managed superannuation funds to ensure they are properly fulfilling their role in accordance with the law and relevant professional competencies and standards. This year we will be undertaking 300 audits and 600 reviews – almost a 50% increase over our activities last year. Where auditors pose an on-going risk we will disqualify them as approved auditors and apply other sanctions, including referral to their professional associations' disciplinary committee, or prosecution, depending on the severity of behaviour.

We will also help prepare auditors for the proposed new registration required under the Government's Stronger Super program.

# 07

## Non-profit organisations

We have registered more than 186,000 non-profit organisations.



Most non-profit organisations self-assess their entitlement to tax concessions. However, some, such as charities and most deductible gift recipients, must be endorsed by us to access tax concessions available under income tax, goods and services tax (GST) and fringe benefits tax laws.

Recent changes announced by government propose that the legal status of certain groups such as charities will be regulated by a new statutory agency. Under the proposal, we will retain responsibility for administering tax concessions for the non-profit sector, including charities.

### **Australian Charities and Not-for-profits Commission**

In the 2011–12 federal budget, the government announced its intention to establish a new independent statutory agency, the Australian Charities and Not-for-profits Commission (ACNC) from 1 July 2012. We will be required to make related structural changes.

To prepare for the commencement of the new commission, we will separate our activities relating to the determination of charity status and administration of tax concessions.

### **Promoting good governance**

We provide organisations with assistance to manage their taxation and superannuation obligations and safeguard their reputations.

Regular changeover of office bearers and reliance on volunteers can make compliance difficult in this sector. Having good governance practices helps organisations identify and manage tax compliance risks and other risks that may affect their reputations and how they work. We have co-designed with the sector a new self-governance tool, due for release this year. The tool will help these organisations understand and meet their tax and superannuation responsibilities.

### **Clubs**

Not all clubs are exempt from income tax. All clubs should undertake an annual review of their status to assess whether they still meet the requirements to be exempt. Non-exempt clubs are taxable only on income they derive from non-members under the principle of mutuality. We will monitor higher risk entities to ensure they have correctly assessed whether they are exempt and whether they have correctly calculated their mutual income.

For clubs seeking assistance and guidance, we continue to develop and update help and education materials, often in cooperation with the peak bodies in the industry.

Our *Income tax exemption and sporting clubs* guide helps office bearers and advisers to self-assess if their club is exempt from income tax as a society, association or club established for the encouragement of a game or sport.

### **Other areas of focus**

Some religious organisations continue to encounter difficulties with compliance. Some detect this through their internal governance processes and approach us for assistance to correct errors and mistakes. In other instances we may identify a need to intervene where parts of a religious organisation no longer operate in a way consistent with their tax-concession endorsements.

We will work with the broader religious community to deliver our key messages. We will do this before we undertake reviews to ensure they are using tax concessions appropriately for the benefit of the community.

We are also concerned that some training organisations endorsed as public benevolent institutions are expanding their services beyond individuals in need of direct benevolent relief. We will work with industry and government agencies to resolve compliance issues for training organisations. For example, we will provide information about how certain types of contracts let to these public benevolent institutions may have an adverse impact on the status of these organisations, and their access to tax concessions. We will also work with the affected training organisations so that all parties can make informed decisions.

### **Supplies for nominal consideration**

Some charitable institutions and gift-deductible entities are incorrectly treating supplies as GST-free on the basis that they are made for nominal consideration, when they should be taxable or input taxed. Conversely some are treating supplies as taxable or input taxed when they should be GST-free.

We are working with charitable institutions and gift-deductible entities, particularly those providing accommodation, through a range of help and education products, such as tailored mail-outs, publications and consultative forums.

## Public ancillary funds

In the 2010–11 federal budget, the government announced changes to improve the accountability of public ancillary funds. The changes included providing trustees of public ancillary funds with greater certainty about their philanthropic obligations. They will also provide donors, and the charitable sector, with greater confidence that donations are being used effectively.

When the proposals become law, we will work with the sector to raise awareness of the new legislation. We will also assist with any transitional issues by providing new and updated information products and writing to existing public ancillary funds to explain the changes.

## Private ancillary funds

We have released a suite of products, including *Private ancillary funds – frequently asked questions*, to assist funds understand and meet their obligations. We will review 100 private ancillary funds entities to test the level of compliance with the new rules.

## Non-profit law clarification

The High Court handed down its decision on *Aid/Watch Incorporated*, clarifying the extent to which charities are able to engage in political advocacy.

The Full Federal Court handed down decisions clarifying entitlement to income tax exemption in:

- *Co-Operative Bulk Handling Ltd* – whether the entity was established for the purpose of promoting the development of Australian agricultural resources.
- *Wentworth District Capital* – whether the entity was established for community service purposes.

In the 2011–12 federal budget, the government announced its intention to provide clarity about tax concessions being available for the ‘related’ commercial activity of a charity, but not the ‘unrelated’ commercial activity. We expect that the legislation, once passed, will clarify the extent of the *Word Investments* decision by the High Court in 2008. The High Court found where a commercial business with exclusively charitable objects that directed its profits to charities was eligible for endorsement as a charitable institution.

Due to the regular flow of court decisions in recent years we are now investing more resources into reviewing, maintaining and updating our advice and information products for the not-for-profit sector. The updated rulings will provide certainty about our approach to administering the tax concessions for the benefit of the broader community.

From 1 July 2012, the proposed ACNC will have the responsibility for advising the public about what is charitable. We expect to work closely with the ACNC to ensure that our advice about tax concessions available for charities is well-synchronised with their future advice.

When we are in the process of updating public rulings, we have been issuing decision impact statements on key court cases. We also ensure we correctly apply the decisions of the courts, where relevant, when determining the outcomes of requests for advice or endorsement for tax concessions.



# Appendix

## Snapshot of our 2010–11 activities

The following information contains some of the highlights of preliminary results from our compliance activities undertaken throughout 2010–11. We will publish the final results in the *Commissioner of Taxation Annual report 2010–11*.

## Introduction

Our compliance focus for 2010–11 included a considerable effort ensuring that people and businesses affected by natural disasters were given a chance to deal with those impacts. For taxpayers in affected regions we deferred the times of key tax obligations, including lodgments, giving individuals, businesses and the communities time to recover.

Shifts in our attention throughout the year reflected changing deployment of our resources – either to address the highest risks or to assist taxpayers and tax practitioners affected by natural disasters.

We also increased our commitment to a range of strategies and activities aimed at improving voluntary compliance and dealing with non-compliance – by actively supporting individuals, businesses and tax practitioners across the community.

We increased our attention on detecting and dealing with over-claimed refunds and cases of potential fraud. Our information-matching activities again increased, further supporting our efforts directed at those involved in the cash economy.

Our interest in wealthy taxpayers and cooperation with other agencies through Project Wickenby continued. We also continued our strong attention on lodgments, employer obligations, superannuation, and GST obligations.

Increasingly, we sought to engage with larger businesses on a prospective, cooperative basis to identify tax risks as early as possible and develop mitigation strategies cooperatively.

Our commitment to transparency regarding our risk concerns and treatment of compliance risks resulted in our implementation of a risk differentiation framework. Under the framework we informed most large businesses about our view of their compliance risk, relative to other large corporates. Where there were concerns with a large taxpayer's risk profile, we discussed the matters with them. Where we had no concerns we advised the taxpayer their return was closed.

The following information contains some of the highlights of the compliance activities we undertook during 2010–11. The information is based on preliminary results. We will publish our final results in the *Commissioner of Taxation Annual report 2010–11*.

## Individuals

### Income tax

- We reviewed over 28,000 tax returns in relation to high-risk refunds, resulting in revenue adjustments of approximately \$44 million.
- We reviewed over 29,000 income tax refunds identified as potentially over-claimed refunds or fraudulent claims, resulting in revenue adjustments of approximately \$105 million.
- We raised approximately \$103 million in revenue adjustments from over 500 reviews and audits of high-income executives and directors.
- We expanded the comparison of third-party data against information provided in tax returns, resulting in over 398,000 income and benefits discrepancies requiring revenue adjustments of approximately \$347 million. These results included:
  - \$56 million in foreign source income using data from the Australian Transaction Reports and Analysis Centre (AUSTRAC) and information supplied by our overseas treaty partners
  - \$15 million in incorrect Medicare levy exemption claims where no exemption certificate existed
  - \$12 million from non lodgers where we raised default assessments based on the information reported by third parties.
- We processed information about an additional 37 million share transactions in 2010–11, bringing the total share transactions we use in information matching to approximately 237 million.
- We received an additional 1 million property records, bringing the total number of processed real property transactions used in our matching activities to approximately 25 million.
- The offshore voluntary disclosure initiative resulted in over 7,600 disclosures by taxpayers since commencing in July 2007. Now finalised, this initiative resulted in over \$155 million in tax and penalties across four years.

### Lodgment

- We wrote to 1.9 million individuals following up their lodgment and phoned 122,100 individuals to further ensure they met their obligations. These activities resulted in us refunding net liabilities of approximately \$100 million.



## Debt

- We supported many individuals in meeting their payment obligations by granting payment arrangements, with over 80,000 in place at any point in time.
- We suspended debt collection action and automatically deferred due dates for tax payments for individuals affected by natural disasters.
- We took over 1,600 firmer and legal recovery actions against individuals who chose not to work with us or continually defaulted on agreed arrangements.
- We received over 5,000 applications for release from payment of tax debt and granted full or partial release in around 75% of release decisions made.
- The number of tax debtors in the individuals market is around 444,000.

## Superannuation

- In 2010–11, we actioned over 16,300 complaints from employees relating to unpaid superannuation. Over the last five years, our superannuation guarantee compliance activities have resulted in around \$1.3 billion of additional super being transferred to member accounts.
- We issued assessments to around 41,000 individuals who exceeded the contribution caps, raising approximately \$285 million in liabilities. We also provided additional communications on various aspects of the excess contributions tax system to assist individuals in understanding how we apply the law. We undertook the majority of this activity in time for taxpayers to vary their contribution behaviour to avoid exceeding the caps in the 2010–11 year.
- As part of our commitment to addressing lost superannuation, we have contacted members regarding almost 266,000 lost superannuation accounts. These reviews have resulted in a number of accounts being removed from the lost member register.

## Micro enterprises

### Income tax

We completed over 2,100 reviews and audits, raising approximately \$111 million in liabilities. These activities included:

- 400 reviews and audits of partnership and trust distributions, raising approximately \$17 million
- almost 500 capital gains tax reviews and audits, raising approximately \$46 million
- 130 reviews and audits of offshore income, raising approximately \$14 million
- around 690 reviews and audits to identify omitted income, raising approximately \$21 million.

### Lodgment

- We wrote to 2.59 million micro enterprises following up their lodgment and phoned 95,100 entities to further ensure they met their obligations. These activities raised approximately \$1.6 billion in liabilities.

## Debt

- We continued to offer the measures introduced in 2009 to assist viable micro enterprises – payment arrangements free of general-interest charge for 12 months and deferred due dates for activity statement payments.
- Payment arrangements were a major part of the practical support we provided to viable businesses in this segment, with around 140,000 in place at any point in time.
- We suspended debt-collection action and automatically deferred due dates for tax payments for micro enterprises affected by natural disasters.
- We took over 46,700 firmer and legal-recovery actions against micro enterprises choosing not to work with us, continually defaulting on agreed arrangements, or not having the capacity to pay and not taking steps to resolve their situation.
- The number of tax debtors in the micro-enterprises market is around 778,000.

## Superannuation

- In addressing employee complaints about unpaid superannuation we have actioned 10,000 superannuation guarantee cases involving micro employers, raising approximately \$152 million in unpaid superannuation and penalties.
- We also undertook marketing and communication activities targeted at employers in high-risk industries, including the computer system design and related services, accommodation and accounting service industries. As a result of our previous activities, including targeted communication activities, we received almost 16,000 voluntary statements raising a further \$45 million in unpaid superannuation.
- We undertook over 4,600 reviews of the superannuation guarantee compliance of high-risk employers, including employers in the industries of road freight transport, automotive repair and electrical services, raising \$109 million in unpaid superannuation, mainly in the micro-market segments
- We reviewed the regulatory compliance of over 11,100 self-managed superannuation funds, raising approximately \$5 million in liabilities and resulting in a range of actions including making 70 self-managed superannuation funds non-complying, winding up 10 funds, issuing 154 enforceable undertakings and disqualifying over 312 trustees. We also issued 184 formal notices to taxpayers, promoters and third parties for access and information.
- We undertook over 900 audits and reviews and issued 1,500 tailored advice mail-outs, across all market segments relating to the income tax obligations of self-managed superannuation funds. These activities raised around \$10 million in tax liabilities and resulted in a decrease in some of the more obvious errors.

## GST

- Our telephone and field verification checks resulted in over 30,000 activity statements being adjusted.
- We undertook over 40,000 reviews and audits in the micro market raising net GST liabilities of approximately \$435 million.
- We conducted around 12,000 small business obligations visits. These activities included over:
  - 9,000 business assistance visits
  - 3,000 obligations support visits
  - 130 national Indigenous program – assistance visits completed under the small business obligations and Indigenous sector compliance risks.

## Cash economy

- We increased our scrutiny of businesses deliberately not reporting their cash income, with over 1.4 million small business evaluated against our sophisticated risk-detection systems and over 16,000 businesses directly contacted through our compliance activities. These compliance activities, aimed at detecting and dealing with those not paying their fair share, have raised around \$151 million in liabilities. Our analysis shows that businesses subjected to compliance activity generally pay more tax in subsequent tax returns following our activity.
- Our small business benchmarks and associated compliance activity raised taxpayer awareness of the record-keeping obligations of all businesses. We wrote to over 107,000 taxpayers and their tax agents regarding their performance against small business benchmarks and other cash economy risk indicators. Our analysis shows that the taxpayers we wrote to increased the amount of GST they reported in subsequent periods and around 1,400 taxpayers voluntarily disclosed additional income they had not disclosed in returns lodged for previous years.
- We received 23,600 calls to our tax evasion hotline (1800 060 062) and 17,100 letters and emails. All the information we receive from the community is evaluated and informs our compliance risk programs. For example, this information resulted in us identifying around 24,000 taxpayers with outstanding lodgment obligations.

## Small-to-medium enterprises

### Income tax

- We completed over 1,650 reviews and audits and 6,200 phone and letter based verification activities for small-to-medium enterprises. At the end of 2010–11, we expect to have raised around \$500 million in liabilities and over \$1 billion in notional tax adjustments, in the form of reduced carried-forward losses and other deductions, protecting around \$300 million in future tax payable.
- We finalised almost 50 advance pricing arrangements with small-to-medium enterprises.
- We completed over 200 private binding rulings, 23 class rulings, more than 150 objections and around 630 inbound correspondence items.

### Lodgment

- We issued letters to more than 93,500 businesses and phoned 4,100 businesses with outstanding lodgment obligations. These activities raised approximately \$810 million in net liabilities.

### Debt

- Payment arrangements were a major part of the practical support we provided to viable businesses in this segment, with around 11,000 in place at any point in time.
- We suspended debt-collection action and automatically deferred due dates for tax payments for small-to-medium enterprises affected by natural disasters.
- We took over 8,500 firmer and legal recovery actions against small-to-medium enterprises choosing not to work with us, continually defaulting on agreed arrangements or not having the capacity to pay and not taking steps to resolve their situation.
- The number of tax debtors in the small-to-medium enterprises market is around 36,000.

### Superannuation

- In addressing employee complaints about unpaid superannuation we actioned over 3,600 superannuation guarantee cases involving small-to-medium enterprise employers. These activities raised approximately \$138 million in unpaid superannuation and penalties.
- We also completed 65 audits on small-to-medium Australian Prudential Regulation Authority funds to verify the accuracy and completeness of their superannuation reporting. These reviews identified a number of issues. Funds have since implemented changes to their systems and processes to rectify these issues for future reporting.
- We reviewed the regulatory and income tax compliance of a small number of small-to-medium self-managed superannuation funds as part of the broader strategy detailed in the micro-enterprises section of this snapshot.

## GST

- As a result of more than 17,180 reviews and audits, we raised net GST liabilities of over \$480 million. Of these activities, around 930 related to property risks, raising net liabilities of approximately \$110 million.
- We issued over 910 private rulings and other forms of interpretative advice to members of this market segment.

## Large businesses

### Income tax

- We completed 46 compliance audits of large businesses and over 370 risk reviews. By the end of 2010–11 we expect we will have raised over \$1.2 billion<sup>2</sup> in liabilities and around \$1.3 billion<sup>3</sup> in notional tax adjustments, being the value of reduced carried-forward losses and deduction claims.
- We worked on several annual compliance arrangements to provide large businesses with greater certainty about income tax risk (see Annual compliance arrangements on page 48).
- We identified a complex scheme involving a number of financial institutions. The scheme was withdrawn from the market following tax rulings and compliance activity, with \$470 million in revenue protected for the last three years, and around a further \$310 million protected relating to future years.
- We completed around 280 private binding rulings, 60 class rulings and around 300 objections.
- We finalised over 30 advance-pricing arrangements and eight mutual agreement procedural matters with other tax administrations where the aim is to manage double taxation matters between jurisdictions.

### Lodgment

- We issued letters to more than 2,900 businesses and phoned 120 businesses with outstanding lodgment obligations. These activities raised approximately \$20 million in net liabilities.

### Superannuation

- In addressing employee complaints about unpaid superannuation, we actioned around 150 superannuation guarantee cases involving large employers. These activities raised approximately \$1 million in unpaid superannuation and penalties
- We completed around 60 audits on large Australian Prudential Regulation Authority funds to verify the accuracy and completeness of their superannuation reporting. These reviews identified a number of issues. Funds have since implemented changes to their systems and processes to rectify these issues for future reporting.

<sup>2</sup>Around \$240 million of Large market income tax liabilities raised are not reported in these results because the taxpayer has shifted to another market.

<sup>3</sup>Around \$1 billion of Large market notional tax adjustments are not reported in these results because the taxpayer has shifted to another market.

## GST

Our compliance activities gave rise to approximately \$660 million in additional GST liabilities. Of this amount, around \$140 million came through voluntary disclosures.

- We finalised over 1,430 reviews and audits focusing on integrity of business systems, financial supplies and property transactions.
- These activities resulted in raising approximately \$194 million in GST liabilities.
- We also finalised over 1,880 reviews and audits across other risks in the large market.
- These activities raised over \$462 million in GST liabilities.
- We issued over 580 private rulings and other forms of interpretative advice to members of this market segment.

## Non-profit organisations

### Income tax

- We reviewed the entitlement to tax concessions for 190 non-profit organisations. This resulted in raising liabilities of almost \$10 million. We also revoked the charitable tax concession or deductible gift recipient status of 15 entities.
- We advised further five entities they were not exempt and requested them to lodge assessments.
- Twenty entities were required to undertake corrective action to maintain their concessional status.
- Almost 100 school building funds voluntarily revoked their deductible gift recipient status.
- We also reviewed the activities of 125 clubs, resulting in 25 clubs lodging original or amended assessments and five cases being escalated to audit to review their entitlement to status as an exempt sporting club.
- We checked 4,800 applications for refund of franking credits, with 120 applications varied down, protecting over \$8 million in revenue.
- We checked almost 4,430 applications for endorsement as a charity or deductible gift recipient, and disallowed over 1,100. We completed around 130 private rulings and over 75 objections.

### Superannuation

- In addressing employee complaints about unpaid superannuation we actioned around 180 superannuation guarantee cases involving not-for-profit employers. These activities raised over \$3 million in unpaid superannuation and penalties.

## GST

- We completed around 1,960 compliance interventions resulting in over \$19 million of revisions in addition to around 730 internal reviews.
- We issued around 380 private rulings and other forms of interpretative advice to members of this market segment.

## Government organisations

### GST

- We issued over 200 private rulings and other forms of interpretative advice to organisations in this market segment.

## Tax practitioners

### Superannuation

- We monitored auditor behaviour and contacted around 1,100 auditors through field visits and our audit program. We disqualified nine approved auditors of self-managed superannuation funds from acting as an approved auditor. We referred 14 approved auditors to their professional association for failing to carry out or adequately perform the duties of an approved auditor, or for not being a fit and proper person to be an approved auditor.
- We also successfully piloted the superannuation professional-to-professional support service. We also enhanced the electronic superannuation audit tool (eSAT).

### Practical assistance to encourage compliance

- We delivered 55 broadcasts directly to affected agents, delivering urgent or important messages, 44 *eLink* and 10 *BAS agent* newsletters.
- We now have over 19,600 subscriptions for the monthly electronic *BAS agent* newsletter. Subscriptions grew by 13,000 in 2010–11.
- We now have over 25,000 subscribers to our weekly *eLink* subscription newsletter, an increase of around 3,200.
- Our online magazine, *The Tax Agent*, generated over 22,000 downloads from our website.
- Web casts have been growing in popularity. The compliance web cast in July 2010 attracted almost 7,000 hits, almost 26,000 hits in October 2010, almost 15,000 in February and over 7,000 hits for the April 2011 web cast.
- We answered around 1.4 million calls to our premium phone service for tax practitioners. We answered over 90% within two minutes.
- We have over 1,000 tax practitioners with our professional-to-professional service.

### Ongoing assurance and integrity

- We referred 110 cases to the Tax Practitioner Board for potential breaches of the *Tax Agent Services Act 2009*, including the *Code of Professional Conduct*.

## Key specific programs

### Aggressive tax planning

We have reviewed the conduct of around 500 entities either:

- potentially involved in arrangements that may contravene the promoter penalty laws, or
- potential participants involved in the arrangements.

These reviews raised liabilities of approximately \$40 million.

Over the course of the year we sent letters to over 69,000 clients primarily to:

- participants in the managed investments scheme collapse
- participants in the stapled securities arrangements.

In addition, we offered enforceable voluntary undertakings to some entities involved in more complex or higher value arrangements. These always include an undertaking to cease marketing the arrangement in the future, and may include undertakings to internal governance or control processes for promoter penalty risks, and providing specific training for staff on promoter penalty issues.

### Serious non-compliance, including Project Wickenby and prosecutions

- We completed almost 280 audits and over 660 reviews in 2010–11, raising approximately \$360 million in liabilities.
- We completed around 110 investigations with around 50 briefs referred to the Commonwealth Director of Public Prosecutions and a further 17 briefs referred to our in-house prosecutions section for prosecution under the *Taxation Administration Act 1953*. We had around 47 prosecution cases brought before the courts. They were all successful.
- There were 40 custodial sentences with 30 people actually jailed as a result of this activity, the remaining 10 receiving suspended sentences. Included in these numbers were six prosecutions related to cash-economy matters. There are around a further 30 cash-economy cases in progress.
- We prosecuted around 1,000 individuals and over 200 companies for a variety of administrative offences including non-lodgment of returns and business activity statements, failure to comply with formal notices for information and making false or misleading statements. Some of these individuals and companies were subject to multiple convictions and bonds.

## Project Wickenby

From inception in February 2006 to end of May 2011, Project Wickenby has:

- completed over 800 audits and 1,380 reviews, raising liabilities of over \$1 billion
- resulted in 23 criminal investigations, with 62 people charged with indictable offences and 18 people convicted of serious offences
- collected over \$563 million (including approximately \$255 million in cash collections from active compliance, a compliance dividend of approximately \$306 million and \$2.1 million of other moneys recouped).

Analysis also shows around a 16% decrease in fund flows to 13 secrecy havens, demonstrating the broader impact of Project Wickenby. Trends also show declines in fund flows of 80% to Liechtenstein, 50% to Vanuatu and 22% to Switzerland.

## Highly wealthy individuals and wealthy Australians

- We completed over 650 reviews and audits of highly wealthy individuals. We expect to raise over \$800 million in liabilities by the end of 2010–11
- In addition, we completed over 600 reviews and audits of wealthy Australians. We also contacted over 2,000 of these individuals by phone or letter to clarify identified compliance anomalies. We expect to raise over \$25 million in liabilities from these activities by the end of 2010–11.

## Employer obligations

- Overall, we conducted around 29,100 reviews and audits of employers to ensure compliance with their pay as you go withholding, superannuation guarantee and fringe benefits tax obligations, raising revenue of over \$700 million. We undertook this work across all market segments.

## Annual compliance arrangements

- Currently, we have 16 annual compliance arrangements in place – five with government departments, the remainder with large business taxpayers.
- We had seven income tax related annual compliance arrangements in operation to provide large businesses with greater certainty about income tax risks. During the year we signed three new compliance arrangements, renewed one and are currently in negotiation with two taxpayers on renewal of existing arrangement. The revenue protected from these arrangements is in excess of \$760 million on major transactions valued in excess of \$30 billion being cooperatively risk assessed with large business.
- While there are relatively few annual arrangements, they are significant in terms of the coverage and impact they have on the economy. The value of turnover of public companies under an arrangement represents almost 11% of total turnover of all public companies.

## Illegal early release of superannuation

- We audited over 920 individuals involved with illegal early release of superannuation benefits and 31 promoters, raising almost \$14 million in liabilities. As our compliance activities have increased, the number of participants engaged in illegal early release has decreased over time.
- In acting against the more serious abuses of the superannuation system we had two civil penalty cases decided in the Federal Court. Convictions were recorded against trustees and fines totalling \$27,500 were imposed. We also referred four illegal early-release cases for prosecution. Additionally we completed 138 prosecutions, resulting in 101 convictions and fines of approximately \$202,849 relating to lodgment obligations of self-managed superannuation funds.
- As part of our focus on illegal early release we implemented real-time risk profiling of new self-managed superannuation fund registrations. To date we have stopped over 440 suspect funds from operating by withholding their details from *Superfund Lookup*.
- We also introduced a member-verification service, allowing Australian Prudential Regulation Authority funds to confirm whether an individual is a self-managed superannuation fund member before actioning a super rollover request. This service reduces fraud, limits the scope of illegal early-release schemes and increases the integrity of the rollover process.

## Taxpayer assistance – guidance and advice

Each year we provide advice and guidance to taxpayers and others who ask for our assistance and views on the laws we administer. This year we have provided guidance and advice on around 30,400 occasion as follows.

|                             | Interpretative guidance – non-binding | Private written advice | Total  |
|-----------------------------|---------------------------------------|------------------------|--------|
| Individuals                 | 6,100                                 | 3,200                  | 9,300  |
| Micro enterprises           | 8,200                                 | 3,600                  | 11,800 |
| Small-to-medium enterprises | 1,700                                 | 600                    | 2,300  |
| Large businesses            | 600                                   | 400                    | 1,000  |
| Non-profit organisations    | 5,100                                 | 300                    | 5,400  |
| Government                  | 400                                   | 200                    | 600    |

## Non-binding advice by phone – inbound calls

In addition, to mid-June, we had received around 8.8 million calls from people across all markets, with around 1.5 million callers requiring general non-binding advice.

**FEEDBACK**

Email your comments to [compliancefeedback@ato.gov.au](mailto:compliancefeedback@ato.gov.au)

**MORE INFORMATION**

For copies of this document phone **1300 720 092** or visit [www.ato.gov.au](http://www.ato.gov.au)

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Canberra  
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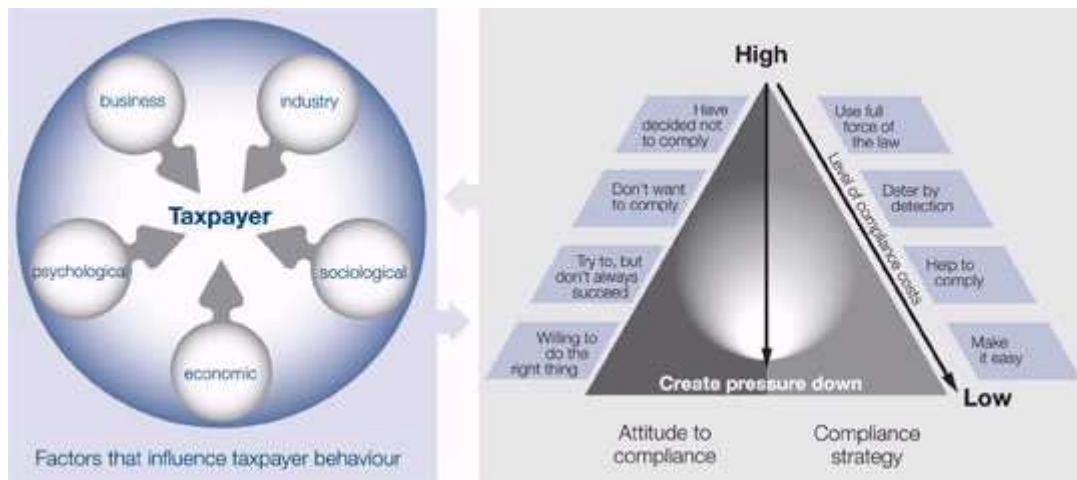
## Introduction to the compliance model

The compliance model is a structured way of understanding and improving taxpayer compliance. It helps us to understand the factors that influence taxpayer behaviour and to apply the most appropriate compliance strategy.

Taxpayer compliance behaviour is influenced by many factors - business, industry, sociological, economic and psychological.

The compliance model shows a continuum of taxpayer attitudes towards compliance. At the base of the continuum, taxpayers have the desired attitude of being 'willing to do the right thing'. At the other extreme, taxpayers have decided not to comply - choosing to evade or opt out of the tax system.

The compliance model also summarises the different sorts of support and intervention that we may need to provide to collect the required revenue. The model suggests that the Tax Office has the ability to influence taxpayer behaviour through our response and interaction.



Last Modified: Wednesday, 25 March 2009

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## Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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**Australian Government**  
**Australian Taxation Office**

# **Taxpayers' charter**

## What you need to know

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# Foreword



Australia's tax and superannuation systems are community assets and we all have a role to play in their care and maintenance. These systems underpin the way of life we enjoy in Australia.

Members of the community play their part by fulfilling their responsibilities under the law, including being able to access benefits that may be available to them. As administrators, our role is to build the community confidence in these systems that encourages people to do the right thing.

To foster that confidence, we need to have a relationship with the community based on mutual trust and respect. We nurture that relationship by:

- being open, transparent and accountable in our dealings with the community
- being professional, responsive and fair, taking into account people's circumstances and previous compliance behaviour
- trying to make it as easy as possible for people to comply with their obligations
- supporting those who want to properly participate in these systems
- being firm with those who try to avoid their obligations, and effective in bringing them to account.

The Taxpayers' Charter (the charter) explains what you can expect from us in doing this, and we are committed to following it in all our dealings with you.

A handwritten signature in black ink that reads "Michael D'Ascenzo". The signature is written in a cursive, flowing style.

**Michael D'Ascenzo** Commissioner of Taxation



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# Introduction

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The charter is for everyone who deals with us on tax, superannuation, excise and the other laws we administer.

It sets out the way we conduct ourselves when dealing with you. It will help you understand:

- what you can expect from us
  - your rights and obligations
  - what you can do if you are not satisfied.
-

# Your rights

## **You can expect us to:**

|  |    |
|--|----|
| Treat you fairly and reasonably.....   | 2  |
| Treat you as being honest unless you act otherwise.....                      | 3  |
| Offer you professional service and assistance .....                          | 4  |
| Accept you can be represented by a person of your choice and get advice..... | 5  |
| Respect your privacy.....  | 6  |
| Keep the information we hold about you confidential.....                     | 7  |
| Give you access to information we hold about you.....                        | 8  |
| Help you to get things right.....  | 9  |
| Explain the decisions we make about you.....                                 | 10 |
| Respect your right to a review.....  | 11 |
| Respect your right to make a complaint.....                                  | 12 |
| Make it easier for you to comply.....  | 13 |
| Be accountable.....  | 14 |
| Your obligations.....  | 15 |

## TREATING YOU FAIRLY AND REASONABLY

We will:

- treat you with courtesy, consideration and respect
- behave with integrity and honesty
- act impartially
- respect and be sensitive to the diversity of the Australian community
- make fair and equitable decisions in accordance with the law
- resolve your concerns, problems or complaints fairly and as quickly as possible.

## MAKING FAIR AND EQUITABLE DECISIONS

We apply the law consistently when we make a decision about your affairs. However, we listen to you and will take your circumstances into account if they are relevant to the decision and the law allows us to.

- For more information, visit our website at [www.ato.gov.au](http://www.ato.gov.au) and search for 'Treating you fairly and reasonably'.

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## TREATING YOU AS BEING HONEST UNLESS YOU ACT OTHERWISE

We presume you tell us the truth and that the information you give us is complete and accurate unless we have reason to think otherwise.

Generally, you prepare the information you need to claim your entitlements and meet your obligations, then you give this information to us. Based on this information, you either make or receive a payment.

We recognise that people sometimes make mistakes. We differentiate between mistakes and deliberate actions. If you make a mistake, we give you the opportunity to explain. We listen to you and take your explanation into account.

We have a responsibility to the community to ensure everyone complies with the laws we administer. These laws give us certain periods of time to review information you have given to us. Reviewing your information does not mean we think you are dishonest, but if we do find discrepancies, we take follow-up action.

- For more information, visit our website at [www.ato.gov.au](http://www.ato.gov.au) and search for 'Treating you as being honest'.

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## OFFERING YOU PROFESSIONAL SERVICE AND ASSISTANCE

To do this, we:

- help you understand your rights and entitlements in our dealings with you
- give you our names

**!** In very limited circumstances – where safety is an issue – we may give another form of identification. In many situations we introduce ourselves by our first name. However, where we initiate contact with you – for example, to check information you have provided – or if you specifically ask, we provide full names.

- give you contact details so you can get further information if you need it, but if you have a more complex query, we put you in contact with someone who can help you
- get back to you when we say we will, but if we cannot help you immediately, we take your contact details and get back to you as soon as possible
- aim to provide timely responses to your enquiries and requests
- apologise for our mistakes and fix them as quickly as possible
- try to use plain and clear language in our published information and when we speak or write to you
- provide some of our information in languages other than English on our website at **[www.ato.gov.au](http://www.ato.gov.au)**
- provide advice and information in a way that meets your needs where possible, including access to services such as the Translating and Interpreting Service, the National Relay Service (for people who are deaf, or have a hearing or speech impairment) and the Aboriginal and Islander centre.



## ACCEPTING YOU CAN BE REPRESENTED BY A PERSON OF YOUR CHOICE AND GET ADVICE

You can get help with your affairs and in dealing with us. You can have different people deal with us on different matters. Help may include preparing tax returns, activity statements and objections against assessments; and getting advice about your affairs.

You must tell us if you want a person to act on your behalf or discuss your affairs with us.

In most situations you can choose any person to help you but the laws set out who can charge a fee for providing this help. Generally, only a registered tax agent or BAS agent (registered agent) can charge a fee for providing tax agent services.

The Tax Practitioners Board is responsible for regulating the provision of tax agent services.

- For more information, including what 'tax agent services' covers, visit the Tax Practitioners Board website at [www.tpb.gov.au](http://www.tpb.gov.au)

- ⓘ You are still responsible for the accuracy of information you give us, even if someone else, including a registered agent, helps you to prepare a tax return or other tax document.

## RESPECTING YOUR PRIVACY

In administering the laws, we collect information about you. We may get this information from you or from other parties. We must respect your privacy and keep your information confidential.

In some circumstances, the law allows us to disclose your information to others for specific purposes.

If you think that your privacy or the confidentiality of your tax information has been breached because of our actions, your first step should be to try to resolve it with the tax officer you have been dealing with (or phone the number you have been given).

If you are not satisfied, talk to the tax officer's manager. If you are still not satisfied, you can make a complaint (see 'Respecting your right to make a complaint' on page 12).

### THE PRIVACY COMMISSIONER

If you are not satisfied with the way we have handled your complaint, the Privacy Commissioner may be able to help you. More information about the Privacy Commissioner is available from their website at [www.privacy.gov.au](http://www.privacy.gov.au) or you can phone **1300 363 992**.

➤ For more information, visit our website at [www.ato.gov.au](http://www.ato.gov.au) and search for 'Respecting your privacy and confidentiality'.

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## KEEPING THE INFORMATION WE HOLD ABOUT YOU CONFIDENTIAL

The tax laws have secrecy provisions about using and disclosing your information.

We can only look at, record, discuss or disclose information about you when it is a necessary part of our job or where the law specifies that we may. The most common reasons for disclosing your information are to check your eligibility for government benefits and for law enforcement reasons.

If you contact us to discuss your affairs, you must have proof of your identity. This ensures that your personal information is given only to you, or to someone who can show that they are authorised to act on your behalf. For example, if you phone us, you could prove your identity by giving your date of birth, your address (as notified to us previously) and details from an ATO-generated notice. Other information can also be used as proof, depending on your circumstances.

- For more information, visit our website at [www.ato.gov.au](http://www.ato.gov.au) and search for 'Respecting your privacy and confidentiality'.

## GIVING YOU ACCESS TO INFORMATION WE HOLD ABOUT YOU

The *Freedom of Information Act 1982* gives you the right to have access to information about you in documents we hold. You can also get access to documents that help us make decisions, such as public rulings, ATO procedures and guidelines.

You also have the right to ask us to change the personal information we hold about you if you think the information is incomplete, incorrect, out of date or misleading.

We may refuse to give you access to documents because they are exempt documents – for example, where disclosure could reasonably be expected to prejudice an investigation or the proper administration of the law.

The cost of freedom of information requests is set by the law.

If you want to access any of our documents, you should contact us first. We can provide copies of some of the more commonly requested documents without the need for you to make a freedom of information request. For example, we can provide a copy of any of your recent notices of assessment, free of charge. We can also provide copies of any of your recent tax returns, although there may be a small fee for these.

- For more information, visit our website at [www.ato.gov.au](http://www.ato.gov.au) and search for 'Accessing information under the Freedom of Information Act'.

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## HELPING YOU TO GET THINGS RIGHT

We aim to provide accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

Our information ranges from published information about how the law applies generally to advice to you personally about how the law applies to your circumstances.

If you think our published information does not fully cover your circumstances, or you are unsure how it applies to you, contact us and we will help you to work out what is most appropriate to your needs.

### IF OUR INFORMATION IS INCORRECT OR MISLEADING

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we or you should take.

### HOW TO ACCESS OUR INFORMATION

You can get information from our website at [www.ato.gov.au](http://www.ato.gov.au) or have copies of our printed publications posted to you. You can also write to us or talk to us on the phone or in person.

- For more information, visit our website at [www.ato.gov.au](http://www.ato.gov.au) and search for 'Helping you to get things right'.

## EXPLAINING THE DECISIONS WE MAKE ABOUT YOU

When we give you a decision about your affairs, we explain that decision to you. We also provide a contact number for the person or area of the ATO handling your case. We try to explain our decisions clearly. However, if you have questions, or you think we have made a mistake, or that we have not given you a good enough reason for our decision, contact us on the phone number we have given you.

Generally, we explain our decision in writing. If we give you our decision orally, we will give you the explanation at the same time. In some very limited circumstances, we will not be able to explain our decisions fully, although we will still provide as much information as we can. For example:

- if another person is involved, releasing information about our decision may breach their privacy or the secrecy provisions in the tax laws
- if we suspect fraud, we may not release information because it might jeopardise our investigations.

➤ Under the *Administrative Decisions (Judicial Review) Act 1977* (ADJR), you are entitled to get a free written statement setting out the reasons for some decisions we make about your tax affairs. The Act does not cover all decisions and there are some important exceptions – for example, decisions about assessments. For more information about ADJR, visit our website at [www.ato.gov.au](http://www.ato.gov.au) and search for ‘Accountability and Review of Decisions’. You will need to select the ‘legal database’ box under the search field.

## RESPECTING YOUR RIGHT TO A REVIEW

When we give you a decision about your affairs, we explain how you can get the decision reviewed and tell you if there are time limits.

If there are several review options, we explain how these differ. For example, some reviews look at questions of law and others involve checking that we followed the correct process in reaching the decision.

We will try to resolve any problems as quickly as possible. If we have made a mistake, we want to fix it at the least cost to both of us.

If you want us to review a decision, use the contact details we provide to contact the person or area of the ATO handling your case.

Reviews are conducted by a tax officer who did not make the original decision.

In many cases, if you disagree with our review decision you can ask for an independent, external review. For some decisions you will have the choice of applying to the Administrative Appeals Tribunal for a review or appealing to the Federal Court.

- For more information about your right to a review, visit our website at [www.ato.gov.au](http://www.ato.gov.au) and search for 'Review rights'.

## COMPENSATION

In some circumstances, you may be entitled to be paid compensation. If you feel that our actions have directly caused you to suffer a financial loss, contact our toll-free compensation assistance line on **1800 005 172**.

- For more information about compensation and when it may be available, visit our website at [www.ato.gov.au](http://www.ato.gov.au) and search for 'Compensation'.

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## RESPECTING YOUR RIGHT TO MAKE A COMPLAINT

If you are not satisfied with our decisions, service or actions, you have the right to make a complaint.

We recommend that:

- you first try to resolve your problem with the tax officer you have been dealing with (or phone the number you have been given)
- if you are not satisfied, or if you find it difficult to raise the issue with the tax officer, talk to the tax officer's manager
- if you are not satisfied with the way your complaint is being handled, phone our complaints line on **1800 199 010**.

You can also make a complaint by:

- lodging a complaint form online – visit our website at **www.ato.gov.au** and search for 'Complaint'
- sending us a Freefax on **1800 060 063**
- writing to us at  
**ATO Complaints**  
**PO Box 1271**  
**ALBURY NSW 2640**

We treat complaints seriously. If you come to us with any problems or complaints, we will try to resolve them quickly and fairly. Complaints also provide us with important feedback and help us to identify how we can improve our service.

### THE COMMONWEALTH OMBUDSMAN

If you have a complaint, you should try to resolve it with us first. If you are unable to, or if you are not satisfied with the way we have handled your complaint, the Commonwealth Ombudsman may be able to help you.

More information about the Ombudsman is available from their website at **www.ombudsman.gov.au** or you can phone **1300 362 072**.

- For more information, visit our website at **www.ato.gov.au** and search for 'Complaint'.



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## MAKING IT EASIER FOR YOU TO COMPLY

We try to make your dealings with us as straightforward and as convenient as possible by:

- making it easier for you to understand your obligations and how to meet them
- making it cheaper for you to comply by reducing the workload, time and effort involved
- producing products and services that make sense to you and that fit with the systems you use every day.

To do this effectively we:

- consult regularly with the community
- involve the community in the design of our products and services
- test prototype products and services with the people who will use them.

## BEING ACCOUNTABLE

We take the need to be accountable and meet the commitments made in this charter very seriously.

When we make a decision about your affairs, we explain that decision and tell you about your rights and obligations in relation to it. We also give you contact details if you have any queries or need more information.

If we cannot resolve an issue quickly, we keep you informed about our progress. We take all reasonable steps to see issues through to resolution.

We publish our service (timeliness) standards and our performance against them on our website at **[www.ato.gov.au](http://www.ato.gov.au)**

We share with the public details about the issues we are confronting and the results of our actions.

We consult with the community to measure our professionalism and how well we are performing against the commitments we make in this charter.

We are accountable to Parliament and the Australian community.

➤ For more information about your rights and obligations, visit our website at **[www.ato.gov.au](http://www.ato.gov.au)** and search for 'Charter'.

If you have any questions or comments about this charter, you can email us at **[charterreview@ato.gov.au](mailto:charterreview@ato.gov.au)**

# Your obligations

**We expect you to:**

|                                |    |
|--------------------------------|----|
| Be truthful.....               | 16 |
| Keep the required records..... | 16 |
| Take reasonable care.....      | 16 |
| Lodge by the due date.....     | 17 |
| Pay by the due date.....       | 17 |
| Be cooperative.....            | 17 |

## BEING TRUTHFUL

The tax and superannuation systems are based on you providing complete and accurate information. This includes:

- providing correct information on your tax returns, activity statements and other documents
- providing the full facts and circumstances when you seek advice
- answering questions completely, accurately and honestly.

➤ For more information, visit our website at [www.ato.gov.au](http://www.ato.gov.au) and search for 'Treating you as being honest'.

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## KEEPING THE REQUIRED RECORDS

The law sets out the records you must keep.

Keeping good records allows you to prepare accurate tax returns, activity statements and other documents as well as helping you keep track of your financial affairs. Generally, your records must be in English and you must keep them for five years.

We publish a range of information on record keeping for different situations. If you would like more information, visit our website at [www.ato.gov.au](http://www.ato.gov.au) or contact us.

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## TAKING REASONABLE CARE

You must take reasonable care that you provide complete and accurate information in your tax returns, activity statements and other documents. This means you must take the amount of care that a reasonable person in your circumstances would take to meet their obligations.

You are responsible for your affairs even if someone else, including a registered agent, helps you.

➤ For more information, visit our website at [www.ato.gov.au](http://www.ato.gov.au) and search for 'Treating you as being honest'.

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## LODGING BY THE DUE DATE

Tax returns, activity statements and a number of other documents and information must be lodged by certain dates. If you are having difficulty complying with these dates, contact us before the document or information is due. Based on your circumstances, we may be able to give you extra time to lodge.

Even if you cannot pay the amount owing you should still lodge your tax return or activity statement on time. We may be able to allow you extra time to pay (see 'Paying by the due date').

Penalties may apply if you do not lodge on time.

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## PAYING BY THE DUE DATE

You must pay the taxes and other amounts you owe by the due date. If you are having difficulty doing this, contact us as soon as possible – preferably before the due date – to discuss your situation. It may be possible to give you extra time to pay without interest charge or to negotiate an arrangement to pay by instalments. If we do enter into such an arrangement, you will normally have to pay interest on the late payment.

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## BEING COOPERATIVE

We prefer to work with you cooperatively, providing you with help to meet your obligations voluntarily. However, if you are uncooperative or obstructive, we may need to take firmer action. For example, we have formal access and information gathering powers that we use if necessary. People who are obstructive may even be prosecuted.

We ask that you treat us with the same courtesy, consideration and respect we are expected to give you. If we are subjected to rude or abusive behaviour, we may end an interview or phone call.

- For more information about your rights and obligations, visit our website at [www.ato.gov.au](http://www.ato.gov.au) and search for 'Charter'.

If you have any questions or comments about this charter, you can email us at [charterreview@ato.gov.au](mailto:charterreview@ato.gov.au)

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## MORE INFORMATION

We provide a range of information about tax and superannuation. You can:

- visit our website at **[www.ato.gov.au](http://www.ato.gov.au)**
- phone our self-help lines (24 hours a day, 7 days a week)
  - personal self-help **13 28 65**
  - business self-help **13 72 26**
- use the numbers below (8.00am – 6.00pm, Mon to Fri) to speak to us
  - personal **13 28 61**
  - business **13 28 66**
  - superannuation **13 10 20**
  - fuel grants **1300 657 162**
  - Aboriginal and Islander centre **13 10 30**

If you do not speak English well and need help from us, phone the Translating and Interpreting Service on **13 14 50**.

If you are deaf, or have a hearing or speech impairment, phone us through the National Relay Service (NRS) on the numbers listed below:

- TTY users, phone **13 36 77** and ask for the ATO number you need
- Speak and Listen (speech-to-speech relay) users, phone **1300 555 727** and ask for the ATO number you need
- internet relay users, connect to the NRS on **[www.relayservice.com.au](http://www.relayservice.com.au)** and ask for the ATO number you need.

**!** Calls from your home phone to a 13/1300 number from anywhere in Australia are charged at a fixed rate. That rate may vary from the price of a local call and may also vary between phone service providers. Calls to a 1800 number from your home phone are free. Calls from a public phone and mobiles may be timed and charged at a higher rate.









## ATO - Treasury protocol

This protocol provides an agreed framework for working arrangements between the Treasury and the Australian Taxation Office for delivering advice to government on tax policy and on the design and development of legislation and related administrative guidance material and products to implement the government's policy. This protocol covers all laws administered by the Commissioner of Taxation and is also relevant to the Commissioner's role as Registrar of the Australian Business Register.

### Objectives of the tax design process

The objectives of the tax design process are to provide the government with the best possible advice for making tax policy decisions, as well as producing law and administrative products that give effect to the policy intent set by the government in a way that meets the needs of users of the tax system.

Tax policy, legislation and administration are integrally related and interdependent. Recognising this, the tax design process aims to ensure that the administrative, compliance and interpretive experience of the Tax Office fully contributes to those policy and legislation processes and that there is a high level of integration across the policy, legislative and administrative aspects of tax changes.

### Roles of both agencies in the tax design process

Treasury, through its Revenue Group, has primary responsibility for advising on tax policy and the design of tax laws.

The Commissioner of Taxation, as statutory head of the Tax Office, is responsible for the interpretation and administration of tax laws.

Treasury and the Tax Office will work cooperatively to provide high quality advice to the government on tax system issues, consistent with the integrated design approach outlined above. Subject to government and legal requirements, both agencies will share information at all stages of the process.

### Tax Office and Treasury responsibilities

#### In designing new tax policies and laws

In meeting its accountability for advising on tax policy, Treasury formulates and provides advice to government on options, prepares official costings, and produces regulation impact statements where required.

In designing tax laws, Treasury is responsible for:

- instructing legislative drafters
- producing explanatory materials
- conducting community consultation on tax policy and draft legislation, in accordance with government requirements
- managing the legislation program, and
- assisting the government to secure passage of Bills through the Parliament.

The Tax Office contributes its views and experience to all stages of the tax policy and legislation design process. To meet this accountability and role in the law design function, the Tax Office will provide advice to Treasury on:

- the administrative and interpretive aspects of tax design;
- material that may form the basis of official costing of tax proposals, including administrative costs and the compliance implications of policy advice; and
- issues that emerge through its experience in administration, including compliance costs and other issues that may arise for taxpayers in complying with proposed tax laws.

To the extent that interpretation of proposed legislation is required prior to enactment, Treasury will provide the Tax Office with the policy intent and outcome intended in relation to a particular matter, and the Tax Office will provide its views as to whether the provisions achieve that end, recognising that, formally, it is the Office of Parliamentary Counsel which is to be satisfied that legislation is legally effective to implement government policy.

#### Advice to the Minister

Treasury and the Tax Office will seek to reach agreement on tax policy and legislation matters wherever possible. Where agreement cannot be reached, Treasury will ensure that the Tax Office view is provided to the Minister in a form

agreed by the Tax Office, or the Tax Office may advise the Minister separately in consultation with Treasury.

## For enacted law

The Tax Office has the role of interpreting enacted tax law (subject to the courts) in order to administer them.

In forming its view on the interpretation of enacted law, the Tax Office routinely consults Treasury, the professions, affected taxpayers and the public.

### **Circumstances in which the Tax Office may consult Treasury during the course of its interpretation of enacted law include:**

- (i) *Where more than one possible interpretation is open.* In these circumstances the Tax Office may invite Treasury's comments on the purpose or object of the legislative provisions in question.
- (ii) *Where, having settled on its interpretation, the Tax Office is concerned that the law may give rise to unintended consequences, for example, unnecessary compliance costs or inappropriate outcomes.* In these circumstances the Tax Office may notify Treasury and Treasury may advise the Minister accordingly, or the Tax Office may advise the Minister directly in consultation with Treasury where appropriate.

### **What weight can be given to Treasury's views on purpose or object?**

Any comments Treasury provides to the Tax Office are not determinative. The Tax Office can, nevertheless, consider Treasury's view along with the views of other stakeholders in arriving at an interpretation which, as far as possible, is consistent with the purpose or object of the law, given the words of the law and its statutory context.

Communications between the Tax Office and Treasury on tax and superannuation matters are confidential as they are, effectively, in the nature of communications between an agency and the government.

To facilitate the purposive approach to interpretation, when developing legislation and treaties, Treasury will seek to ensure the purpose or object of provisions is explicitly outlined on the face of the law or tax treaty and reinforced in publicly available extrinsic material, such as explanatory memoranda and second reading speeches.

### **Advice to the Minister**

The Tax Office will advise the Minister on administration matters in consultation with Treasury.

## Monitoring and review of protocol

The Taxation Policy Coordination Committee (TPCC), comprising senior leadership of each agency, will oversee the operation of this protocol. The TPCC will review the protocol from time to time, and may agree to amend it at any time for the benefit of effective working relationships.

A Tax Office and Treasury Liaison Committee will monitor work flows between the agencies. Both agencies will further develop and enhance the design of tax laws and provide the underlying working mechanisms to support this protocol.

## Related materials

- Tax Office [Practice Statement Law Administration PS LA 2004/6](#)
- Tax Office Practice Statement PS CM 2003/14 (CGR) Provision of Formal ATO Advice to Treasury

Last Modified: Tuesday, 24 February 2009

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We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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| SERVICE STANDARDS                                      |                     | *Historical Performance |        |        | 2010-11 Performance |       |       |      |      |       |      |      |       |       |       |       |      |          |     |
|--|---------------------|-------------------------|--------|--------|---------------------|-------|-------|------|------|-------|------|------|-------|-------|-------|-------|------|----------|-----|
|  |                     | 07-08                   | 08-09  | 09-10  | Benchmark           | JUL   | AUG   | SEP  | OCT  | NOV   | DEC  | JAN  | FEB   | MAR   | APR   | MAY   | JUN  | End Year |     |
|  |                     | Rating                  | Rating | Rating |                     | MONTH |       |      |      |       |      |      |       |       |       |       |      |          |     |
|  |                     |                         |        |        |                     |       |       |      |      |       |      |      |       |       |       |       |      |          |     |
| Registrations – Commissioner of Taxation               |                     | ●                       | ●      | ●      | 93% in 28 days      | 95.3  | 92.7  | 97.5 | 98.4 | 98.8  | 97.9 | 86.9 | 97.4  | 93.2  | 98.3  | 97.9  | 98.2 | ●        |     |
| Registrations – Australian Business Register           |                     | ●                       | ●      | ●      | 93% in 28 days      | 98.5  | 98.6  | 98.2 | 96.2 | 94.4  | 92.7 | 65.6 | 90.9  | 93.7  | 95.3  | 95.4  | 96.6 | ●        |     |
| Electronic tax returns - Individuals                   |                     | ●                       | ●      | ●      | 94% in 14 days      | 55.0  | 90.9  | 93.8 | 95.7 | 95.3  | 67.3 | 85.1 | 93.7  | 94.2  | 87.7  | 92.5  | 87.8 | ●        |     |
| Paper tax returns - Individuals                        |                     | ●                       | ●      | ●      | 80% in 42 days      | 93.7  | 95.2  | 95.8 | 97.6 | 93.8  | 87.0 | 91.8 | 93.1  | 91.8  | 90.7  | 91.1  | 91.0 | ●        |     |
| Electronic tax returns - taxable non-individuals       |                     | ●                       | ●      | ●      | 92% in 14 days      | 93.8  | 96.1  | 90.4 | 92.0 | 91.6  | 84.2 | 88.1 | 97.1  | 98.0  | 91.5  | 96.5  | 97.6 | ●        |     |
| Paper tax returns - taxable non-individuals            |                     | ●                       | ●      | ●      | 80% in 56 days      | 89.7  | 88.5  | 84.8 | 90.3 | 93.1  | 81.3 | 95.7 | 97.4  | 96.3  | 95.9  | 97.1  |      | ●        |     |
| Electronic credit activity statements                  |                     | ●                       | ●      | ●      | 92% in 14 days      | 98.6  | 98.8  | 96.8 | 98.3 | 98.7  | 96.9 | 97.4 | 98.4  | 98.0  | 98.1  | 98.2  | 96.5 | ●        |     |
| Paper credit activity statements                       |                     | ●                       | ●      | ●      | 85% in 14 days      | 98.5  | 98.1  | 94.7 | 98.7 | 98.2  | 94.1 | 97.4 | 98.2  | 97.6  | 97.6  | 98.3  | 93.6 | ●        |     |
| Electronic debit activity statements                   |                     | ●                       | ●      | ●      | 95% in 14 days      | 99.9  | 100.0 | 99.3 | 99.9 | 99.9  | 99.8 | 99.4 | 99.7  | 99.9  | 99.5  | 99.9  | 99.2 | ●        |     |
| Paper debit activity statements                        |                     | ●                       | ●      | ●      | 90% in 42 days      | 98.4  | 99.6  | 97.7 | 99.1 | 99.5  | 98.3 | 96.5 | 97.9  | 98.6  | 96.8  | 99.2  | 95.9 | ●        |     |
| Refund of overpaid tax                                 |                     | ●                       | ●      | ●      | 90% in 28 days      | 66.5  | 83.1  | 91.3 | 94.4 | 93.9  | 93.5 | 82.5 | 93.2  | 94.5  | 97.6  | 96.9  | 96.9 | ●        |     |
| SHA special account payment requests                   |                     | ●                       | ●      | ●      | 80% in 21 days      | 81.0  | 50.0  | 74.7 | 60.8 | 48.0  | 94.4 | 88.6 | 81.5  | 86.7  | 80.1  | 92.9  | 88.3 | ●        |     |
| Excise fuel scheme claims                              |                     | ●                       | ●      | ●      | 92% in 14 days      | 91.3  | 80.4  | 89.2 | 95.4 | 95.3  | 97.4 | 97.0 | 99.2  | 100.0 | 99.0  | 100.0 | 98.7 | ●        |     |
| Automated email response                               |                     | ●                       | ●      | ●      | 90% in 3 days       | 100.0 | 100.0 | 89.6 | 88.8 | 97.1  | 99.9 | 99.4 | 100.0 | 98.5  | 99.5  | 85.9  | 92.1 | ●        |     |
| Inbound correspondence                                 |                     | ●                       | ●      | ●      | 85% in 28 days      | 84.8  | 88.7  | 92.2 | 93.0 | 93.2  | 93.7 | 91.0 | 93.9  | 91.6  | 91.3  | 90.7  | 90.2 | ●        |     |
| Private written advice                                 |                     | ●                       | ●      | ●      | 80% in 28 days      | 84.7  | 83.4  | 88.5 | 88.5 | 86.7  | 87.4 | 79.4 | 85.3  | 92.9  | 93.1  | 91.2  | 90.3 | ●        |     |
| Telephone general enquiries                            |                     | ●                       | ●      | ●      | 80% in 5 mins       | 82.8  | 84.4  | 85.8 | 85.8 | 84.0  | 79.9 | 80.0 | 80.1  | 74.7  | 73.2  | 75.9  | 81.8 | ●        |     |
| Tax practitioners' premium service telephone enquiries |                     | ●                       | ●      | ●      | 90% in 2 mins       | 90.9  | 89.1  | 90.0 | 89.5 | 91.8  | 91.9 | 91.1 | 91.9  | 90.3  | 91.7  | 88.1  | 91.7 | ●        |     |
| Visit general enquiry service                          |                     | ●                       | ●      | ●      | 90% in 10 mins      | 89.8  | 90.4  | 94.1 | 94.4 | 92.1  | 92.2 | 91.9 | 95.3  | 95.4  | 95.4  | 95.0  | 95.1 | ●        |     |
| Electronic amendments                                  | Income tax data     | ●                       | ●      | ●      | 90% in 28 days      | 86.2  | 91.3  | 95.9 | 96.8 | 97.9  | 90.3 | 93.9 | 97.1  | 98.6  | 97.0  | 95.9  | 97.5 | ●        |     |
|  | Activity statements |                         |        |        |                     | 99.5  | 99.7  | 99.5 | 99.6 | 99.8  | 99.6 |      |       |       |       |       |      |          |     |
| Paper amendments                                       | Income tax data     | ●                       | ●      | ●      | 75% in 56 days      | 67.9  | 93.4  | 90.0 | 94.2 | 90.0  | 81.1 | 87.0 | 90.1  | 93.6  | 90.5  | 90.1  |      | ●        |     |
|  | Activity statements |                         |        |        |                     | 87.5  | 96.4  | 96.8 | 93.4 | 97.2  |      |      |       |       |       |       |      |          |     |
| Review of private written advice                       |                     | ●                       | ●      | ●      | 85% in 28 days      | 55.6  | 61.5  | 92.3 | 81.8 | 100.0 | 88.9 | 81.8 | 94.4  | 100.0 | 100.0 | 100.0 | 95.7 | ●        |     |
| Review other than to private written advice            |                     | ●                       | ●      | ●      | 70% in 56 days      | 70.0  | 73.6  | 78.2 | 84.4 | 80.4  | 83.0 | 74.8 | 69.2  | 79.9  | 85.1  | 85.2  | 85.4 | ●        |     |
| Audits and reviews finalised advice                    |                     | ●                       | ●      | ●      | 99% in 7 days       | 99.5  | 99.6  | 98.9 | 99.0 | 99.5  | 99.7 | 99.4 | 99.8  | 99.6  | 99.6  | 99.7  | 99.6 | ●        |     |
| Complaints - initial contact                           |                     | ●                       | ●      | ●      | 85% in 3 days       | 54.0  | 63.1  | 63.1 | 56.2 | 77.7  | 74.9 | 76.7 | 82.1  | 89.9  | 84.8  | 86.1  | 88.1 | ●        |     |
| Complaints – resolution                                |                     | ●                       | ●      | ●      | 85% in 21 days      | 72.0  | 77.5  | 67.4 | 70.2 | 74.4  | 82.2 | 72.0 | 82.2  | 86.0  | 90.5  | 92.8  | 92.6 | ●        |     |
| Clerical and administrative errors                     |                     | ●                       | ●      | ●      | 70% in 21 days      | ****  | ****  | **** | **** | ****  | **** | **** | ****  | ****  | ****  | ****  | **** | ****     | N/A |

\* Historical performance is a visual representation of year-to-date performance as reported in the 2009-10 Commissioner of Taxation Annual report. There have been changes to service standards (differentiation) and benchmarks (increases/decreases) from year to year that are not shown in this table.

\*\*\*\*Not reported in 2010-11

**Table key**

- Met or exceeded benchmark
- Marginally failed benchmark < 2%
- Failed benchmark > 2%