

SUBMISSION TO INQUIRY INTO THE TAX FILE NUMBER SYSTEM.

Background

The Child Support Agency (CSA) was established on 1 June 1988 as a division within the ATO. The CSA did not have a separate corporate identity.

Access to revenue collection information has been seen as the key to the very successful rate of collection of Australia's CSA. For example, in 1992 New Zealand decided to remove its Liable Parent Contribution Scheme (LPCS) from the Department of Social Welfare and re-establish it as the Child Support Agency located in Inland Revenue. The move was made because the LPCS failed to obtain compliance from almost two out of every three liable parents.¹ More recently a debate in the UK House of Commons discussed the placement of the British CSA and how its current positioning may be hindering a more efficient collection rate. Mr John Cryer stated that:

...unfortunately the only way to reach that stage will be by getting rid of the agency and starting again. ... We must be more radical. Perhaps it would be a good idea to examine the Australian model. The Australian version of the agency is rooted in the Australian version of Inland Revenue...²

The CSA has had access to TFN information as part of the ATO until recently. The administrative responsibility for the CSA moved to the Secretary of the Department of Family and Community Services as part of the Administrative Arrangement Order of October 1998. The CSA retains access to TFN information as the Commissioner of Taxation is still legislatively the Child Support Registrar. Proposed amendments to child support legislation and taxation legislation are intended to maintain this access.

The CSA should continue to have access to TFN information in order for it to continue to effectively operate an income based assessment system. CSA staff have been trained in the ATO TFN security procedures and the CSA's procedures for client data matching do not present an additional risk to the security of client information.

The CSA uses TFN information to identify clients, find addresses, access income information necessary for assessments and identify employers for direct deductions from wages – the most effective means of collecting child support.

To move towards consistency between Agencies, items used by Centrelink in determining eligibility for family payments such as net rental property losses, exempt foreign income and reportable fringe benefit amounts are added to taxable income for child support purposes. These amounts are called supplementary amounts. The CSA needs direct access to information on group certificates to ascertain these amounts.

Secrecy

¹ "Child Support Schemes: Australia and Comparisons", Research and Policy Unit CSA, August 1998.

² *Hansard*, House of Commons, 20 June 1997, column 581.

The Agency is subject to the secrecy requirements of section 16 of the *Child Support (Registration and Collection) Act 1988* (the Registration and Collection Act), section 150 of the *Child Support (Assessment) Act 1989* (the Assessment Act).

The secrecy provisions of the child support Acts prohibit disclosure of *protected information* unless it is for the purposes of the Act or in the performance of the officer's duties under the Act. The Agency can provide protected or personal information about a client to the client, his or her authorised representative, or to a person authorised by law. The CSA can currently give protected information to specified bodies including the ATO. The Agency must identify the individual to ensure it only passes information to a person entitled to receive it.

Protected information is information concerning a person given to or obtained by an officer in the Agency performing his or her duties. Any personal information gathered by the Agency is protected.

The Auditor General, Audit Report No. 37 1998-99 “Management of Tax File Numbers”

Generally the CSA supports the findings of the ANAO audit of the TFN system.

These have implications for the CSA retaining access to TFN information in the following areas:

Recommendation 2 a) implementing an effective risk management process, including quantitative analyses of Proof of Identification data.

A major risk with POI data is a lack of consistency of information regarding an individual across Government.

Centrelink clients are also often necessarily CSA clients. Matching data based on different identifiers (CSA case numbers, Centrelink customer numbers and TFNs) causes duplication of data matching and increases the risk of inconsistency of treatment between agencies.

Child support is a sensitive area and a wrongly matched client may lead to serious consequences due to the misunderstandings created. A timely identification of clients is important for the support of children and for the creation of good client relations with the CSA. The ATO reported that before the introduction of the TFN it had a success rate of matching its information against external information of 60% whereas the match rate with the TFN is “just over 95%”³.

Recommendation 2(d) conducting PoI audits within and across government agencies.

The CSA would support this process.

³ The Auditor General, Audit Report No. 37 1998-99 “Management of Tax File Numbers”, p.87.

Recommendation 2 e) providing the client service number in a format which is easy for clients to access, use and maintain, while protecting their individual privacy.

Through projects such as Business Entry Point the Government is seeking to streamline the interaction of citizens with government and to provide a single point of access. The use of one identifier would facilitate this and simplify interactions with government for the public.

Identification of an individual for government agencies does not mean that the security of the individual's personal information is necessarily compromised. (As pointed out in recommendation 2 c) the TFN is currently widely used by employers, investment bodies and other government agencies.) The *Privacy Act* and the application of the Information Privacy Principles under it would ensure that only information necessary to administer the legislation it is gathered for would be attached to the TFN in a particular agency. In addition these ensure appropriate mechanisms for storing and accessing TFN information and require CSA to keep information up to date.

Information held by the ATO under the TFN system is vital for the CSA. The ATO has access to employment information through its Employment Declaration System, the latest bank account information through the Income Matching System and personal taxation data from individual tax returns.

The *Tax File Number Guidelines 1992* currently prohibit the matching of tax file number information by government agencies for any purpose not authorised by taxation law. The child support legislation is currently treated as a taxation law for the purposes of TFN provisions due to section 8WD of the *Taxation Administration Act 1953*. However it is proposed that this section will be repealed. The CSA is currently recognised under the Commissioner of Taxation's *Classes of Lawful Tax File Number Recipients* to the following extent:

The Child Support Agency collects child and spouse maintenance payment from non-custodial parents as authorised under the *Child Support (Registration and Collection) Act 1988* and the *Child Support (Assessment) Act 1989*. The Agency collects tax file numbers on application forms from parents and uses them to identify payments and generally administer the Act.

For the reasons stated above, the logical use of the TFN for identifying clients in an income based assessment system and the cost of changing the identifiers for all clients, the CSA submits that it should remain in a class of lawful TFN recipients.

Recommendation 7: ATO to improve data.

The ATO has access to CSA data. CSA data may be more up to date as it does not rely as heavily on information being volunteered by clients. CSA data may assist in this process and is readily matched with ATO data through the use of the TFN as the client identifier.

(Signed)

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