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## ATO response to recommendation 1, JCPAA Report 418

### Community satisfaction with the ATO's new Income Tax system

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## INTRODUCTION

This report has been prepared in response to recommendation 1 of JCPAA *Report 418 - Review of Auditor-General's Reports Nos. 04 to 38 (2009/10)*, tabled on 22 December 2010.

The report focuses on the period since the deployment of the new Income Tax processing system in late January 2010. This period includes Tax Time 2010, an important test period for the new system.

Over the past year we have kept a close eye on the impact on the community of our overall performance and tracked our service delivery against our commitments to the community via our published service standards. We monitored community satisfaction through the complaints we received, as well as our program of community, business and tax practitioner perception surveys and our consultative forums. This report summarises our conclusions on the associated findings.

## THE CHANGE PROGRAM AND NEW INCOME TAX SYSTEM

The ATO's Change Program has been a very significant undertaking that started in 2004, with the contract being closed on 30 June 2010. During the six years the program was undertaken, substantial additional scope as a result of government policy changes was added and some of the original deliverables were removed from the scope of the contract.

The largest and most complex part of the Change Program was the Income Tax system which was deployed into our integrated system in late January 2010. This system replaced a 30-year-old mainframe system and is now being used to process all individual, company, partnership and trust return forms. When we switched from the old system to the new system we converted 27 million taxpayer records, 32 million accounts and 282 million forms.

The end of January was chosen for the deployment of the new Income Tax system because, while the ATO processes more than 14 million returns a year, during the January/February period we typically receive about 5% of these returns.

This deployment attracted a lot of media interest and community commentary because of delays experienced in the processing of income tax returns. This was mirrored in a sharp increase in the volume of complaints to us.

With the deployment of a system as large and complex as the Income Tax system, there were always going to be significant delays, and the ATO had warned of this. In particular, the ATO took active steps to directly inform tax agents and their professional associations that the ATO would be required to stop processing returns for several weeks leading up to the deployment.

A number of ATO website updates issued during the February-June 2010 period aimed to keep the community informed about income tax return processing performance. However, this was at a broad level, and taxpayers needed to contact the ATO to check on their own returns.

The history of the Change Program is detailed in our booklet *The Australian Taxation Office Change Program*, which is at Attachment 1.

Understandably the key issue for taxpayers related to any refunds which were delayed. This was also an area of concern for tax agents, particularly if their fees were to be met through a tax refund.

Another example of concerns raised by tax agents at tax agent forums and in complaints related to the new notices of assessment and statements of account that were issued by the new Income Tax system. Although these new notices and statements were designed with input from tax agents, some agents were initially dissatisfied with a number of aspects of the notices and statements.

Given this feedback, in March 2010 we commenced further consultation with tax agents and their professional associations to agree a range of changes. A number of changes have since been made to the notices and statements, and this is no longer an area of concern raised by tax agents.

## **Tax Time 2010**

In gearing up for the first Tax Time using the new Income Tax system we took into account lessons from the period from February until June 2010. For example we:

- focussed on contact centre staff and ensured they were equipped to handle enquiries on refund status
- improved our analytical capability to provide more detailed reporting on our performance in processing returns on a regular basis, and
- put in place additional resources, diverted from other work in the ATO, to ensure any returns which could not be processed automatically could be quickly actioned.

Throughout Tax Time we aimed to be open and transparent with the community and tax agents as to our progress in processing returns. Over the period 1 July–15 November 2010 we issued 15 updates on the ATO website which provided performance statistics and early warning of issues that may delay returns. In particular, in July and August we advised taxpayers of the specific nature of returns where some delays were being experienced and when these returns were expected to be released. For example, some returns were held to 23 July 2010 where extra steps were taken to ensure the accuracy of assessments.

To ensure that the professional associations were well informed weekly telephone conferences were held from June to September 2010.

Our final Tax Time online update of 18 February 2011 summarised our performance for the period (see Attachment 2). Overall our new system performed well during our busiest time of the year. Following some delays in July 2010, we processed 90.9% of individual electronic income tax returns received in August in less than 14 days. In September 2010 we processed 93.8% of individual returns in less than 14 days. By October and November 2010 we processed 95.7% and 95.3% of individual electronic returns in less than 14 days.

Since 1 July 2010 we have finalised the processing of almost 13 million returns, of which more than 10 million were individual tax returns. In total we have issued about 9.7 million refunds worth more than \$29 billion.

## COMMUNITY SATISFACTION WITH OUR PERFORMANCE

The ATO proactively monitors community and tax practitioner satisfaction through a range of measures including a robust program of surveys, the tracking of issues raised in individual complaints, and the monitoring of our performance against our service standards.

### Survey results

The latest completed annual surveys included research conducted within six months of the Income Tax release in January 2010 and so therefore provided some broad insights into the community's perceptions of our performance post-implementation. The 2010 Community perceptions survey fieldwork was conducted in June 2010 and the Business perceptions survey (wave 16) was in field in May 2010. The May 2010 Professionalism survey was in field in March 2010 while the tax agent surveys took place in March 2010.

### Upcoming surveys

Our upcoming surveys will provide more information on community and tax agents' perceptions a year on from the Income Tax release. The 2011 Tax Practitioners Research Program, including the Tax agents' perception survey, will be conducted in March 2011 and is expected to be finalised by June/July 2011. The May 2011 Professionalism survey will be conducted in March 2011 and be finalised in June 2011. The next Community and Micro enterprises perceptions survey will be in field in June 2011 and is expected to be finalised in August/September 2011. The Small & medium enterprises perceptions survey will be conducted in April/May 2011, reporting in June 2011.

### Latest surveys

At a broad level, our latest completed surveys showed that, while most indicators in regard to satisfaction with the ATO remained at high levels, we experienced minor falls in perceptions of our performance and professionalism in 2010.

Research showed that, at the overall level, taxpayers thought we were doing a good job, although their level of agreement dropped slightly from previous years. For example, in the 'community perceptions' survey, 83% of respondents thought we were doing a good job (down from 86% in 2009) compared with 88% of respondents in the 'business perceptions' survey who thought we were doing a good job (down from 90% in 2009).

These findings are broadly in line with the results from the 'ATO Professionalism survey' results, where net satisfaction of respondents who had dealt with us in the preceding six months dropped from 82% to 80% between November 2009 and May 2010.

Research also showed that 79% of tax agents thought that, overall, we were doing a good job.

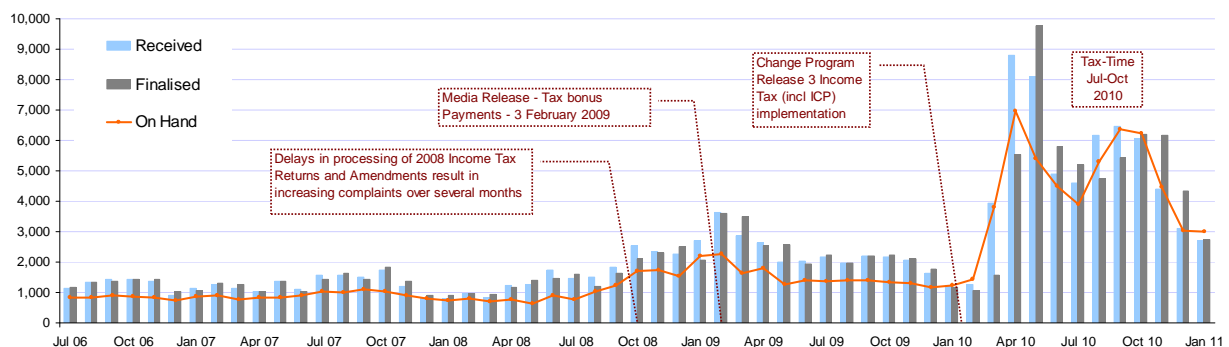
Further detail on these survey results was included in the Commissioner of Taxation Annual Report 2009-10 in Appendix 15. This is reproduced in Attachment 3.

## Complaints

One way we encourage people to tell us if they are dissatisfied with specific aspects of our services, actions or decisions is through individual complaints. By responding to complaints we have the opportunity to not only address the specific problem but also ensure the same problems do not reoccur.

Complaint data from the past five years shows that complaint volumes from the 2009 financial year are quite different to earlier patterns. We have observed that specific events and public commentary on these have been followed by spikes in complaint volumes. These events are shown in Figure 1.

**Figure 1: Complaint Volumes - July 2006 - January 2011**



The figure illustrates that in March 2010 complaint volumes increased suddenly and sharply and complaints continued at high levels for the remainder of the year. It should be noted that we changed the way that we count the number of complaints from tax agents on 16 April 2010. Previously if a tax agent lodged a complaint about processing delays in relation to a number of their clients, we only recorded this as one complaint. The current process is that we record separate complaints for each client.

The number of complaints increased our workload, which continued for the rest of the year, which in turn reduced our service standards performance for the year. This was as a result of the disruptions to refunds we had foreshadowed due to the release of the new integrated core processing system for income tax.

To deal with complaint numbers from March to June 2010, we deployed significant extra resources and resolved an unprecedented 22,742 complaints during this period. We also manually fast-tracked 6,400 refunds for taxpayers in genuine need. Despite these efforts we still had 4,617 complaints on hand at 30 June 2010.

During Tax Time 2010 (July –October 2010), complaints to the ATO continued to be received at elevated levels. This was in part because we did not begin processing until 9 July because we had to test the new software (to ensure correct calculations) and during July when we held some returns (in a safety-net). This was done out of abundant caution.

Since October 2010 the pace and level of new complaints have declined appreciably and we have made big inroads into dealing with the complaints on-hand. In the July- January period we finalised 34,834 complaints. Since October we have resolved more complaints than we have received and the volume on hand at 23 February 2011 is 2,343, the lowest level since

February 2010. The following table reflects the more positive complaint position during the current financial year. Please note also that since 1 July 2010 we finalised the processing of almost 13 million returns (mid February 2011), received more than 7 million phone calls (end February 2011), received more than 2 million items of correspondence (end December 2010), issued over 1.1 million debt-related letters (end January 2011) and completed more than 22,000 active compliance field activities (end January 2011).

**Table 1: Complaint volumes: July 2010 - January 2011**

	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Received	4,594	6,178	6,474	6,057	4,392	3,115	2,699
Finalised	5,206	4,750	5,428	6,200	6,172	4,342	2,736

Our commitments to the community on complaint handling are:

1. we aim to contact complainants within 3 working days of receipt of the complaint.
2. we aim to resolve complaints within 21 days of receipt<sup>1</sup>.

The benchmark for these service standards is 85%.

We take a conservative approach to closing complaints relating to delays in processing tax returns. We record these complaints as finalised only when the processing of the return has been completed. This has impacted our ability to meet our benchmark for the complaints finalisation service standard.

**Table 2: Performance against service standards for complaint handling**

Benchmark 85%	Year end 30/6/2010	Nov 2010	Dec 2010	Jan 2011	Feb 2011*
3 day initial contact	66.6%	77.7%	74.9%	76.7%	79.6%
21 day finalisation	74.7%	74.4%	82.2%	72.0%	80.9%

\*To 18 February 2011

We have implemented a range of strategies to reduce complaint volumes on-hand and ensure that we are dealing with complaints in a more timely manner. These include:

- allocating significant additional resources to resolving complaints and the underlying causes
- wherever possible, having complaints staff fix the complainant's issue during the initial phone call
- improving our current practices and taking advantage of the new system, for example, having a simpler process to urgently correct errors and issue refunds for those clients experiencing hardship and manual assessments where system issues have prevented processing.

As a result, our most recent performance against these service standards is showing an improvement over our 2009-10 results.

<sup>1</sup> This timeframe can be extended where we advise the complainant of a different resolution timeframe.

During the period 1 March 2010 to 31 January 2011 the ATO finalised a total of 32,571 complaints which were prompted by processing delays. Table 3 shows the monthly volumes of such finalised complaints and this total as a percentage of all complaints received by the ATO.

**Table 3: Complaints relating to processing delays – finalised March 2010 - January 2011**

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan*
Processing issues	407	3,438	6,773	3,148	2,432	2,415	3,257	3,788	3,609	2,067	1,237
Percentage of all issues	26%	62%	69%	54%	47%	51%	60%	61%	58%	48%	45%

\*latest data available

Complaints about processing delays make up a significant proportion of total complaints finalised by the ATO during the period. The volume may signal a trend of greater community expectations where processing delays are less tolerated by the community. Some support for this hypothesis is that the total complaints which relate to processing delays has been gradually rising for some time.

We have also observed that a growing proportion of complaints are being lodged by tax practitioners. Historically, 30-40% of all complaints originated from tax practitioners. Since the 2009 financial year, however, this proportion has increased to more than 50%. It should be noted that approximately 72% of individual returns are lodged by tax practitioners.

**Table 4: Complaints received by person lodging complaints: 2006 -2011 financial years**

Lodged by	2005 -06	2006-07	2007-08	2008-09	2009-10	2010-11*
Taxpayer	66%	60%	70%	48%	43%	49%
Tax practitioner	34%	40%	30%	52%	57%	51%

\* To 31 December 2010

## CONCLUSION

Overall, we are very pleased with the performance of the new Income Tax system. We know that some people experienced delays and frustration as a result of this essential system upgrade. We took steps to keep them informed and we are confident now that we are well placed to meet future expectations.

Our most recent surveys, while not covering Tax Time 2010, showed a slight drop from previous years, at the same time indicate high levels of community satisfaction. Future surveys will give us a fuller picture of what the community, businesses and the tax profession think of our overall performance now. However it is relevant to note that the satisfaction rates of those that actually deal with us are higher than those that form their impressions by what others say, whether that be in the media or elsewhere.

The largest upgrade of our systems in the history of the ATO is an achievement which the JCPAA, informed by experts such as the ANAO, and independent reports we have received from Capgemini & Aquitaine Consulting (our independent assurers) as well as Peter Wright from CPT Global have recognised as remarkable both in scope and complexity.