Submission

to the

House of Representatives Standing Committee

on

Economics Finance & Public Administration

on the

Administration and management of the Tax File Number (TFN)

by Ian Johnston

USE OF MATERIAL CONTAINED IN OR REFERED TO IN THIS SUBMISSION IN ANY PUBLIC DOCUMENT RELEASED BY THE COMMITTEE

I am the author of al attachments included in this submission and the author to all but one of the documents mentioned in the submission. I have no personal objection to these attachments being released IN FULL as public documents.

The RESIDENCY report was written by me as a private initiative and contains material composed on both ATO and my own PC. I see no problem with any ownership of the authorship of this document though I does reefer to past and present ATO practices.

The WIPs (Work Improvement Proposals) are internal ATO documents and they do touch upon existing and mooted internal processes. The WIP process has since broken down under the weight of submissions, from internal stakeholders - This should be seen as a positive comment on the attitudes and potential contributions from ordinary ATO staff if not, the decision making processes at management level.

The potential WIPs are only in point form and I feel in this form I have avoided any detail that could compromise ATO policy or practice.

The comments on the RESIDENCY - RISK ASSESSMENT PROJECT REPORT June 99 are my own. I believe these comments are general enough for a public document.

I have not attached the report itself as it is authored by the Compliance Management Strategy Unit out of Townsville. I would suggest its inclusion would be useful to give context to my rebuttal but the prerogative for release should rest with the ATO.

In my draft from the Residency - Natural Persons Risk Assessment Project, I refer to some results from the Sydney Advisings Case Monitoring Database on the results of some of the DORFs (Determination of Residency Forms) received 1996/97. I can provide this WITH ATO AGREEMENT but as it is the conclusions that are relevant, not the details, I can see no reason for its inclusion as an attachment at this stage.

As mentioned above I an the author of the attachments above, I am happy for the documents to be published in full, you may however wish to see if the ATO has any objections to any parts of the attachments. If so. my strong preference would be to reproduce the documents in full with any offending passages blacked out.

I would object to documents being challenged in toto.

Ian Johnston
October 22 1999

I am an employee of the ATO (Australian Taxation Office) and have been since December l989. Except to a short period assigned to Debt Collection, I have worked within the Enquiry section (now called Public Assistance) during that period.

Prior to that I worked for ASBA (the Australian Small Business Association) and as the "Special Projects Officer" for that organisation I directed the campaign against the "Australia Card" in the late 1980.

These two seemingly opposite work experiences have largely shaped my views on governments maintaining databases on its citizens.

In essence my submission is as follows;

I am opposed to any significant increase in the collection and use of data on individual ATO clients (particularly those targeting its citizens only) until that organisation shows some competence and morality in its handling of current data.

I am opposed to any, increase in data retention "for its own sake".

The collection and use of information on clients necessarily involves a trade off between individual privacy and improving the efficiency and effectiveness of public administration.

Therefore, should an agency demonstrate an inability to collect, use and match information on clients at a basic level whilst seeking further data, this is a case for them being given less powers not more.

SPECIFICLY

I believe the ATO demonstrated this lack of competence in matching data held in its AIS files against abuses in declaring "Residency" and "Pro-Rata" on return forms.

I am concerned that, (after an admittedly botched job in its attempt to introduce the Non-Resident Indicator), that the ATO should suppress the extent of residency abuse and revenue loss.

FURTHER

I believe that the ATO should seek a system that will deliver "Fair and Consistent treatment across all classes of clients and I am concerned that (given the information already on ATO systems) some refunds should hinge so absolutely on "client honesty" and the corrupting effect this has on Tax Agents competing for clients.

I am concerned that present policies discriminate between;

Honest “Backpacker” clients vs. Dishonest or ill-informed clients holding (417) "Working Holiday" visas

Honest "Working Holiday" clients vs. Dishonest or ill-informed clients holding (560) Short stay "student" visas

Students undertaking genuine long term studies and alleged students undertaking short stay studies to gain defacto "Working Holiday" status at “Resident” rates.

Students on 560 visas with “work rights” vs. without "work rights"

Honest “Working-Holiday” clients vs. dishonest or ill-informed clients holding $30. (Protection) visas

Clients on (475) long stay work contract who declare Resident vs, those declaring Non-Resident.

I am concerned that once, the achieves the "magik" residency status by law permanently or even temporarily, by "shopping around" between ATO offices or officers at point of registration or simply by claiming so on a return under full "Self Assessment, that the current visa code is dropped from our AIS system and no further checks are undertaken.

I am further concerned that the ATO shows no interest in the even simpler issue of matching information on its own databases to ensure ALL its clients are treated equally on Pro-Rate obligations

(These concerns are expanded on the following page)

The above represent a Technical and Moral failure to match data at a comparatively basic level. This also represents a significantly different (and laxer) standard of data matching that is now sought to be applied against its own citizenry as a result of the ANAO recommendations.

Until competence is shown in the above they are not ready for MORE

Ian Johnston

Concerns (expanded)

The definition of Resident for tax purposes is contained in the Income Tax Assessment act

Sec 6(1) INTERPRETATION

"resident" or "resident of Australia" means-

(a) a person other than a company, who resides in Australia and includes a person-

(1) whose domicile is in Australia, unless the commissioner is satisfied that his permanent place of abode is outside Australia

(2) who has actually been in Australia, continuously or intermittently during more than one-half of the year of income, unless the Commissioner is satisfied that his usual place of abode is outside Australia and that he does not intend to take up residence in Australia.

The determination of residency is largely a matter of fact

There is an extremely high correlation between visa status and Residency (or should be) as presumably all the facts including the clients long term intentions SHOULD have been disclosed to DIMA at the time of application for the visa. Visa status my be upgraded over time and intentions may change (meet future spouse - sponsored by employers - family crisis back home), however registration of visa type, start date & finish date should accurately establish "Residence" for tax purposes.

In a large organisation such as the ATO with access to modern technology there should be no excuse for the following inconstancies in clients tax treatments;

Honest "Backpacker" clients vs. Dishonest or ill-informed clients holding (417) "Working Holiday" visas

Backpackers, visitors with 417 visa (under 26 with one years work rights - Max 3 monts per job) are treated as Non-residents even though they are in Australia for more than six months- Normal Country of Residence is held to be their home country.

Under full self assessment clients in part time work can get the maximum tax advantage (illegally) by claiming "Residency" with No "Pro-Rata", this results in them getting most if not all of their TIDs (taxes withheld by their employer), back.

This was the case prior to the introduction of the'Non-Resident" indicator and will rapidly become the case again once the return to full self assessment gets out.

Now that the ATO has gone "Belly Up" on enforcing the Non-Resident indicator by introducing full self assessment with no follow up audit, and is actually promoting the same to agents, these clients now only have to tick "resident' to again get back most if not all their tax withheld.

Honest vs. Dishonest "Backpacker" clients (cont)

On the other hand - honest, naive, or those backpackers who go to an honest agent will pay full Non-Resident rates.

Typically, now most "smarties" just declare "Resident" on the Employment Declaration and get away with the lower taxes withheld - They do not lodge a return or only include group certificates that will generate a refund.

Based on the principle of "Fair and Consistent" treatment, the ATO should return to using the Non-resident indicator and access data matching with DIEA & Employment Declarations to ensure the correct and consistent collection of these taxes.

Alternatively the ATO should seek changes in the law to treat all at Residency rates.

FRUIT PICKERS

While some clients enter Australia with the full intention of avoiding tax obligations most backpackers slip into non compliance in stages, by the time they fully realise the difference in rates they already have a TID deficit. It is easier just not to lodge.

One common way backpackers get into TID deficit is through fruit picking

Australian residents working in this area are offered a flat 15% TIDs withheld in recognition that a few weeks high income will be offset by a period of unemployment or travelling to find new work. This spreads the tax free threshold and deductions over the whole tax year and a flat 15% seems to work out at the final tax liability.

Non-Residents, on the other hand pay 29c from the first dollar, there is no threshold

Unfortunately this is many backpackers first introduction to Australian work. Many have told me, (and I believe them), that they were informed that 15% percent was a SPECIAL rate for all fruit-pickers and represented a final rate. I can also believe that some farmers looking at ATO information could miss the section on Non-Resident rates, or finding out, seeing it as just too difficult to try to explain why they were paying different NET amounts to people doing exactly the same work.

POSIBLE SOLUTIONS

Either the ATO should aggressively use PAYE employee information and the Employment Declaration system to inform and enforce a 29c TID rate and get backpackers into good TID habits early and keep them in the system

or

If backpackers really are a necessary input to the Australian harvesting industries (as many argue) why not make 15% a true final rate either through a rebate or a ½ threshold on payments made by REGISTERED rural payers.

Honest "Working Holiday" clients vs. Dishonest or ill-informed clients holding (560) Short stay "student' visas
AND
Students undertaking genuine long term studies and alleged students undertaking short stay studies to gain defacto "Working Holiday" status at "Resident" rates.

Students are not regarded as residents (at law) due to the facts of their limited work rights (usually 20 hours PW during study & unlimited during vacation) and that it is presumed their stay in Australia is necessarily temporary and their intention is always to return to their home country. As a practice however the ATO usually grants “Resident” status for tax purposes to “long-term” students **whose course of studies** is "longer" than 6 months This is partly in recognition that the amount earned during their limited working hours maybe needed to support them during their studies.

This should be a simple "No your not entitled to Residency", "Yes you are" situation.

The **NO** (“your not entitled to Residency”), situation is usually complicated by the fact that many visas are issued for seven to eight months for (say) a 24 week course. There is obviously a bush telegraph at work here with many such students being reluctant to show A9 student ID cards or papers showing **course length.**

There is also a problem with some clients "stringing together" a number of (say) three month courses. *At some point do they qualify for “Resident” status?*

The major problem with the **YES'** ("you are entitled to Residency"), is visa length. Many 0/S students come to undertake long term full fee paying University courses. A condition of this is that some from non English speaking backgrounds must first undertake and pass an English course (often conducted by the University it self). Sometimes they have a long term visa - (This is easy. I make them “Resident”). Sometimes they have an initial short stay visa of (say) six months and later extend - (make Non-Resident and advise them to backdate status when they update the visa). This is messy and creates reverse work flows. It may also vary between officers.

Australian Resident students must Pro-Rate their tax return in the year they first give up FULL TIME studies - presumably this should also apply to 0/S students too.

Now that the ATO has gone "Belly Up" on enforcing the Non-Resident indicator by introducing full self assessment with no follow up audit, and is actually promoting the same to agents, these short stay students now only have to tick "resident".

The bush telegraph will run hot - Few who deliberately tick "Resident' will Pro-Rate

They will get better tax treatment than Honest short stay students.
They will get better tax treatment than Honest Backpackers.
They will get better tax treatment than Honest Residents.

Based on the principle of "Fair and Consistent" treatment, the ATO should return to using the Non-resident indicator and access data matching with DIEA & Employment Declarations to ensure the correct and consistent collection of these taxes.

Alternatively the ATO should seek changes in the law to treat all at Residency rates.

Colleges smuggle Asians.

By.FIA CUMMING

SHONKY business colleges in Sydney are luring students from Asia in a new form of people smuggling.

Once here, the young people are exploited by operators in the prostitution and service industries, such as resturants.

The private colleges promise Australian visas for up to four years in exchange for six months' tuition fees. They have regular advertisements in South Korean newspapers and magazines.

In the Senate last week , Kim Carr, Labor's parliamentary secretary for education, quoted advertisements by several inner-Sydney business colleges in *Woori* maga-zine in South Korea in August.

The Prime college, operating out of Pitt Street , advertised that "we help students who do not have sufficient bank account balance" and "consultation for atten-dance problems", he said.

The college said $750 bought three months' tuition, $1,200 bought six months' tuition and a two-year visa, while $1.600 bought six months' tuition and a four-year visa.

An advertisement for the Sendai Australia Service Centre in Pitt Street said it was "possible to change to training visa from any types of visa; extension of training visa is possible; and applying for work permission is possible",Senator Carr added.

He said a small number of colleges for overseas students were using them more as a form of people smuggling than for quality education.

He said that, while boat people and arrivals at airports accounted for 1,000 illegal immigrants a year, the student rackets were bringing in up to 5,000 a year.

"It is obvious that alleged students can come to this country and may be able to arrive here in much safer and more comfortable conditions and at a much cheaper rate (than boat people)," he said.

"A growing number of cowboy operators are undermining the integrity of the vast majority of legitimate high quality educational colleges."

Senator Carr named 11 business colleges in Sydney and one in Victoria which he said should be investigated, including one registered as a training organisation which provided only Kung Fu lessons.

He blamed the Federal Education Department for not detecting the rorts.

When a college was investigated, the department rang up and gave three days warning before a visit, he said.

"The department is not even able to track a bleeding elephant

SUN HERALD
3/10/99

through snow," he said.

Students on 560 visas with "work rights" vs.
Students on 560 visas without "work rights"

It is a pity the attached clipping is labelled "Asian" It could equally apply to students from Colombia, Brazil, India, Bangladesh and the Chech and Slovak republics.

My understanding of DIMA procedures is that currently ALL students come to Australia on 560 “No Work” visas - Once they have arrived in Australia and have started their course of studies they pay $50.00 to upgrade their visa to “Work Limitation”, (usually 20 hours during study period and unlimited during vacations).

The two reasons why clients would NOT make this upgrade are;

(1) They could not provide proof that they had actually commenced studies
(2) They only have Bank Interest well below the $5,400 threshold and don't want to outlay the $50.00 for the visa upgrade

Alternatively - they intend to work anyway

Treatment probably varies widely between officers and offices and I initially try to send them to Rockdale DIMA but if they insist, I refuse TFNs under 8 months with out proof of study length, if longer I give it to them with a warning on work rights.

Instructions from National Office say they are "no threat to Revenue" and providing they “would” have residency rights and if they only tick “give to bank” we cannot refuse them. Within weeks of the Nat Office instruction large numbers of these clients started combing in - within days of us refusing those ticking for “work” all came in ticking "bank". THERE CLEARLY IS A BUSH TELEGRAPH AT WORK HERE.

One client claimed it was not the $50.00 that stoped her but that she had found a job and that she had turned up twice a Rockdale DIMA and the queues were too long.

POSIBLE SOLUTIONS

As “Students” Residency is concessional anyhow, just make ALL these clients Non Resident UNTIL they ask for "work rights" - they would inform banks and have Non Res withholding tax deducted from their interest a rate of 10%. No need for a TFN.

or

As they (supposedly) only need it for financial institutions, give a letter for banks quoting name and visa number authorising use of a "generic" TFN against these accounts.

or

As it costs the ATO considerably more that $50.00 to create, register and maintain a TFN on the system (possibly for several years) charge these clients on a fee for service.

and

Create a "No Work" indicator and match against Employment Declarations and Returns.

The whole 560 "student visa" field needs to he workshopped through with DIMA. In an ideal world "short stay", "long stay" & "No Work visas would be different categories (short English courses <u>prior</u> to University would issue as "Long Stay").

Honest “Working Holiday” clients vs. dishonest or ill-informed clients holding $30. (Protection) visas

Large numbers of clients with "visitor visas" from Indonesia, Colombia and other countries and with "business activities" visas” from P.R. China, Bangladesh and other countries arrive legally in Australia and then apply for a $30.00 “protection” visa.

Anecdotal evidence from DIMA staff suggest 98% of these are disallowed within 28 days and these then lodge appeals. A process that gives them a further 2-3 years. Bridging visas, are open ended - they last till 28 days after a final decision is made.

Based on the open ended nature of the visa and on the clients obvious intention to stay permanently in Australia, we give them full “Resident” status despite the fact that the may only have just arrived and that they are only remaining here on appeal.

As full "Residents", no visa number can be recorded on AIS and they disappear into our system. At the very worst, these clients who come here with the full intention of manipulating Australia’s Immigration laws, get an 18 month to 3 year working holiday AT FULL RESIDENT RATES.

I FEEL DIRTY EVERY TIME I ACCEPT ONE OF THESE TFN APPLICATIONS.

POSIBLE SOLUTIONS

There has been no case law on this aspect of residency but I believe it is a clearly arguable case that $30. 00 protection “Bridging visas” grant only Non-Resident status.

Should the client succeed in their appeal against DIMA then any tax returns already lodged as Non-Resident could later be amended to reflect "residency" status

I argue that these visas grant only "day to day" rights to stay in Australia.

I further argue that the Commissioner, based on the advice of the minister for Immigration and Multicultural Affairs. Should be "satisfied that his usual place of abode is outside"

Based on the principle of "Fair and Consistent" treatment, the ATO should not treat these "backdoor" working holiday visas better that bono fide 417 working holiday clients, and, MOST IMPORTANTLY, we should retain the visa number on our system and match for Pro-Rata both entering and leaving Australia to ensure the correct and consistent collection of these taxes.

Alternatively the ATO should seek changes in the law to treat all at Residency rates.

Clients on (475) long stay work contracts who declare Resident vs, those declaring Non-Resident.

Last year there were a significant number of clients coming in from a couple of international accountancy firms, all on long stay 457 Temporary Residents with 8107 work rights (normally "Residents"), who insist on being registered as Non-Residents. Often they come with spouses who based on the partners visa, claim Residency.

As such they pay a higher rate of income tax but can claim a tax free "living away from home" allowance (up to $20,000 I believe), and do not need to declare Overseas Income (possibly including shares and other packages from the parent company) that may be directly related to their Australian employment.

Now that full self assessment has been widely publicised, these clients no longer come in, or at least no longer insist so fiercely insist on Non-Resident status as they only need check “Resident” on a return and our system permanently updates them.

This is where the introduction of DIMA matching against visa status, followed if needed by a DORF (Determination of Residency form), or at least a random survey of 0/S income (non-Res with Sal & wage for 2_ or more years) simular to those we introduced to gain a profile on rental income. could come in very handy.

It also raises some serious moral concerns if it is seen as CHEAPER IN GROSS TERMS to employ a non Australian at a specific NET INCOME.

DATA MATCHING FOR CORRECT PRO-RATA

In my report of "Residency" I estimated that less than half of those who need to Pro-Rate there returns, do so. I included a number of strategies to stop this.

In a large organisation such as tile ATO with access to modern technology there should be no excuse for any inconstancies in clients tax treatments.

We already record "Arrival Date' on the AIS system. Recording "Departure Date' and matching with DIMA for visa drift would identify potential "Potential to Pro-Rate" clients as would my recommendation of “Tax-Payer Leaving Australia” form.

Including Pro-Rate information with a package in the "Students Registration Program" would effectively complete this at minimal costs.

I am concerned that once the client achieves the "magik' residency status by law, even temporarily, by "shopping around" between ATO offices or officers at point of registration or simply by claiming so on a return under full "Self Assessment", that the current visa code is dropped from our AIS system, and no further checks are undertaken or practicable given information left on system.

I am further concerned that the ATO shows no interest in the even simpler issue of matching information on its own databases to ensure ALL its clients are.treated equally on Pro-Rate obligations

Until competence is shown in the above they are not ready for MORE

Attachments

Residency Report
Early 1994 to Dec 1996

Written by me as a private initiative between 1994 an late 1996 this document lists 65 potential changes (most of them ridiculously cost effective), to facilitate the correct revenue from both Residency and Pro-rata provisions on returns.

This report was only ever in draft form and is now over three years old and some of my ideas have matured however the report as a whole remains extremely relevant.

Some recommendations are now in, place generating savings in the $10s of millions. Considerably greater savings ~ be gained by implementing the report in full.

SUPPORTING ARGUMENTS ARE EXPLAINED IN DETAIL IN THE ATTACHMENT.

The present status of this document is that I am currently forbidden to show this report to any senior ATO official or call them on the issue of Residency.

(WIP) Changes to TFN Form
Early 1999

This WIP has already resulted to changes to the new form at Questions 1,2,5,6,and a mooted change to the Visa Box that did not eventuate.

Naturally I support the implementation of all changes in that report with particular reference to;

Q 10 - Urgent this question (depending on Residency) records either "current Australian residential address" or "overseas contact address". It is the most. often corrected part of the form and presents legibility and keying problems. Also in many cases it is desirable to record both addresses - Temporary Residents (O/S work contracts), Students, new New Zealanders & particularly Bridging visas should be required to complete both.

Qs 7 & 8 - Highly Desirable
These questions to be reformatted to resolve present clarity problems, and, upgraded
to facilitate automatic audits, on both Pro-Rata and Residency.

SUPPORTING ARGUMENTS ARE EXPLAINED IN *DETAIL IN* THE ATTACHMENT.

WIP Taxpayer leaving Australia
Early 1999

The ATO has already retreated from this by dropping a guaranteed processing time for returns lodged early by clients leaving Australia before the end of the tax year.

This gives away the major cross-benefits of the old system. To the client (the timely processing of returns) and to the ATO (correct revenue collected). - This is a pity

This also lessens the chance for us to place correct indicators on the system;

Non-Resident - for clients who pro-rated their last return as "ceasing" residency.

No Work - for temporary Residents whose visa status has expired.

I also argue to extend the process to both Agents and Clients with appropriate attachments. These may not have the same level of integrity as returns passing across an Enquiry desk but this is information we are not presently getting anyway.

SUPPORTING ARGUMENTS ARE EXPLAINED IN DETAIL IN THE ATTACHMENT.

TFN Receipts
1995 to early 1999

I have long argued for two different receipts (Residency report 2.2, 3.1, 3.2, 4.1 & 4.3)

These have been use in Sydney since 96 and have proved ridiculously cost effective. After spreading gradually through the NSW region they are now National policy though as a third generation copy (without acknowledgement) they are not as effective.

The "Bank" message on theNon-Resident receipt needs to be more effective.
The "need to Pro-Rate" message needs to be re-instated.

-also -

now that we are finally getting correct registration under control is no time to go "belly up" on enforcing the Non-Resident indicator.

SUPPORTING ARGUMENTS ARE EXPLAINED IN DETAIL IN THE ATTACHMENT.

Critique on Risk Assessment Project Report
October 1999

I am fairly contemptuous of this report for its sloppy methodology and huge leaps in logic in arriving at conclusions. It seems to be a poor attempt to justify a poorer decision

I have not attached the report itself. I would suggest its inclusion would be useful to give context to my rebuttal but the prerogative for its release should rest with Townsville.

The following are not currents WIPs. The WIP system has broken down
They will be presented as WIPs as soon at this or a replacement system is in place.

Change to AIS Database

These changes are also mentioned in the WIP on the TFN form.

Immediate changes- These require no significant changes to the AIS program.

(1) AIS presently records an O/S address only for Non-Residents.
Temporary residents, Resident students New Zealanders and (amazingly),
Protection visas on appeal all record ONLY an Australian address.
Non-Residents only have to self assess as residency and O/S address drops off.

CHANGE - create new field called "Over Seas Contact Address" -
Once entered this is ",Read Only" and only changed at TFN supervisor level
PA staff to record O/S address from All but Australian citizens or Permanent
Residents resident in Australia for past (say), 2 years

(2) AIS presently only records Visa number for Non-Residents.
This is probably useful but is not the most important need for visa retention.
All clients recorded as Residents do nor record visa numbers including
"Temporary Residents", "Resident Students?' and (amazingly), "Protection"
visas including those on appeal, (supposedly to save space on the system)
It is not even possible to "force" a visa number into this field.
Temp Residents only have to self assess as resident and visa number drops off.

CHANGE – Change-AIS to allow retention of Visa Number -Once entered this is "Read Only" and only changed at TFN supervisor level PA staff to record visa from All but Australian citizens or Permanent Residents resident in Australia for past (say), 2 years. Retain visa on system for (say) 2 years after permanent residence granted.

Long term changes- These require a significant rethink to the AIS system.

(3) AIS presently records only visa number only for Non-Residents.
In both my "Residency" report and “TFN WIP” I outlined to Q7 & Q8

CHANGE - Create new fields for visa type (currently on form but not on AIS**),** Reason for residency claim, Claim starts date, visa expires date.

(4) AIS presently places only Non-Resident indicator on the system
Temporary residents, Resident students New Zealanders and (amazingly),
Protection visas on appeal all record ONLY an Australian address.
Non-Residents only have to self assess as residency and O/S address drops off

CHANGE - Using information from new Q7 & Q8, and from “Taxpayer leaving Australia” create new indicators called "Arrival & Departure Pro-Rate" and "No Work" Once entered this is "Read Only" and only changed at TFN supervisor level or by recording new visa number. Regular Data match with DIMA to check visa drift.

Match Employment Declarations

This is already argued in the “residency Report” (recommendations 2.5)

Centrelink and its predecessor DSS has been matching EDFs against declared income since 1992. In 1997-78 this saved the government $255,793,802 in benefit payments and the ANAO suggested this could increase by a further 11 % with TFN matching.

My recommendations only involve the matching between TFNs, "Residency & General $5,400 exemption and the "Residency" as recorded on the AIS database. As this involves matching internal ATO information it should be both technically and legally simpler matching.

At present we match for transposed TFN and even spelling mismatches in names. Clients and employers are informed by letter, Matching for "Residency" would have a dramatic effect on clients and employers. - each one informing twenty more. Matching for “No Work” would be a major payback for DIMA help in visa matching.

Potential revenue gains include not only the difference between Res and Non-Res tax rates (up to $2943 when a client lodges), but also the difference between Non-Res rates and TIDs withheld (up to 29% with no threshold, when clients don’t lodge).

While some clients enter Australia with the full intention of avoiding tax obligations most backpackers slip into non compliance in stages, by the time they fully realise the difference in rates they already have a TID deficit. It is easier just not to lodge.

EDF matching against TFNs would also show up mistakes or misunderstandings on our database, sorting it out at an earlier (and cheaper) stage than on a return form.

Agents to ask for Residency & Pro-Rata

This is already argued in the “residency Report” (recommendations 3.8 & 4.7)

When a clients appoints a tax agent they sign an authority to that effect. I suggest that that authority include two compulsory questions;

“are you &resident for taxation purposed" and

"Will you fall into one of the three Pro-Rata catogories".

This will not change the liability of the client signing the form but by creating a paper trail it may identify shoddy or ill-trained agents and make it easier for clients to sue.

Three out of four clients currently lodge through agents. This is probably higher for new arrivals, and, particularly those from non English speaking backgrounds.

This should have an immediate and dramatic effect on compliance, both through an educative and a bluff factor - all for the cost of a few extra litres of ink/toner for the questions. It also lets us target additional clients- not redilaly identified by other means -Returning Expats , Non Visa (primarily) New Zealand "Tasman Hoppers" and Students Leaving Full Time Education for the First Time.

What To Do When Somebody Dies

This is working title for a pamphlet I have thought about for several years but never quite got around to

Public assistance often gets phone calla (often in a very distressed state) about the death of a spouse or near relative. In many cases it is too soon to do anything and the calls are more therapy than anything but the information will eventually be needed.

I have often fell there is a need for a comprehensive ATO booklet to send on the tax obligations occurring on the death of a client. Information could include, Pro-Rating Final Returns, reclaiming Provisional Tax, info. on HECS, Capital Gains impact on property held, the possible need for Trust TFNs and Returns etc

It should explain the procedure to notify the ATO and how to authorise the executor for ATO enquires and perhaps contain a tear off "Notification" slip with advice on the necessary attachments.

The advantage for the clients is that it would provide them with information at a time of their greatest emotional need. The advantage for the database is that it would encourage greater notification of deceased taxpayers so these TFNs could be archived

Alternate Registrations

Australian Resident Students

the Schools registration program should be expanded. A08 should be dropped as an A class document. Pro-Rate info MUST be included in schools Registration program. Most of these schools will have internet access. See electronic registration below.

Backpackers / 0/S students

Some backpacker organisations regularly bring in groups of between 40-60 clients a day and this puts a strain on our counter resources. Individual face to face interviews repeat much the same over and over. I estimate that after approx 20 clients it would be more efficient to send an ATO officer/s with a laptop to them.

Generally these organisations use past experience to direct their clients to correctly fill in their forms, most would have internet access, As long as the visa number was recorded correctly and protocols/permission to match with DIMA information (only current Australian address should be new data), they could be registered at lessor cost and with NO loss in present data integrity. - A video on tax obligations could be provided.

Registered Backpacker organisations, some larger schools and even Agents could register electronically where a passport number and /or current visa existed.

I can Expand on all of the above

Ian Johnston.

Due to problems with the scanning of this document, the attachments could not be included. If copies of the attachments are required the Committee secretariat would be happy to provide them.