

Joint Committee of Public Accounts and Audit

ANSWERS TO QUESTIONS ON NOTICE

Australian Taxation Office

Bi-annual Hearing – 30 March 2009

Question: 3

Topic: Discussions with other revenue agencies on levels of voluntary compliance in economic downturn

Have you been a party to talks with other revenue agencies on the effects the global economic downturn is going to have on levels of voluntary compliance and methods to manage those effects? If so, which agencies, and what was the nature of these discussions?

(Written question on notice tabled by Senator Barnett)

Australian Taxation Office response:

Yes. The Tax Office has had discussions with other revenue agencies on the effects of the global economic downturn through a number of channels.

We meet regularly with our various treaty partners for bi-lateral and multi-lateral discussions of topical issues, including emerging areas of concern, and strategy and approaches to encourage compliance and address non-compliance. We also come together with our overseas counterparts in a variety of more formal organisations such as the Organisation for Economic Cooperation and Development (OECD), the Commonwealth Association of Tax Administrators, and the Study Group on Asian Tax Administration and Research.

Staff from revenue administrations in Australia, Canada, Japan, the United Kingdom and the United States also share information on global tax planning techniques, schemes and promoters through participation in the Joint International Tax Shelter Information Centre.

In recent times, discussions through these channels have naturally focussed strongly on the compliance risks related to the economic downturn and on possible mitigation strategies. While these discussions are often conducted on an in-confidence basis under the terms of our treaties, there has been a strong consensus around the adverse impact of the downturn on voluntary compliance, and the role to be played by a modern tax administration in such an environment.

The global economic downturn has created a highly volatile risk environment. The contraction in economic activity, decline in business and consumer confidence, and severe tightening of credit availability are putting significant pressure on individuals and business, particularly small businesses. The difficult economic environment is already having a significant adverse effect on revenue collections reflecting reductions in both the level of taxpayers' income, and their capacity to pay taxes and

other charges when due. It also creates an environment in which some taxpayers will be more aggressive in the search for opportunities to avoid tax, including through off-shore arrangements.

The discussions with other tax administrations have confirmed the commonality of concerns around the heightened compliance risks in the current economic environment. All jurisdictions also recognised the extraordinary pressures on business and the community and the need for tax administrations to play their part in supporting viable taxpayers through these tough times.

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Question: 11

Topic: Boston Consulting Group

What is the cost of the IT work being done by Boston Consulting? Was the work to review procurement of ATO infrastructure tendered? How much is the ATO paying Boston Consulting and over what period have they been contracted? (PA 51, Transcript of 30 March 2009 biannual hearing, Mr Briggs).

Australian Taxation Office response:

As a major user of information and communication technology (ICT) services, we have substantial in-house operations and several large ICT outsourcing arrangements.

As major outsourcing contracts are nearing an end the ATO has embarked on a phased procurement program for the supply of certain ICT services beyond 2010. This is known as the ICT Sourcing Program and consists of three bundles:

1. Managed Network Services, covering voice and data networks
2. End-user Computing Services, covering service management, all end-user devices (i.e. desktop computers and printers) and support facilities, and
3. Centralised Computing Services, covering our data centre, midrange and mainframe systems.

The aggregate cost of the ICT Sourcing Program is likely to be in the vicinity of \$56.9 million.

The Boston Consulting Group (BCG) is one of 15 companies that were selected for the ATO's ICT Sourcing Program Support Services Panel instituted in March 2008. These panel arrangements were set up in accordance with Commonwealth Procurement Guidelines.

There is a contract in place with the BCG which is valued at \$525, 592.10 (incl. GST) for the period from 16 March 2009 to 30 June 2009. There are also two six month extension options available. BCG is contracted to deliver:

- a review of the ICT Sourcing Strategy, and
- a plan to transition new contract arrangements into Business as Usual.

BCG was selected for this contract because they developed the original ICT Sourcing Strategy in 2007 and were best placed to undertake a review of this strategy. The engagement was in accordance with Commonwealth Procurement Guidelines.