



Australian Government
Australian Taxation Office

Biannual Tax Hearing

COMMISSIONER OF TAXATION

Mr Phil Barresi MP
Chair
Joint Committee of Public Accounts and Audit
Parliament House
Canberra ACT 2600

Submission No: 1

Dear Mr Barresi

I have pleasure in providing the Tax Office's report to the JCPAA for discussion at the public hearing on Friday, 20 April 2007.

Our report covers our performance to date in 2006-07 and an early picture of emerging priorities for the coming year.

We are committed to being open and accountable in administering the community's tax and superannuation system. Accordingly, for the first time, we are sharing with the Parliament our early thinking on the high-level priorities for us into the coming year (as articulated in our attached draft 2007-08 Corporate Plan). We welcome the Committee's views at the hearing.

The draft corporate plan is an evolving document with further corporate processes still underway. It is not intended to cover everything we expect to do in the coming year but points to the areas where we believe extra focus is needed and where we're committed to investing scarce resources. Neither does it seek to reflect every risk that we may face or every compliance risk that we identify – these are picked up in the cascading suite of corporate planning documents.

Our report highlights that overall our performance in 2006-07 has been strong. There have been some areas where our performance has dipped as a result of our implementation of a significant and complex Change Program. However, given the scale of transformational change these dips were expected and the favourable business and community perceptions of our performance is a reflection of how well we have mitigated these impacts. As you will appreciate our Change Program provides the springboard for lifting the bar in excellence in the administration of tax and superannuation.

There have been some changes in our senior leadership arrangements within the Tax Office in recent months. These include the appointment of Bruce Quigley as Second Commissioner (Law), Jane King (from Queensland Government) to head up our client contact area, and Professor Robin Creyke as our new independent Integrity Adviser. Professor Creyke's role is to ensure that our good governance principles are reflected in our everyday work and that we 'live our values'.

I look forward to discussing our performance and thinking on priorities for the coming year with you and the Committee at the hearing.

Yours sincerely

Michael D'Ascenzo
Commissioner of Taxation

17 April 2007

REPORT

JCPAA

APRIL 2007

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AUDIENCE

DATE

CLASSIFICATION



Australian Government

Australian Taxation Office

Our performance in 2006-07 and emerging priorities for 2007-08

April 2007



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Attachment 2:	Corporate Plan 2006-07
Attachment 3:	Corporate Planning Model and 2007-08 planning timeline
Attachment 4:	Draft Corporate Plan, 2007-08
Attachment 5:	Draft Tax Office Sub-plan Risks and Priorities Executive Summaries 2007-08

The following documents are also relevant to this submission. A copy of each has been provided to the Committee.

Document	Page reference
Strategic Statement 2006-10 booklet	5
Outcome Outputs and Enabling Outputs Frameworks 2006-07 booklet	5, 9
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CHAPTER 1: INTRODUCTION

Our initial submission provided an overview of the tax system and how we go about securing Australia's revenue and securing community confidence. It also provided a snapshot of developments in securing community confidence in the administration of Australia's tax and superannuation system. It explained the application of the self assessment system for individuals and micro businesses and our support for tax agents. Our second submission provided an outline of our approach to dealing with aggressive tax planning schemes.

We have provided the Committee with copies of significant corporate documents for 2006-07. This includes our *Strategic Statement 2006-2010* which sets out our strategic directions and framework for the future and our 2006-07 Corporate Plan.

In November 2006 we shared with the Committee our views on priorities and challenges for us looking forward.

This report builds on those earlier submissions and views by:

- Highlighting some achievements so far in 2006-07, and
- providing an early picture of the emerging priorities for the coming year.

We are at an important phase in our corporate planning cycle. We're currently making decisions on our high-level risks and priorities for 2007-08 and checking that we'll be on track to meet corporate outcomes for 2006-07.

The Tax Office seeks to be open and transparent in its operations. We want to be open with the Committee and share our thinking. We have attached to this report a number of corporate planning and reporting documents, including:

- our corporate planning model,
- corporate planning timeline for 2007-08, and
- our draft corporate plan for 2007-08.

We welcome the Committee's feedback as elected representatives of the community. It adds another dimension to the feedback we receive from other Committees and processes of the Parliament, our extensive consultative arrangements, our complaints system, the media, the judiciary and external scrutineers. After all, the Australian tax and superannuation system is the community's tax and superannuation system.

Our report is closely aligned with our outputs and outcomes framework and uses our Output headings to enable cross-referencing to our Corporate Plan (current and draft 2007-08) and performance reports.

CHAPTER 2: REPORTING ON PERFORMANCE

CONTEXT AND BACKGROUND

Our corporate planning and reporting approach

Our approach to corporate planning and reporting aligns with the ANAO's better practice principles, government guidelines and our statutory obligations under the *Financial Management and Accountability Act 1997*. This enables us to account to Government in accordance with our outcome outputs framework and the Uhrig governance obligations for statutory agencies.

We continue to work with Treasury in the development of the Statement of Expectations and the Tax Office Statement of Intent.

Our Strategic Statement

Our Strategic Statement 2006-10 (Overview provided at Attachment 1) provides a clear sense of direction and a framework for our activities over the medium term and takes us to our centenary year. It includes:

- our aspiration
- our commitment to government
- our commitment to the community
- the Tax Office business model, to demonstrate how we deliver our business intent, and
- our strategies for the future

Our Corporate Plan 2006-07

Our Corporate Plan for 2006-07 (Attachment 2) outlines our corporate priorities for 2006-07. The priorities are presented in terms of the Outcome Outputs and Enabling Outputs Frameworks to assure government and the community that we will meet the Tax Office outcome to 'effectively manage and shape administrative systems that support and fund services for Australians and give effect to social and economic policy through tax, superannuation, excise and other related systems'.

Our Corporate Planning Model and timeline (Attachment 3) shows the integration of all levels of corporate planning in the Tax Office. It is set in the context of the Outcome Outputs & Enabling Outputs Frameworks and depicts strategy and direction flowing from the Government Statement of Expectations (yet to be finalised) to 'performance and development agreements' for Tax Office staff. The model recognises that the Tax Office has reporting obligations of performance and assurance at all levels.

TRACKING PERFORMANCE

As part of our governance arrangements we regularly review our performance to check that we're on track for achieving the Tax Office outcome and to identify emerging priorities and risks that need to be managed.

The Plenary Governance Forum (PGF¹) reviews the overall performance of the Tax Office against its commitments to the Commissioner, Minister, Parliament and the community four times a year. The December meeting reviews mid-year performance.

The Forum bases its assessment on:

- performance against the Corporate Plan, consisting of six Sub-plans (Compliance, Law, Operations, IT, People & Place, Easier Cheaper More Personalised) and the Australian Valuation Office, and
- conformance with our statutory and other obligations for example through the Certificates of Assurance processes

In December 2006 the PGF reviewed mid-year performance and agreed that overall we were on track for meeting the Tax Office outcome. It also agreed that we've met our corporate requirements over the year and we're tracking fairly well against the corporate objectives for 2006-07 as they stood at that time.

The PGF met on 17 April 2007 to review our progress against the Corporate Plan and check that we'll meet targets. It will then meet again in July to focus on end of year commitments and conformance with our statutory and other obligations.

In reviewing the progress against the Corporate Plan the PGF considers sub-plan and whole of Tax Office performance against:

- our Outcome
- our corporate priorities

OUR OUTCOME - EFFECTIVENESS INDICATORS

For 2006-07 the Tax Office has four effectiveness indicator groups to measure overall achievement of the Tax Office Outcome:

- deliver to government,
- maintain community confidence,
- minimise compliance costs within Tax Office control, and
- efficient and adaptive organisation

We review the indicators each year as part of a review of our Outcome Outputs Framework and for 2007-08 we have undertaken a significant review of the effectiveness indicators.

¹ The PGF is chaired by the Commissioner and comprises Second Commissioners, National Program Managers and Program Leaders.

Subject to discussion at the PGF meeting on 17 April 2007, we're on track against those indicators. Some highlights from the indicators are set out below.

Maintain community confidence

Overall, the Tax Office is showing reasonable performance against the measures against our ability to maintain community confidence, including integrity indicators and service standards, against the backdrop of a transformational change program.

We've reviewed our Taxpayers' Charter taking into account feedback from the community – the feedback suggests that we 'live the Charter'.

Results against our Corporate Outcome Measures indicate we have maintained or exceeded our performance against the nine characteristics of professionalism, and in the seven stated business areas for the November 2006 professionalism survey as compared to the same time last year.

Minimise compliance costs within Tax Office control

Business perceptions

Business Perceptions Survey results were again largely positive with overall performance remaining relatively steady from 7.2 out of 10 in Wave 9 (August 2006) to 7.1 out of 10 in Wave 10 (November 2006). While there were some declines in key measures in this wave, the majority of measures remained at or just below their historical highs.

Change Program

Despite the complexity of our Change Program implementation timeframes, we are continuing to deliver initiatives to reduce compliance costs by offering more services online through our Tax Agent and Business portals. The Change Program Release 2 has deployed the Tax Agent Portal version 10 which has provided pre-filling of certain items for 17,000 registered tax agents on portals and delivered secure messaging with attachments. The introduction of pre-filling helps tax agents and taxpayers prepare returns and provide more certainty about the accuracy of the information.

Consultation, collaboration and co-design

We are continuing to build on our guiding concepts of consultation, collaboration and co-design by consulting with the community to reduce compliance costs when implementing new law.

We will continue to listen to the community through our consultative forums and provide opportunities for co-design with the people who use our systems. Our annual publication, *Making it easier to comply*, explains how we work with the community to improve the tax system.

Efficient and Adaptive Organisation

In 2006 we won a number of awards across a range of areas, including call centre performance, intelligence, occupational health and safety, and corruption and fraud prevention. Our former Integrity Adviser, Peter Kennedy, observed at his farewell 'it's good to see the ATO being recognised internationally and as a leader in the APS'.

We're on track to manage within our budget for 2006-07.

We have extended the EDS contract from June 2006 to June 2008. We have outsourced our IT infrastructure services to EDS (Australia) Pty Limited since June 1999.

We have made significant progress against several key initiatives, many of which are at the leading edge and positioning us at the forefront of the Public Service. Work includes:

- delivering the largest training roll out of Siebel functionality
- developing a new leadership framework to address the skills required by emergent, established and accomplished leaders, and
- continuing to offer diverse professional development opportunities for our employees.

CHAPTER 3: PERFORMANCE AGAINST CORPORATE PRIORITIES

Indications at this stage are that we are broadly on track for meeting our priorities for this year. The following provides some highlights against our priorities within the context of our Outcome Outputs Framework.

OUTPUT 1: SHAPE, DESIGN AND BUILD ADMINISTRATIVE SYSTEMS

Providing timely and quality advice to Treasury and government and implementing the government's legislative program are high corporate priorities. This year we've worked closely with Treasury on very significant law measures including Super Simplification, the Tax Agent Legislative Framework and Aligning the Eligibility Thresholds for Small Business Concessions.

The May Federal Budget may bring additional pressures in this area going forward into 2007-08.

The Super Simplification changes are big for the Tax Office and big for the industry. In implementing the simplification of super, we are consulting with industry to ensure a user-based approach to co-design and community ownership of the new administrative system. We've set up seven new working groups to add to our existing 12 working groups.

We are consulting with individuals and trustees, tax agents and accountants, financial planners and advisors, administrators of self managed funds, and approved auditors. We appreciate and acknowledge the contribution made by the industry in working with us.

We're reviewing and revising all our help and education products to reflect the super simplification changes and are also taking the opportunity to improve their user friendliness while we're doing it. We are looking to put in place some new products which could include a newsletter and a self managed superannuation fund start-up kit for new trustees from July this year.

We've also made good progress in making it easier for individuals to comply with their tax obligations this year. Two areas of innovation are pre-filling of some data for tax returns and automatic amendment of income tax assessments for taxpayers who have been identified as being eligible for the child-care tax rebate but haven't claimed it.

E-tax is now one of the most popular government services with over 1.6 million taxpayers lodging their 2005-06 tax return using the program – an increase of almost 18 percent on the previous year.

In 2006, over:

- 80,000 people downloaded their bank interest details
- 22,000 people downloaded information to claim their 30 per cent child care tax rebate,
- 100,000 people downloaded their out of pocket medical expenses from Medicare Australia, and

- 7,500 people downloaded information on their managed funds.

By providing information for taxpayers, we can reduce the time they need to spend completing their return and help them get it right the first time, leading to fewer amendments after lodgment.

Going forward into 2007-08 we'll be expanding pre-filling, using extra funding provided for this purpose by Government. Users will be able to download more information into their tax return including:

- bank interest from over 20 banks and credit unions,
- dividend information from share registries
- pension information from the Department of Veterans Affairs, and
- allowances paid by the Department of Education, Science and Training.

We'll also be giving the same facility to tax agents, helping them to provide an efficient service to their clients.

Users will also be able to download all available information upfront in a single-step rather than at multiple times throughout the program. This initiative will reduce the time needed to complete a tax return via e-tax and will further simplify the process for users.

Furthermore, we plan to pilot the concept of 'sign here if the income information we have reflects your circumstances'. This means that e-tax will automatically load salary and wage information into the returns of participating taxpayers by using the payment summaries their employer provides us. Of course, taxpayers will still need to make adjustments to claim such things as work-related expenses, tax deductible gifts and rebates, or if they have other sources of income. These features in the tax law, including the numerous choices and concessions available to business and the use of the tax law to provide social and economic benefits require the ongoing involvement of taxpayers in the process of tax assessment.

This year we also started automatically amending the income tax assessments of individual taxpayers who've been identified as eligible for the childcare rebate but haven't claimed it. As at 15 January 2007 295,000 taxpayers have received the rebate. Of those who received it 88,145 did so as a result of the auto amendment process undertaken by the Tax Office.

OUTPUT 2: MANAGEMENT OF REVENUE COLLECTIONS AND TRANSFERS (DEBT)

A strong focus for us this year has been to reduce the level of taxpayer debt through a combination of mail-based and outbound telephone contact campaigns. This has increasingly been augmented by a number of complementary strategies, for example dialler technology, which have broadened our coverage of taxpayers and increased opportunities for contact.

Collection campaigns have focused on early intervention, containment of escalating debt and taxpayers who continually default on promises to pay. We also closely manage large dollar value debts and specific types of debt including schemes and superannuation.

Early intervention is not just good for the Tax Office, but also beneficial for the taxpayer. Contacting taxpayers earlier in the collection cycle and maintaining the lines of communication allows us to address the debt before it begins to escalate. This also improves the prospects for the ongoing viability of a taxpayer's business.

Our general approach is to work with taxpayers to either clear their debt or help them into a payment arrangement that meets their individual circumstances.

Nevertheless, we are firm but fair, including the use of garnishee action and statutory demands and in some instances bankruptcy and insolvency action, with taxpayers who chose not to engage with us or continually break promises to pay. This ensures a level playing field for businesses and taxpayers alike

The new approaches we trialled in 2005-06 such as contacting busy business people after hours, referring low-level debts to an external collection agency and using new technologies like dialler to improve the level of our engagement with taxpayers have shown some success.

Results from the after hours contact pilot show that approximately \$34 million has been received to the end of February 2007 with ongoing payment arrangements to result in further collections. After hours contact will form part of our ongoing strategy for collecting tax debt either as business as usual or in the form of periodic campaigns.

The debt referral pilot, which commenced on 5 April 2006 and concluded on 30 June 2006, resulted in some 38,000 contacts (mixture of letters and phone calls) and collections of about \$21 million.

The pilot demonstrated that tax debts can be collected by established external collection agents. The agency was successful in engaging taxpayers who had not responded to previous Tax Office strategies and in reducing the value of debt holdings referred. Based on the success of this pilot, the Tax Office is developing a Request for Tender to procure the services of debt collection agencies for future collection activity.

The dialler technology pilot started in May 2006 and, due to promising results, has been extended. To end of February 2007 we have achieved around 172,000 taxpayer contacts and negotiated some 41,000 promises to pay by instalments or in full to the value of around \$950 million. The dialler enables us to effectively and efficiently manage taxpayer contact, including the capability to focus collection activities on certain categories of debt or taxpayer.

We see this initiative as a key resource in our ability to manage debt levels into the future through high volume campaign dialling. Importantly, it will also assist us to achieve corporate outcomes.

Our Debt area also conducted a review of its practices, processes and behaviours this year which sought to find further opportunities to increase and influence compliance and deliver an improved and differentiated client experience. Changes made as a result include:

- remission of small residual GIC on completed promises to pay,
- accepting GIC remissions requests to the value of \$1,500 over the phone, and

- simpler and more flexible guidelines for payment arrangement proposals including those under \$25,000.

We are close to finalising a process of external review of our release decisions, similar to the KPMG review of our insolvency actions. In addition we plan to reimburse taxpayers the filing fee incurred for lodging a review of an objection to a release decision with the Small Taxation Claims Tribunal.

We are also currently in the process of establishing a panel of experts (eg. chartered accountant or tax agent) to review, at request of the taxpayer, our objection decision that results in either partial release or no release. Taxpayers may then use this information in deciding whether to lodge an appeal against our objection decision. These changes provide a level of assurance and degree of transparency to our decisions.

Our approach to Debt collection is about providing taxpayers with greater certainty at all points of contact and every opportunity and assistance to meet their payment obligations.

OUTPUT 3: COMPLIANCE ASSURANCE AND SUPPORT FOR REVENUE COLLECTION

We've also made good progress so far this year in this area.

Working with tax practitioners

In 2006 we conducted a review of our numerous tax practitioner and other stakeholder consultative forums to provide more opportunities to help support taxpayers and tax agents. The improvements flowing through into the future should include increased openness, transparency and strategic focus of the forums and ways to embed the concept of listening to the community including a new model for regional tax practitioner forums.

We also continued our support of tax professionals. Our average monthly figures for 2006 show we handled 90,000 tax professional website enquiries, 240,000 legal database enquiries, 3000 Register of Private Binding Rulings enquiries and around 150,000 tax practitioner calls to call centres.

Working with large business

We've also made great progress on developing a co-operative approach with large businesses designed to improve our services and the way we interact with them while ensuring they pay tax properly due under the law. Firstly in August 2006 we held a major Large Business and Tax Symposium focusing on how to lift the bar in tax administration in the large business segment. We worked closely with the Corporate Tax Association (CTA) in designing the forum. It was attended by representatives from the top 100 corporate taxpayers in Australia, representatives from the major accounting firms, with senior representation from Treasury, the Board of Taxation, Australian Securities and Investments Commission and New Zealand Inland Revenue.

The Symposium discussions were valuable and we have already acted on a number of issues raised, including a letter from the Commissioner and a one page summary for Chairs of ASX 200 companies.

We have also made significant progress in relation to other issues raised. The President of the Corporate Tax Association said "the new approach gives our members more time to get on with doing business without the costs and disruption of lengthy audits. "The commitment to reduce audit timeframes with agreed project plans is a positive step forward and goes a long way to addressing concerns voiced by large businesses in the past."

In collaboration with the CTA we developed the new *Large business and tax compliance* booklet. The booklet provides practical pointers for including tax in the good governance of large companies. It looks closely at large business tax obligations, corporate governance, and explains our processes for managing compliance risk reviews and audits. It details what attracts attention, our expectations, actions and interactions with taxpayers.

The booklet also includes information about the products and support services we provide and provides a useful guide about the issues that attract our attention or that we consider could be risky. This is supplemented by the material provided in the Compliance Program 2006-07.

Following the release of the booklet at the symposium, the major accounting firms assisted in taking the message out to their clients through a range of bulletins and seminars. In fact, KPMG took this a step further and sent out their own booklet on tax risk to boards and CEOs, drawing on the content in our Large Business and Tax Compliance booklet. They said: 'Given the increasing importance of the 'business friendliness' of our tax system in the competitive global business environment, [the Tax Office's emphasis on consultation and transparency] is a very encouraging development'.

Forward compliance agreements are another innovation we've pioneered this year. They're now in place with the ANZ Bank and BP Australia and, a third is in the pipeline. They're designed to reduce tax compliance costs for large business by promoting better practices to effectively manage taxation risks for large companies.

Tax agent integrity phone line

Some in the tax industry have told us they are concerned others may be gaining an unfair commercial advantage through unlawful and dishonest practices. In response and in support of the majority of agents who do the right thing and recognising the high value of information and intelligence they can provide, the Tax Office launched on 27 February 2007 a dedicated integrity phone line specifically for tax agents.

The new service allows tax agents to report instances of unethical or unlawful behaviour directly to us. For example, agents can notify us of:

- unregistered preparers
- poor or indifferent behaviour of other registered tax practitioners
- compliance problems with clients, and
- systemic problems in the industry.

We have been working hard with the industry to address their concerns and ensure the service meets their needs. We're confident that the processes we have put in place to support the phone line are rigorous and transparent.

The line has so far received over 70 phone calls that have led to over 35 alleged tax evasion reports.

The integrity line is a small part of a wider package of initiatives aimed at supporting tax professional associations and tax agent boards to promote a 'capable and well regulated tax profession'. We plan to build on this tri-partite commitment by the Tax office, professional associations and the tax agent boards in co-designing the way forward under the new tax practitioner regulatory framework.

Fraud control and the prosecution process

The ATO Prosecution Policy has been replaced by the new Corporate Management Practice Statement (CMPS) "*Fraud control and the prosecution process*". The primary target audience for the CMPS is Tax Office staff to ensure they are alert to identifying and reporting situations of possible external and internal fraud. The practice statement was released on 17 April 2007.

The CMPS provides guidance on matters that should be brought to the attention of our Serious Non-Compliance or Fraud Prevention and Control areas. It describes the types of behaviours that are considered fraudulent and articulates the roles and responsibilities of the Tax Office and its employees in relation to identifying, reporting, investigating and prosecuting fraud. The CMPS also provides guidance on referring cases involving serious criminal activity which is not tax-related.

The CMPS has undergone a wide consultation process within the Tax Office and has been reviewed by the Commonwealth Director of Public Prosecutions and an academic consultant.

OUTPUT 5: SERVICES TO GOVERNMENT AND AGENCIES

In February 2007 the Auditor-General tabled in the Parliament his follow-up review of our management of our relationship with tax agents. Pleasingly the ANAO has acknowledged that the relationship between the Tax Office and tax practitioners has improved significantly since the first audit. However, there is always scope for improvement and we have accepted the 6 recommendations.

This year the Ombudsman's office has completed a number of external research projects relating to our debt collection activities and pleasingly has not found any significant strategic or systemic issues.

We have also made significant progress in recent months in developing a new Protocol with the Inspector-General of Taxation to support our working relationship and hope to have this signed before too long.

WHERE WE'VE MET CRITICISM

There have also been areas where we've met with criticism.

Indooroopilly

In February 2007 the Full Federal Court dismissed our appeal in the *Indooroopilly* case, relating to fringe benefits tax and employee benefit trusts. The Court was critical of us. We accept that it would have been better if the issue could have been brought before the Full Court more promptly but note that our actions were consistent with advice provided by the Solicitor General and note that the Full Federal Court had the opportunity to resolve the issue in the case of *Spotlight*². We have nevertheless accepted the Full Federal Court decision in relation to FBT and are seeking further advice from the Solicitor-General as to whether there are ways of getting earlier decisions from the Courts including, for example, whether declaratory proceedings could be available in relation to the managed investment scheme issues.

Managed investment schemes

The Tax Office released draft taxation ruling TR 2007/D2 on 11 April 2007. This draft ruling provides the Tax Office's view on the income tax treatment of registered agricultural managed investment schemes (MIS). Developments in case law required us to reconsider our views on the deductibility of investments in MIS. The ruling is subject to a six week consultation period.

Our view is that despite the description of expenditure as being management fees, in substance the expenditure is capital in nature for the acquisition of an interest in the relevant MIS.

This is an important issue and the result is not beyond doubt, so we intend to urgently expedite a test case to obtain judicial opinion on our reconsidered view. To enable this to occur, we are already working with industry to identify and progress a suitable case to test in the courts.

Following concerns raised by industry that a longer period may be required to better accommodate people with commitments from the marketing of MIS beyond 1 July 2007, the Tax Office has extended the start date for the reconsidered view until 1 July 2008, or until a court or tribunal decision supporting the reconsidered view, whichever comes first. This decision was announced in a media release on 27 March 2007.

This decision was reached by balancing industry's desire for greater time to deal with the impacts of the change in view with the need to provide certainty to investors about the tax effect of such arrangements.

The Tax Office recognises the transitional costs of changing internal working arrangements and disclosure requirements involved in agribusiness MIS and will continue to work with industry in order to help them to manage the transition and, where possible, to minimise such costs.

² *Pridecraft Pty Ltd v FC of T; FC of T v Spotlight Stores Pty Ltd* [2004] FCAFC 339

Investments in agricultural managed investment schemes that are covered by existing product rulings will not be affected by the draft ruling, provided that the project is implemented in accordance with the product ruling.

CHAPTER 4: EMERGING CORPORATE PRIORITIES FOR 2007-08

While we carefully manage the 'day to day' we also keep an eye strongly focussed on the future and on developing greater clarity around what a future tax administration could look like and how we could provide more public value to our community.

Our Strategic Statement sets out our aspiration to lift the bar in tax excellence.

In July we'll celebrate the 10th anniversary of the launch of our Taxpayers' Charter, a recommendation from the 1993 review by the Joint Committee of Public Accounts. Back then it was a first for the Australian Public Service, and over the decade it has helped us to live our values.

There are ongoing challenges for us in our quest to lift the bar in administrative excellence:

- finding better ways to measure the effectiveness of our performance as a tax administrator,
- developing innovative products and solutions,
- working collaboratively with others including our public service colleagues domestically and internationally, and
- keeping on top of global developments and technology.

Our aim is to become less visible to those who comply, but highly visible to those who don't.

Earlier this year some of our leadership team met with representatives of Microsoft, Oracle, IBM and Accenture to investigate what is in the technology 'pipeline' that could change how we work in the near future and help us work smarter. We were particularly interested in what was being developed to support collaboration for project teams that may have to work across locations, or across government or even internationally. These are things we are doing today and believe will be doing significantly more of in the future.

At our recent SES conference we aligned our senior executive team to our vision of possible futures, and galvanised their commitment to living our values.

CORPORATE PRIORITIES FOR 2007-08

A copy of our draft corporate plan for 2007-08 is at Attachment 4. It outlines our current thinking on our priorities for the year ahead. It is drawn from a review of draft Sub-plan risks and priorities for 2007-08 (contained at Attachment 5). The draft corporate plan will be refined and added to through our ongoing corporate planning processes. However, we welcome the Committee's thoughts on our insights and directions so far.

In 2007, a significant priority is managing issues associated with the Budget and Federal Election. The Election places greater emphasis on providing timely and quality advice to Treasury and government in areas such as costings of election commitments.

OUTPUT 1: SHAPE, DESIGN AND BUILD ADMINISTRATIVE SYSTEMS

Change program

We've implemented the first 2 releases of our Change Program on time and on budget. Our program assurer Cap Gemini, has told us that our achievement in doing this should not be underestimated.

This is a significant achievement and over the last few years has delivered improvements that make a considerable difference to how taxpayers and tax professionals interact with us.

Our client relationship management system means we can now provide a more personalised service. When taxpayers call us, we can view a growing list of their phone and mail interactions with us (and for tax agents, those of their clients).

During 2006 we introduced new work and case management systems to assist in managing our correspondence and audit cases. These systems help ensure our efficiency and minimise taxpayer costs.

Much of our work in 2007 centres on building on the case, work and client relationship management systems to re-engineer our processes to further improve taxpayers' experience with the community's revenue and superannuation systems.

We have now reached Release 3, which entails the most complex components of the Change Program, many of which involve significant changes to our internal systems, including the deployment of integrated core processing (ICP) to replace a multitude of back end processing systems with a single integrated back-end processing capability with one registration system, one accounting system and one processing system for the Tax Office irrespective of the tax product we are dealing with.

In addition to the original plan we now need to ensure delivery of the government's package of Simplified Superannuation measures by July 2008.

To ensure we can effectively implement superannuation simplification by July 2008, given the scarcity of IT and other relevantly skilled resources, we have decided to adopt a staged approach for Release 3, instead of having a single deployment of Release 3 in December 2007 as originally planned. The following timeline sets out the implementation stages.

Release 3.1	Income Tax / Fringe Benefits Tax / HECS	January 2008
Release 3.2	Superannuation and Tax Time 2008	July 2008
Release 3.3	BAS /GST / Excise / New Portal	January 2009
Release 3.4	Provision of Written Advice	From July 2009

Although a progressive rollout of the Change Program, which now includes superannuation, provides us with more agility and reduces risk, Release 3 will still be challenging and there will be productivity dips as we bed down the new systems. We will plan to make this as invisible as possible to the community.

Consultation, Collaboration And Co-Design

Our stronger focus on building collaborative relationships this year will continue into 2007-08. Collaboration at all levels will help us to be the kind of tax and superannuation administration we aspire to be. This extends to collaboration with taxpayers, industry groups and tax practitioners and across government at all levels as well as those with other tax administrations. We do this in over 80 representative forums.

Whole of Government

We indicated at our appearance before the JCPAA in November 2006 that Whole of Government presents some opportunities and is a high priority for us going forward. Whole of Government is the now and the future of public administration.

A priority going forward is to progress work with Treasury on the Standardised Business Reporting initiative which has the potential to significantly reduce compliance costs for business.

We are also focussing on improving our working relationships with other Commonwealth agencies such as the Australian Securities and Investment Commission. We expect to sign a new Memorandum of Understanding with the Australian Securities and Investments Commission soon that will give effect to a closer working relationship. Greater sharing, within statutory obligations, will enhance our ability to add public value.

Implementing legislative program

Implementing the government's legislative program is a high corporate priority. This includes for 2007-08 the taxation of financial arrangements, alignment of the legislative definition of small business, promoter penalties and super simplification.

The promoter penalty regime has provided new tools to deter and deal with the promotion of schemes. However, we must first detect emerging schemes and identify the promoters involved to ensure that there are no large outbreaks of tax exploitation schemes.

Our strategy has four elements - early detection of scheme, warnings to taxpayers, fair treatment of participants and firm action against promoters. In 2007-08 focus areas for improving our effectiveness will be early engagement with professional bodies and intermediaries to influence community standards on acceptability of abusive schemes. We'll also be engaging with larger promoters to deter them from promoting abusive schemes.

This year we've worked with stakeholders in developing our administrative approach. Our co-design processes have helped us prepare two draft practice statements on the

administration of the new promoter penalty laws – one on tax exploitation schemes and the other on schemes promoted as conforming with product rulings.

OUTPUT 2: MANAGEMENT OF REVENUE COLLECTIONS AND TRANSFERS

Our priorities in this area include maintaining our current focus on reducing the rate of growth of collectable debt and working cooperatively with intermediaries and other government agencies to establish the Australian Business Register as the Government's business register to reduce red tape for business.

This involves continuing to work closely with Commonwealth and State agencies to better link our systems through the Australian Business Register so that businesses have a one-stop-shop for changing their address and other details. This also opens the possibility for a single authenticated entry point or portal for business to government.

OUTPUT 3: COMPLIANCE ASSURANCE AND SUPPORT FOR REVENUE COLLECTION

Our strategies to address the risks in this output are articulated in our annual Compliance Program which we release publicly. Broadly this is a rolling program that is 'tweaked' from year to year depending on what risks we see in the market segments and the success of our strategies (a mix of help, support, deterrence and enforcement).

Many of the compliance risks are of an enduring or ongoing nature. This reflects the environment and nature of the tax system.

Our key focus areas for 2007-08 will include:

- shifting our focus in the cash economy more towards business to consumer transactions
- ensuring that private groups, high wealth individuals and high income individuals pay their fair share of tax
- improving our support services and increasing certainty for very small businesses. A key strategy here will be to build better and clearer ways for taxpayers (especially new businesses) to seek and be provided with help from us, and
- addressing the risks of increasing restructure, merger and acquisition activity, internationalisation and the use of tax havens and Wickenby type arrangements. A key strategy will include the further development of multi-jurisdictional task forces.

High Wealth Individuals

This year we've made progress in moving forward our high wealth individuals strategy, which will continue to be a corporate priority into 2007-08 and beyond (with Government funding from the 2006-07 budget).

Since May last year, we have identified and registered on the High Wealth Individuals database almost 200 new high wealth individuals. We have completed almost 100 risk assessments since 1 July 2006 and collected \$136.9 million from our audit activities.

We've recruited extra staff and are building capability in our people.

Our strategy going forward involves meeting high wealth individuals or their advisors to discuss our risk findings. It's about understanding what their business is and how they're structured.

Whilst we're expanding our coverage using funds provided in the Budget we're looking to reshape our approach, learning from our experience in engaging with the large business segment.

We will invite their representatives to work with us to design appropriately tailored services and consultative arrangements and to streamline our risk assessment and audit processes. We're exploring new consultative arrangements to help us better understand the needs and drivers of high-wealth private groups. We're also looking to develop a "High Wealth Booklet" similar to our Large Business and Tax Compliance product.

Combating Fraud And Evasion In Cooperation With Other Agencies

We'll also be focussing strongly on cooperating with other agencies to combat fraud and evasion, including for example Project Wickenby.

Our work in project Wickenby to combat international fraud and evasion is progressing well, with over 10 criminal investigations conducted by the Australian Crime Commission or the Australian Federal Police and over 100 civil or criminal investigations being conducted by the Tax Office or ASIC. More recent activity includes over 20 search warrants for Tax Office access visits.

Tax Havens

Accelerated economic activity, coupled with the trend for corporations to integrate their global activities, requires a higher level of sophistication by tax administrations and has prompted the need for tax administrations around the world to put international issues, including international tax avoidance and evasion, high on their agenda.

We have revised our tax haven strategy to ensure that we keep in check the abusive use of offshore tax havens.

Promoting a capable and well regulated tax profession

We're also broadening the scope of our corporate priority relating to tax agents. We're shifting our priority from supporting tax agents to promoting a capable and well regulated tax profession.

Given the vital role played by the tax profession in influencing levels of voluntary compliance and in facilitating efficient transactions with the Tax Office, it is essential that the tax profession is capable and well regulated.

A capable and well regulated tax profession can best be achieved through an effective commitment between the Tax Office, tax professionals and the Tax Agents' Boards. We see it as a true tripartite arrangement, where each party complements the others.

Our three strategies going forward to foster this environment are:

- Ongoing consultations with the tax profession to collaborate and co-design. Recent examples include our acceptance of the recommendations of the Review of Advice review and Lodgment Program review,
- Looking forward to the new Tax Practitioner Regulatory environment, and
- forward-looking about the way tax agents might deal with the Tax Office in the not too distant future.

The Advice Working Group³ presented us with recommendations in December 2006 to improve delivery of technical advice and we accepted them all. The recommendations broadly relate to building self-sufficiency in the tax profession and improving access to Tax Office experts, especially for practitioners in rural and regional areas, and new starters. The Advice Working Group also asked for more co-design, including piloting service enhancements and a marketing campaign to encourage practitioner awareness.

Self-sufficiency

Looking forward into 2007-08 and beyond, on the self-service front we're responding by developing new products including:

- a service card promoting the premium service option for enquiries. It's aim is to increase use of our online services for simple transactions while directing tax practitioners to our phone lines when appropriate.
- an advice matrix that will outline our service standards and levels of protection provided by our advice products. It will direct tax agents to the appropriate advice service for their query.
- considering portal integration with practice management software and improved processes for private binding rulings.
- a suite of training products for those new to the profession in foundation tax topics, new legislation, research techniques, lodgment program, website navigation and portal operation.

Access to Tax Office experts

Similarly on the access to Tax Office experts side we're redesigning our procedures. We're putting in place specialist tax practitioner client contact staff in an approach which will see simple calls solved quickly and more complex calls handled by specialist tax practitioner call centre staff. Staff taking calls from tax practitioners will be more experienced than general call centre staff. They will be accredited, have case management skills and will manage the issues to resolution.

³ The Advice Working Group membership was established in collaboration with the major tax and accounting professional associations. Membership consists of professional association representation, practising tax practitioners and senior members of the Tax Office.

We are looking at a booking service for tax practitioners. This would improve access to tax specialists who provide non binding oral advice within realistic timeframes and replace our current escalation or call back processes.

Our tax practitioner research assistance service will provide assurance for tax agents who have done their own research. It will enable tax agents to consider the most appropriate Tax Office reference materials and use the integrated technical reference tool.

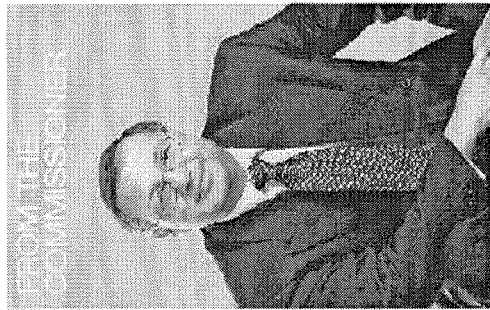
We also want to work with the tax profession to improve timeframes for the delivery of private binding rulings. This could include quicker turnaround times on some topics and streamlining the private binding ruling application process.

Together with the tax profession, we have developed a pilot model for re-invigorating regional tax practitioner forums. In particular, we are looking to strengthen links between regional forums and the national ATO Tax Practitioner Forum. We aim to achieve this by engaging more practitioners in a variety of ways, such as through the provision of teleconferencing facilities and by senior Tax Office staff visiting groups of practitioners in regional and rural towns.

This new model will ensure that practitioners from across Australia will have input into the care and management of the tax system and will provide greater opportunities for consultation, collaboration and co-design.

We will also work with a diverse range of groups within the region to build better networks and resolve local problems.

We've also been co-designing several initiatives with the bookkeeping industry to engage and educate BAS Service providers including a monthly email newsletter, an Advisory Program where field officers visit bookkeepers in their place of business and a suite of presentations through our Speakers and Seminars Unit. Work is also underway to explore a limited view for BSPs on the tax agent portal to further improve the BSP experience of working with the Tax Office.



At the same time, we will continue to work with the business community to ensure that the tax system is fair, simple and easy to understand. We will continue to work with the business community to ensure that the tax system is fair, simple and easy to understand.

Our aim is to ensure that the tax system is fair, simple and easy to understand. We will continue to work with the business community to ensure that the tax system is fair, simple and easy to understand.

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Michael D. Sadowski
Commissioner of Taxation

Strategic Statement 2006-10

Our aspiration

To work with the community in the fair administration and effective management of the tax system to add value to our nation.

Our commitment to government

To effectively manage and shape administrative systems that support and fund services for Australians.

Our commitment to the community

To administer the tax system fairly by helping people do the right thing, by making it as easy as possible for taxpayers to comply, and by being fair and dealing appropriately with people who are not meeting their obligations.

Our business model

INDIVIDUALS AND BUSINESSES WANT TO DO THE RIGHT THING

The right workplace, fair pay, good conditions, that's what people want. That's what we want to see in the tax system. We want to see people who are doing the right thing, who are paying their taxes, who are contributing to the community. We want to see people who are doing the right thing, who are paying their taxes, who are contributing to the community.

WE HELP TAXPAYERS AND THEIR ADVISORS UNDERSTAND THEIR RIGHTS AND OBLIGATIONS

The principles of the taxpayer's charter and the rights and obligations of taxpayers and their advisers. We want to see people who are doing the right thing, who are paying their taxes, who are contributing to the community.

WE MANAGE RELATIONSHIPS AND SUPPORT THE BUSINESS COMMUNITY

We manage our relationships with taxpayers and their advisers. We want to see people who are doing the right thing, who are paying their taxes, who are contributing to the community.

WE MAKE IT AS EASY AS POSSIBLE TO COMPLY

We make it as easy as possible to comply with the tax system. We want to see people who are doing the right thing, who are paying their taxes, who are contributing to the community.

WE VERIFY COMPLIANCE USING A RISK-BASED APPROACH TO VOLUNTARY COMPLIANCE

We verify compliance using a risk-based approach to voluntary compliance. We want to see people who are doing the right thing, who are paying their taxes, who are contributing to the community.

WE HELP TAXPAYERS AND THEIR ADVISORS UNDERSTAND THEIR RIGHTS AND OBLIGATIONS

We help taxpayers and their advisers understand their rights and obligations. We want to see people who are doing the right thing, who are paying their taxes, who are contributing to the community.

Our business intent

To optimise voluntary compliance and make payments under the law in a way that builds community confidence.

Our business intent

To optimise voluntary compliance and make payments under the law in a way that builds community confidence.

Our people

A highly skilled, well managed, valued and committed workplace is critical to the Tax Office meeting its commitments to the community and the government.

Our values

Strong values build trust and community confidence in our management of the tax system.

- Our values are:
- being fair and professional
- applying the law fairly and consistently
- being open and accountable
- being respectful and courteous
- being honest and trustworthy
- being innovative and creative
- being efficient and effective
- being safe and secure
- being environmentally friendly
- being socially responsible

Our strategies for the future

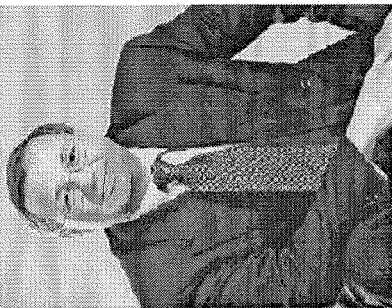
We intend to provide the community with the very best tax administration in the years ahead.

- We will manage our relationships with taxpayers and their advisers to ensure that the tax system is fair, simple and easy to understand.
- We will continue to work with the business community to ensure that the tax system is fair, simple and easy to understand.
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1. The Tax Office will continue to work with the business community to ensure that the tax system is fair, simple and easy to understand.



EROMILE
COMMISSIONER



Our Corporate Plan for 2006-07 outlines our corporate priorities for the next 12 months. The priorities are presented in terms of the outcome-outputs and enabling outputs frameworks to assure government and the community that the tax system will be effectively and efficiently managed and administered.

Our values
Our values underpin the success of our delivery of the tax office's outcome and enabling outputs.
 • Being fair and professional
 • Upholding the rule of law, because it provides security, fairness and certainty for taxpayers
 • Supporting taxpayers who want to do the right thing (including being fair but firm with those who don't)
 • Being innovative, customer-focused and willing to co-design
 • Being open and accountable
 • Being responsive to challenges and opportunities, and
 • Cooperating and working with others, including other agencies and tax administrators.

Corporate plan 2006-07

TAX OFFICE OUTCOME

Effectively manage and share administrative systems that support and fund services for Australians and give effect to social and economic policy through the tax, superannuation, excise and other related systems.

CORPORATE PRIORITIES

OUTPUT 1

Design, develop and build administrative systems

- Operational 600-plate**
- Implement the government's legislative program in respect of A-100 on-licence by the Commissioner and its delivery to the relevant states and territories
 - Develop and deliver the new on-licence program across the home and export processing and storage
 - Deliver the new, clearer alternative personal program, by:
 - Introducing flexible management and reporting systems
 - Changing online compliance case management and login to reduce processing of non-compliance
 - Launching a new, integrated reporting system
 - Build high capacity in a range of areas, by:
 - Enhancing the ability to process, information management and
 - Improving the ability to design systems and
 - Enhancing the ability to design systems and
 - Enhancing the ability to design systems and
 - Work with other agencies to design systems and
 - Manage the internal audit program

OUTPUT 2

Management of revenue collections and transfers

- Operational 600-plate**
- Collect and account for budgeted revenue with a strong focus on reducing the level of debt
 - Support businesses and taxpayers to make the most of the new on-licence program
 - Manage the transition to the on-licence program
 - Check the compliance of the increasing number of very small businesses
 - Build the capacity of the increasing number of very small businesses
 - Conduct and assist in the on-licence program
 - Conduct and assist in the on-licence program
 - Conduct and assist in the on-licence program
 - Conduct and assist in the on-licence program

OUTPUT 3

Compliance awareness and support for revenue collection

- Operational 600-plate**
- Provide support to taxpayers in the form of educational material, advice and help
 - Support the on-licence program
 - Develop and deliver the new on-licence program
 - Check the compliance of the increasing number of very small businesses
 - Build the capacity of the increasing number of very small businesses
 - Conduct and assist in the on-licence program
 - Conduct and assist in the on-licence program
 - Conduct and assist in the on-licence program
 - Conduct and assist in the on-licence program

OUTPUT 4

Compliance awareness and support for superannuation funds

- Operational 600-plate**
- Provide support to taxpayers in the form of educational material, advice and help
 - Support the on-licence program
 - Develop and deliver the new on-licence program
 - Check the compliance of the increasing number of very small businesses
 - Build the capacity of the increasing number of very small businesses
 - Conduct and assist in the on-licence program
 - Conduct and assist in the on-licence program
 - Conduct and assist in the on-licence program
 - Conduct and assist in the on-licence program

OUTPUT 5

Compliance awareness and support for government and agencies

- Operational 600-plate**
- Provide support to taxpayers in the form of educational material, advice and help
 - Support the on-licence program
 - Develop and deliver the new on-licence program
 - Check the compliance of the increasing number of very small businesses
 - Build the capacity of the increasing number of very small businesses
 - Conduct and assist in the on-licence program
 - Conduct and assist in the on-licence program
 - Conduct and assist in the on-licence program
 - Conduct and assist in the on-licence program

ENABLING OUTPUT 1

People and process multi-plate

- Continue to streamline and integrate governance processes with a focus on efficiency and
- Support the on-licence program
- Develop and deliver the new on-licence program
- Check the compliance of the increasing number of very small businesses
- Build the capacity of the increasing number of very small businesses
- Conduct and assist in the on-licence program
- Conduct and assist in the on-licence program
- Conduct and assist in the on-licence program
- Conduct and assist in the on-licence program

ENABLING OUTPUT 2

People and process multi-plate

- Support the on-licence program
- Develop and deliver the new on-licence program
- Check the compliance of the increasing number of very small businesses
- Build the capacity of the increasing number of very small businesses
- Conduct and assist in the on-licence program
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ENABLING OUTPUT 3

People and process multi-plate

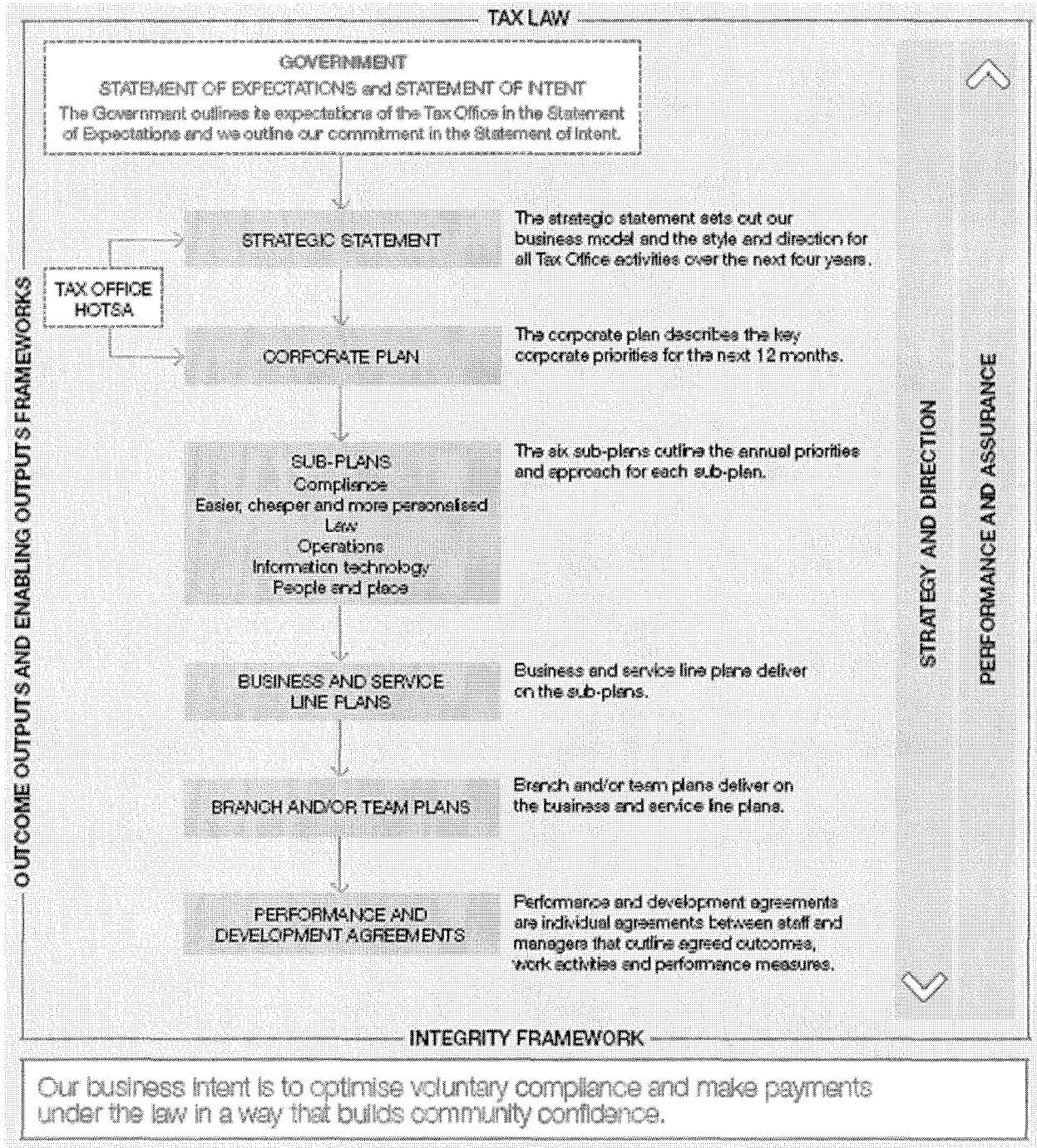
- Develop and implement policy, processes and tools to help the on-licence program
- Support the on-licence program
- Develop and deliver the new on-licence program
- Check the compliance of the increasing number of very small businesses
- Build the capacity of the increasing number of very small businesses
- Conduct and assist in the on-licence program
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ENABLING OUTPUT 4

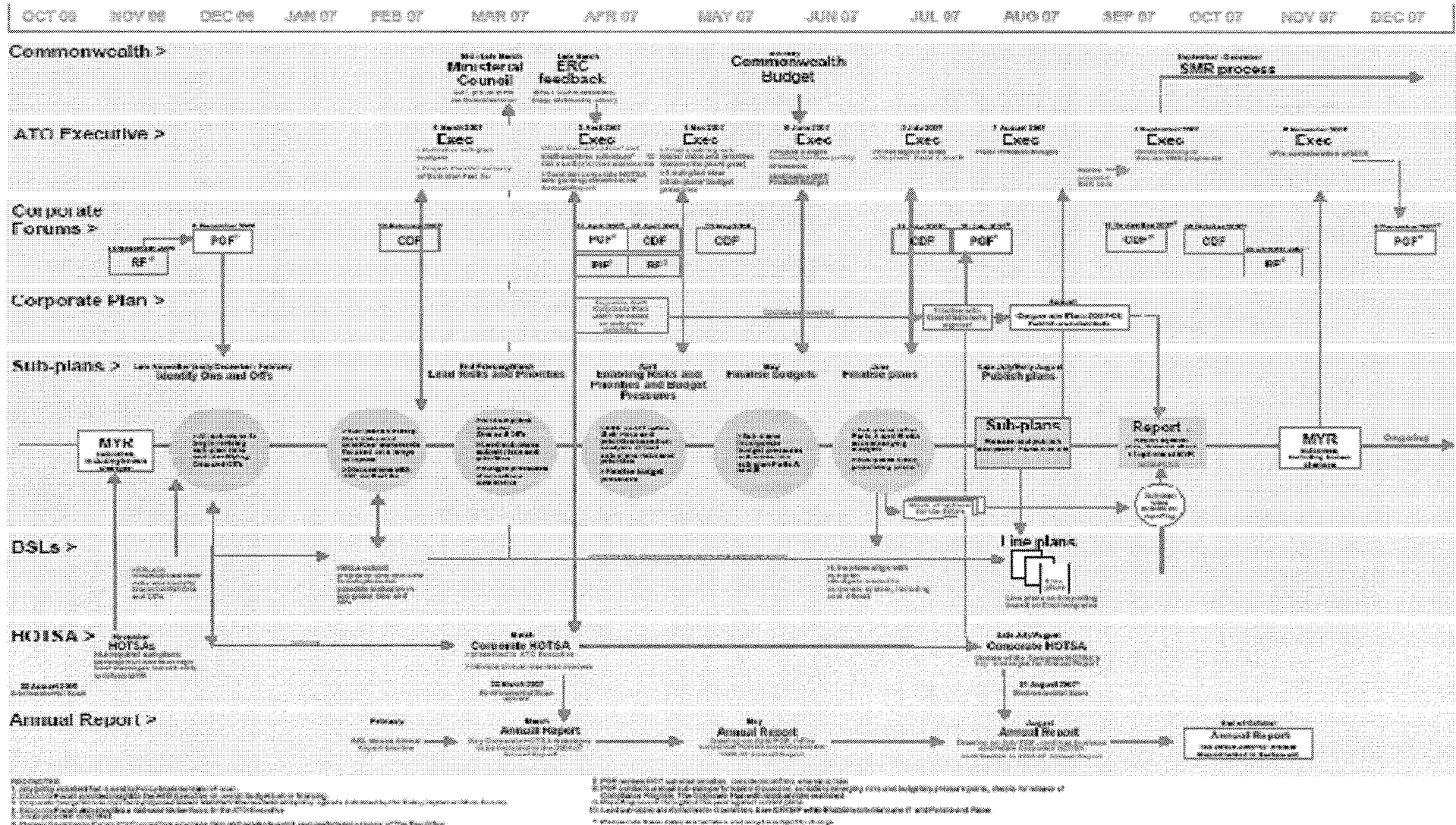
Information technology multi-plate

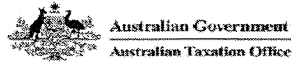
- Provide infrastructure and services that are user friendly, accessible to the on-licence program
- Support the on-licence program
- Develop and deliver the new on-licence program
- Check the compliance of the increasing number of very small businesses
- Build the capacity of the increasing number of very small businesses
- Conduct and assist in the on-licence program
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TAX OFFICE CORPORATE PLANNING MODEL 2006-07



Corporate Planning Timetable for 2007-08





Corporate plan 2007-08

DRAFT



Our Corporate plan for 2007-08 outlines our corporate priorities for the next 12 months. It is not intended to include everything we do, but to represent our key areas of focus for 2007-08. The priorities are presented in terms of the outcome outputs frameworks to assure government and the community that the tax and superannuation systems will be effectively and efficiently managed and administered.

Our values

Our values underpin the success of our delivery of the Tax Office outcome and outputs:

- being fair and professional
- applying the rule of law because it provides security, redress and certainty for taxpayers
- supporting taxpayers who want to do the right thing (including 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

TAX OFFICE OUTCOME

Effectively manage and shape administrative systems that support and fund services for Australians and give effect to social and economic policy through the tax, superannuation, excise and other related systems.

OUTPUT 1

Shape, design and build administrative systems

Law and Easier, cheaper and more personalised sub-plans

- Implement the Government's legislative program in respect of Acts administered by the Commissioner including Super Simplification, Promoter Penalties, Taxation of Financial Arrangements, Framework for the taxation profession and Alignment of the legislative definition of small business
- Provide quality and timely advice to Treasury and Government on policy proposals, law design and revenue forecasts
- Deliver our Change Program as outlined in *Making It Easier to Comply* and build capability to support new enterprise processes and systems
- Continue to build organisational capability in the areas of policy delivery, project management, change management, design, information management, analytics, intelligence and risk management
- Support the Tax Office in taking a leading role to assist the Government deliver the whole-of-government strategy including the use of the ABN, standard business reporting and projects such as Project Wickenby
- Improve the management of our law practice including delivery of an integrated quality framework
- Building community capacity including support for software developers

OUTPUT 2

Management of revenue collections and transfers

Operations sub-plan

- Maintain our current focus on reducing the rate of growth of collectable debt
- Give priority attention to the implementation of our Change Program, while maintaining a keen focus on the delivery of Government priorities like, superannuation and the collection of revenue
- Maintain acceptable service standards
- Review our business models to ensure consistency with our values, particularly achieving a more client centred approach and capitalising on our Change Program
- Work co-operatively with intermediaries and other government agencies to establish the Australian Business Register as the Government's business register to reduce red tape for business

OUTPUT 3

Compliance assurance and support for revenue collection

Compliance and Law sub-plans

- Deliver specifically funded activities, including GST and our compliance challenges such as high wealth individuals
- Address priority risks as per our *Compliance Program* including large business risks, cash economy and international risks such as misuse of tax havens
- Support implementation of our Change Program
- Promote a capable and well regulated tax profession including BAS service providers
- Improve our support services such as pre-filing of tax returns and increase certainty for small businesses and people new to business
- Maintain acceptable service standards
- Provide high quality and timely advice through the Public Rulings Program and resolving the highest priority technical issues

OUTPUT 4

Compliance assurance and support for transfers and regulation of superannuation funds

- Address priority risks as per our *Compliance Program* including Self Managed Superannuation Funds and Super Guarantee
- Support implementation of our Change Program
- Promote a capable and well-regulated tax profession, specifically auditors of superannuation funds
- Maintain acceptable service standards
- Provide high quality and timely advice through the Public Rulings Program and resolving the highest priority technical issues

OUTPUT 5

Services to government and agencies

Law and Compliance sub-plans and the Australian Valuation Office

- Work with agencies and taxpayers to improve service delivery to the community
- Manage our relationships with external stakeholders, including Government, Treasury and scrutineers
- Manage issues associated with the 2007-08 Federal Budget and a Federal Election
- Meet our commitments under our various Memoranda of Understanding with other departments and agencies
- Continue the commitment to position the Australian Valuation Office as the 'valuer of choice' for Government

CORPORATE PRIORITIES

ENABLING OUTPUT 1

Plan and manage

People and place and Law sub-plans

- Continue to streamline and integrate governance processes with a focus on transparency, accountability and making it easier to comply, supported by better effectiveness measures
- Deliver consistent and effective core financial and behavioural processes to ensure a high level of integrity
- Implement a strategic program of internal audits, fraud control planning and fraud investigations and reviews

ENABLING OUTPUT 2

People

People and place sub-plan

- Support deployment of the Change Program Release 3 and around 12,000 effected employees and managers by skilling, organisation alignment, job design and risk assessment, and enabling access
- Develop strategies and programs as part of an integrated skilling framework that build capability and breed capacity in priority business areas including complex decision making
- Develop and deploy innovative leadership strategies and programs that enhance leadership bench strength and talent retention including progressing the site leadership initiative
- Build workforce plans to ensure workforce availability, effective recruitment and retention for the current and future years
- Develop strategies and tools to build a values-based, engaged workforce
- Implement focussed programs in prevention, early intervention and absence management to achieve a significant improvement in health and safety performance

ENABLING OUTPUT 3

Workplace

People and place sub-plan

- Manage the relocation of 25% of Tax Office staff into new 'green' premises while minimising disruptions to our operations
- Continue to enhance effective, systemic approaches to business continuity and internal security to safeguard our employees, business operations and taxpayer confidence
- Develop a Tax Office workplace plan and strategies that align with business and workforce plans

ENABLING OUTPUT 4

Information technology services

Information technology sub-plan

- Operate, support and manage the Tax Office's IT and communication systems ensuring high levels of availability, quality of processing and performance to specification
- Create and communicate the Tax Office's IT Strategy, Enterprise Architecture, IT Operating Model and Sourcing Strategy to support planning and delivery of effective IT solutions aligned to current and future business needs
- Attract, develop and retain the skills and capabilities necessary to support and build all IT functions, including Change Program functions when transferred, and to enable flexible redeployment of resources
- Design and build IT solutions that are integrated, re-usable and achieve business outcomes including meeting the needs of the community and our staff, while being aware of future whole-of-Government and international approaches

17 April 2007

TAX OFFICE SUB-PLAN DRAFT RISKS AND PRIORITIES EXECUTIVE SUMMARIES 2007-08

INTRODUCTION

The Tax Office's Sub-plans' Risks and Priorities Executive Summaries outline the sub-plans' draft risks and priorities for 2007-08. They were presented to the April ATO Executive meeting. These attached draft sub-plan executive summaries are the key inputs to the draft Corporate Plan 2007-08.

COMPLIANCE SUB-PLAN

COMPLIANCE SUB-PLAN RISKS 2007-08

New and emerging risks or existing risks which are receiving an increased or changed focus in 2007-08 are:

- Corporate restructuring, mergers and acquisitions
- International risks including the misuse of tax havens
- Cash economy, including business to consumer
- Self Managed Super Funds
- Super Guarantee

Significant Changes

Each year the on-going monitoring of risks, and implementation of mitigation strategies mean that there are changes to the strategic risk register. Since last year, risks that are no longer on the strategic risk register (but continue to be addressed) are:

- Superannuation: – Sustainable administrative design; RBL – pension tax offsets & determinations; Undeducted purchase price – Superannuation funds; Non-employer sponsored contributions; Eligible termination payments;
- Payments Out:– Work related expenses; Reporting of rental income;
- Excise Reform:– New government measures for excise including fuels and tariff reforms.

Potential impact of sub-plan risks on 2008-09 and beyond

There are two characteristics of Compliance Sub-plan risks that impact on 2008-09 and beyond:

- many of the risks are endemic (e.g. Cash Economy) and thus will require mitigation well beyond the current planning year;
- many of the mitigation strategies, even for non-endemic risks, are required to run over a number of years to be effective. Out-year funding will be required to support these strategies.

COMPLIANCE SUB-PLAN PRIORITIES 2007-08

Compliance Sub-plan has the following priorities:

Priority 1 - Deliver all Government policy initiatives, including:

- Superannuation simplification
- Tax Agents Framework
- Promoter Penalties
- Alignment of small business provisions

Priority 2 - Deliver specifically funded activities. Specific areas of focus include:

- GST administration
- High wealth individuals
- Wickenby
- Other identified compliance challenges

Priority 3 - Support implementation of the Change Program

Priority 4 - Address priority risks as per our Compliance Program, including:

- International risks
- Misuse of tax havens
- Large business risks
- Cash economy, including business to consumer
- Self Managed Super Funds
- Super Guarantee

Priority 5 - Promote a capable and well regulated tax profession. Specific areas of focus include:

- BAS service providers
- Auditors of superannuation funds

Priority 6 - Improve our support services and increase certainty for small businesses and people new to business. Specific areas of focus include:

- Pre-filing of tax returns
- Supporting software developers in relation to making it easier for taxpayers

Priority 7 - Maintain acceptable service standards. Specific areas of focus include:

- Meeting our charter standards
- Providing high quality and timely advice through the Public Rulings Program and resolving the highest priority technical issues.

Significant Changes

The significant changes to priorities from 2006-07 are:

- **Broadening the priority relating to tax agents.** In 2006-07 the Compliance Sub-plan had a priority of 'Supporting and leveraging tax agents and other key intermediaries'. This has been broadened to become a priority of 'Promoting a capable and well regulated tax profession'.
- **Additional priority support to small business and new to business.** This year the Compliance Sub-plan has a priority of 'Improving our support services and increase certainty for small business and people new to business', which will include building better and clearer ways for small taxpayers to seek and be provided with help from us.
- **Incorporation of Debt and Lodgment priorities.** In 2006-07 the Compliance Sub-plan had priorities around 'Reducing Debt' and 'Increased compliance focus by Lodgment Compliance'. These issues are now incorporated into the priorities listed above.

Potential impact of sub-plan priorities on 2008-09 and beyond

There is an enduring nature to Compliance Sub-plan priorities. This reflects the environment and nature of the taxation system. It is anticipated that many of the 2007-08 priorities will be remain priorities in 2008-09 and beyond and thus require the appropriate funding and governance considerations.

EASIER, CHEAPER AND MORE PERSONALISED (ECMP) SUB-PLAN

ECMP SUB-PLAN RISKS 2007-08

In our current environment the reputation of the Tax Office and its ability to deliver its outcomes to government would be put at risk if the ECMP Sub-plan failed to:

- 1 Deliver the Change Program stated outcomes
- 2 Sustain end-to-end enterprise processes and support systems
- 3 Effectively manage client impacts
- 4 Support the Tax Office to give effect to government policy, comply with the law or deliver optimal client services
- 5 Progress or contribute to, whole of government or international initiatives
- 6 Significantly improve project management, change management, design, information management, analytics, intelligence & risk management capabilities across the Tax Office
- 7 Support business to build on the product and process re-engineering opportunities presented by the introduction of new business processes and systems

Significant Changes

The 2007-08 ECMP high level risks are similar to those faced in 2006-07. There are however some changes. Significant changes include:

- ECMP1: A number of risks and mitigation strategies have been identified relating to the progressive roll out of Release 3. These include risks around multiple releases making the outcomes more difficult to achieve, urgency of policy agenda and failure to invoke contingencies at appropriate times.
Mitigating approaches being applied to ensure these risks are not realised include ensuring learnings from Release 1 & 2 are translated to Release 3 and ensuring increased attention to critical path management given the very limited contingency in schedule.
- ECMP2 has been reshaped into a new risk, that we are unable to sustain end-to-end enterprise processes and support systems. The profile of this risk has been elevated as the Tax Office needs to ensure that we are able to take ownership and support the new systems being deployed and the end-to-end business process.
- ECMP3: ineffective management of client impacts, will be a risk that the ECMP Sub-plan will need to manage closely as the impacts of Release 3 will be directly visible to our clients and will be subject to external scrutiny.

Potential impact of sub-plan risks on 2008-09 and beyond

ECMP 1, 2, 3 and 6 are risks associated with the delivery of the Change Program. As the Change Program moves to a progressive roll out of Release 3 (final release currently scheduled for 2009), these are the key risks that the ECMP Sub-plan will be focussing on over the next two years.

ECMP SUB-PLAN PRIORITIES 2007-08

In 2007-08, the ECMP Sub-plan will support the Tax Office in delivering its outcome to government by allocating sub-plan resources to delivering the following priorities:

- 1 Delivering the Change Program including Superannuation Simplification Systems, in line with public and contractual obligations and build capability to support new enterprise processes and systems.
- 2 Continuing to build organisational capability in the areas of project management, change management, design, information management, analytics, intelligence and risk management.
- 3 Supporting the broader Tax Office policy delivery, Business Improvement and Change agenda.
- 4 Supporting the Tax Office to take a leading role in helping the Government deliver the Whole of Government strategy.

Significant Changes

The Sub-plan priorities for 2007-08, are similar to those for 2006-07. These priorities are likely to remain relatively stable into the future. The relative stability of sub-plan priorities reflects the nature of the role of the ECMP Sub-plan.

Significant changes for 2007-08 include:

- Priority one has been extended to overtly cover Superannuation Simplification Systems which is a policy measure we must deliver to Government. It also covers the need to ensure that we build the organisation capability to support the new enterprise processes and systems.
- Priority three has been broadened from supporting the broader Tax Office change agenda to also include supporting the development of the Tax Office policy delivery and Business Improvement Agenda.
- A new priority, "Support the Tax Office to take a leading role in helping the Government deliver the Whole of Government strategy" has also been included.

Potential impact of Sub-plan priorities for 2008-09 and beyond

The ECMP priorities identified for 2007-08 will continue to be a priority for the life of the Change Program. Issues we would need to consider in the out years include:

- How the Tax Office will develop and manage its Business Improvement and Change Agenda after the Change Program reaches its end point.
- Ensuring that the capabilities being developed in the areas of project management, change management, design, information management, analytics, intelligence and risk management are embedded as business as usual work of the sub-plans. This will be critical to enabling the Tax Office to deal with major change after the Change Program reaches its end point.
- Ensure the capabilities to support the enterprise processes and systems are in place.

LAW SUB-PLAN

LAW SUB-PLAN RISKS 2007-08

The Law Sub-plan risks have not materially changed since last year. However, we have grouped our risks and priorities into five strategic focus areas. For the first on these focus areas, *Law Development Design and Implementation*, we are now proposing an articulation of our risk more specifically tailored to the role of the Law Sub-plan within the broader context of the Tax Office and the tax system; namely, that of ensuring that our tax laws provide sufficient certainty for taxpayers and that the laws can be effectively administered.

In our current environment the reputation of the Tax Office and its ability to deliver its outcome to government would be put at risk if the Law Sub-plan failed to address the risks outlined in the following table.

LAW SUB-PLAN STRATEGIC RISKS 2007-08

Risk ID	Risk Description
Law Development, Design and Implementation	
Law R1	Failure to effectively implement the Government's legislative program
Law R2	Failure to provide Government and Treasury with good advice when making decisions about tax policy and legislation
Law R3	Failure of the law to: <ul style="list-style-type: none"> ▪ provide sufficient certainty to taxpayers, and ▪ be effectively administered by the Tax Office in accordance with its policy intent
Law Interpretation	
Law R4	Failure to provide certainty to the community in the operation of the laws administered by the Commissioner
Law R5	Failure to manage litigation and the consequences of court and tribunal decisions effectively
Revenue Forecasts	
Law R6	Failure to properly contribute to Government revenue forecasts
Governance of our Tax Administration	
Law R7	Failure to manage external relationships including those with Government and external scrutineers
Law R8	Failure of the Tax Office to comply with its statutory administrative obligations
Law R9	Failure to identify strategic or systemic risks from the information held within the sub-plan
Law R10	Failure to improve performance, governance and integrity across the Tax Office
Practice Management	
Law R11	Failure to maintain the sustainability of the Tax Office <ul style="list-style-type: none"> ▪ Failure to improve our processes, systems and people capability ▪ Failure to prepare adequately for the Change Program to deliver an easier, cheaper and more personalised service to the community

Significant Changes

The Law Sub-plan currently has 6 risks identified on the Corporate Strategic Risk Register. Eleven strategic risks have been identified for the Law Sub-plan this year. While the nature of Law Sub-plan risks hasn't materially changed, the additional risks reflect a better articulation of the role and identity of the Law Sub-plan within the Tax Office and the tax system.

LAW SUB-PLAN PRIORITIES 2007-08

In general, the Law Sub-plan priorities for the upcoming year will largely be similar to those articulated last year. Some areas of additional emphasis this year will be on preparing for an upcoming election, improving our practice management to enable better accountability and understanding of our performance drivers, and added focus on integrity and assurance for the ATO brought on by the alignment of the Internal Assurance Branch to the Law Sub-plan.

The Law Sub-plan priorities for 2007-08 are presented in the following table:

Law Development, Design and Implementation	
Law P1	<ul style="list-style-type: none"> 1a Ensure implementation on the Government's legislative program including Super Simplification, Promoter Penalties and Taxation of Financial Arrangements, Framework for the Taxation profession and alignment of the legislative definition of small business 1b Provide quality and timely advice to Government and Treasury on policy proposals and law design
Law Interpretation	
Law P2	<ul style="list-style-type: none"> 2a Provide high quality and timely advice through the Public Rulings Program, resolving the highest priority technical issues and providing other interpretive advice to support priority private rulings and the resolution of complex audits 2b Manage legal risks to the ATO through our interpretive work, legal advice and litigation
Revenue Forecasts	
Law P3	<ul style="list-style-type: none"> 3a Ensure high quality and timely advice on estimates of revenue and transfers and any variances between estimates and actual collections
Governance of our Tax Administration	
Law P4	<ul style="list-style-type: none"> 4a Effectively manage our relationships with external stakeholders, including the ANAO, the Privacy Commissioner, the Tax Ombudsman, the Inspector-General of Taxation, Government and Treasury, and manage issues associated with a Federal election 4b Manage the ATO's non-tax legal risks through the provision of legal advice 4c Identify strategic or systemic risks to our administration by analysing internal and external scrutineer reports, revenue analysis reports, fraud control reports and other information and analysis held in the sub-plan 4d Implement a strategic program of internal audits, fraud control planning and fraud investigations and reviews 4e Contribute to the development of new effectiveness measures for the ATO

Practice Management	
Law P5	<p>5a Improve the management of our law practice including end-to-end work processes, escalation processes for dealing with reputational/legal/technical issues, and performance measurement and reporting processes,</p> <p>5b Improve workforce capability, to better meet the needs of our clients and the office, with particular focus on</p> <ul style="list-style-type: none">▪ providing professional development and skilling programs,▪ succession management strategies, and▪ improving information services via electronic library and enhanced services for complex research <p>5c Deliver an integrated quality framework and assurance process to improve the quality of technical decision making</p> <p>5d Support other Tax Office sub plans in delivering on their commitments by ensuring we have a good understanding of their priorities and risks, and by ensuring we are working proactively with them to identify and manage risks, and</p> <p>5e Prepare the Law sub-plan for the Change Program through active engagement with the Change Program and ensuring business readiness</p>

Potential impact of sub-plan priorities on 2008-09 and beyond:

There is an enduring nature to Law Sub-plan priorities. This reflects the environment and nature of the taxation system. It is anticipated that many of the 2007-08 priorities will be remain priorities in 2008-09 and beyond and thus require the appropriate funding and governance considerations.

OPERATIONS SUB-PLAN

OPERATIONS SUB-PLAN RISKS 2007- 08

In our current environment the reputation of the Tax Office and its ability to deliver its outcome to government would be put at risk if the Operations sub-plan failed to:

- 1 Contain the growth of debt
- 2 Process workloads in a timely manner to collect the revenue
- 3 Maintain acceptable levels of service while implementing the Change Program
- 4 Provide a workforce capable of delivering on Government commitments

Significant changes

The most significant change to our risk environment is the impact of the Change Program - implementation of release 2 and delivery of release 3.1.

Delivery of release 2 has impacted our ability to meet some service standards. This risk has arisen as a result of:

- the number of staff that would otherwise be engaged in business as usual applied to the implementation of Release 2,
- IT systems reliability and availability issues
- adjustment of work processes to make best use of the new tools

A phased delivery of release 3 will also increase workloads as we manage multiple host systems from January 2008, and complete the significant data conversion task.

In terms of, our mitigation strategies, we have foreshadowed that there may be a need to:

- adjust service standards where necessary, taking account of taxpayer impacts, and
- critically assess the business impact of the Change Program in order to ensure business continuity.

Potential impact of sub-plan risks on 2008-09 and beyond

Reduced resources and system instability issues may impact our ability to deliver service standards in future years. Workforce capability and workload volumes need to be carefully monitored to ensure we deliver to government and maintain community confidence.

OPERATIONS SUB-PLAN PRIORITIES 2007- 08

In 2007-08, the Operations sub-plan will support the Tax Office in delivering its outcome to government by allocating sub-plan resources to delivering the following priorities:

- 1 Maintain our current focus on reducing the rate of growth of collectable debt
- 2 Give priority attention to the implementation of the Change Program, while maintaining a keen focus on the delivery of Government priorities like superannuation and the collection of revenue.
- 3 Maintain acceptable service standards.
- 4 Review our business models to ensure consistency with our values, particularly achieving a more client centred approach and capitalising on our Change Program.
- 5 Work co-operatively with intermediaries and other government agencies to establish the Australian Business Register (ABR) as the government's business register to reduce red tape for business.
- 6 Develop a workforce plan that articulates our vision for how we will work in the future and proactively engage with our staff and unions to implement this plan.

Significant changes

A number of drivers have brought about shifts in Operations sub-plan priorities in 2007-08. These drivers include:

- **Bringing the Operation's business model to life:** Continuing the development of the Operations business model that capitalises on our engagement with the Change Program and makes best use of the tools the Change Program will deliver.
- **Workforce:** The Tax Office environmental scan highlighted a skills shortage in an increasingly competitive labour market. In response we will be proactive in planning for a future workforce that has the right capability, mix and profile to deliver on our business model.

Potential impact of sub-plan priorities on 2008-09 and beyond

Workforce planning and skilling issues and the need to manage increased workloads during the transition of the Change Program may result in OH&S or industrial relations issues which may need the attention of the ATO Executive.

Any repositioning of the ABR may drive a demand for higher levels of data integrity.

IT SUB-PLAN

The IT Sub-plan's Risk & Priority Statement needs to align with the lead sub-plans' statements and therefore the IT Executive will assess these draft IT risks and priorities to ensure alignment with the endorsed lead sub-plan risk and priorities.

DRAFT IT SUB-PLAN RISKS 2007-08

In our current environment, the reputation of the Tax Office, and its ability to deliver would be put at risk through:

- 1 Failure to have the appropriate people capability to meet the current and future Tax Office requirements.
- 2 Failure to keep IT systems operating within specified application availability and performance SLA's.
- 3 Not having the infrastructure and operational support to meet the demands of the Change Program and BAU work programs.
- 4 Failure to manage the balance between ease of use and access by the public versus appropriate security of systems.
- 5 Inability to determine and implement design principles and practices to ensure products deliver the required level of accessibility and are user friendly for taxpayers and other external stakeholders.
- 6 Failure to manage our communication processes to achieve effective client and business relationships.
- 7 Failure to realise the Change Program business case benefits within IT
- 8 Failure to have a flexible and actionable IT Strategy, Enterprise Architecture and IT Operational Model to underpin delivery of business needs.
- 9 The financial and resource management framework is unable to adapt to new priorities across the financial year.
- 10 Failure of outsourced service providers to support all IT programs and BAU activities.

Significant Changes

Nine risks from the 2006-07 IT Risk and Priority Statement remain. Two risks were combined to include a new risk, endorsed as part of the October 2006 quarterly review of risks. This risk is: *'Failure of outsourced service providers to support all IT programs and BAU activities'*.

The draft IT sub-plan's risk mitigation strategies are updated on a quarterly basis as part of the Strategic Risk Register review. Any changes reflect the risk profile and its management at these points in time and new or modified specific activities introduced to manage more effectively the risk.

Potential impact of sub-plan risks on 2008-09 and beyond

IT will provide this detail as part of the formally endorsed document at the next ATO Executive meeting.

DRAFT IT SUB PLAN PRIORITIES 2007-08

In 2007-08, the draft IT Sub-plan will support the Tax Office in delivering its outcome to government by allocating sub-plan resources to delivering the following priorities:

- 1 operate, support and manage the ATO's IT and communication systems, ensuring, high levels of availability, quality of processing, and performance to specification.
- 2 create and communicate the Tax Office's IT Strategy, Enterprise Architecture, IT Operating model and Sourcing Strategy to support planning and delivery of effective IT solutions aligned to current and future business needs.
- 3 attract, develop and retain the skills and capabilities necessary to support and build all IT functions, including Change Program functions when transferred, and to enable flexible redeployment of resources.
- 4 increase awareness of IT security requirements of IT and Change Program applications and systems. This includes the IT security obligations for Tax Office staff, and external stakeholders (including Tax Agents).
- 5 promote a culture of professionalism based on respect, collaboration, and customer focus with people who are confident and accountable.
- 6 design solutions that balance corporate outcomes and the needs of the community and our staff, including:
 - a enterprise business solutions that can be re-used to meet requirements of different areas
 - b solutions that are conformant with the law
 - c contributing to, and being aware of, future Whole of Government approaches and the international environment
 - d solutions that demonstrate lessons from development perspectives
 - e for new systems, it includes ensuring that there is an effective balance between appropriate IT controls (such as security) and usability
- 7 support Tax Office activities by providing IT services including ongoing engagement and relationship building with key customers, vendors, service providers and sponsors.

Significant Changes

The IT sub-plan Executive is currently in the process of ensuring that IT priorities are focused on the best outcomes for 2007-08. As this consultation is continuing the detail contained here is in draft form and is a guide to the possible outcomes for the IT sub-plan. This will be assessed against the risks and priorities of the other sub-plans to ensure alignment.

Potential impact of sub-plan priorities on 2008-09 and beyond

IT will provide this detail as part of the formally endorsed document at the next ATO Executive meeting.

PEOPLE AND PLACE SUB-PLAN

PEOPLE AND PLACE SUB-PLAN RISKS 2007-08

In our current environment the reputation of the Tax Office and its ability to deliver its outcome to government would be put at risk if the People and place sub-plan failed to:

- ensure as a good corporate citizen that we meet our administrative obligations in relation to governance and legislative requirements
- ensure the Tax Office is financially well managed
- build and maintain a healthy organisation in partnership with our leaders, managers and employees
- promote and maintain an organisational culture of probity and integrity in support of the Tax Office's reputation
- create a healthy industrial environment during a time of change
- communicate effectively with employees
- provide workforce planning and development strategies that support the business and keeps the workforce highly skilled
- have the capability to address major disruptions to our operations, and
- effectively support deployment of the Change Program.

PEOPLE AND PLACE SUB-PLAN PRIORITIES 2007-08

In 2007-08, the People and place sub-plan will support the Tax Office in delivering its outcome to government by allocating sub-plan resources to:

- continue to streamline and integrate governance processes with a focus on transparency, accountability and making it easier to comply, supported by better effectiveness measures
- deliver consistent and effective core financial and behavioural processes to ensure a high level of integrity
- support deployment of the Change Program Release 3 around 12,000 effected employees and managers by skilling, organisational alignment, job design and risk assessment, and enabling access
- develop strategies and programs as part of an integrated skilling framework that build capability and breed capacity in priority business areas including complex decision making
- develop and deploy innovative leadership strategies and programs that enhance leadership bench strength and talent retention including progressing the site leadership initiative
- build workforce plans to ensure workforce availability, effective recruitment and retention for the current and future years
- develop strategies and tools to build a values-based, engaged workforce
- implement focussed programs in prevention, early intervention and absence management to achieve a significant improvement in health and safety performance
- manage the relocation of 25% of Tax Office staff into new 'green' premises while minimising disruptions to our operations

- continue to enhance effective, systemic approaches to business continuity and internal security to safeguard our employees, business operations and taxpayer confidence
- develop a Tax Office workplace plan and strategies that align with business and workforce plans
- continue to enhance people processes and practices to support business requirements
- continue dialogue with our employees to capture their ideas and to foster commitment to 'living the charter', and
- continue to work with the Change Program through all its phases to ensure that all financial obligations are met and fully integrated.

Significant changes to risks and priorities

This year we have identified the following four strategic focus areas to better align risks and priorities and to strengthen the link to our delivery strategies:

- deliver consistent, efficient and effective governance and financial processes to support the integrity of the organisation
- ensure the business has people with the right skills in the right place and is supported by innovative programs and efficient, tailored services
- deliver high quality, well managed and secure accommodation, and
- support the effective and efficient implementation of the Change Program.

We have identified two new risks; one in relation to the Change Program and the other in communicating with our employees. As the Tax Office implements the Change Program it is critical that we continue to provide the programs, tools and processes to ensure the workforce is engaged and able to deliver outcomes. In addition our success and the success of the organisation depends on our ability to engage and communicate effectively with our staff.

New priorities for this year include developing strategies and programs that build capability and breed capacity in priority business areas, enhance leadership, and build a values based, engaged workforce. As well this year, we will focus on managing our relocations to new premises in Sydney, Brisbane and Canberra while minimising disruptions to our operations.

Transfer between sub-plans

Risks and priorities related to the following functions are no longer reported by the People and place sub-plan:

- Documents and Records Solutions is now part of the Easier, cheaper and more personalised sub-plan, and
- Internal Audit and Fraud Prevention and Control functions will transfer to the Law sub-plan in 2007-08.

Potential impact of sub-plan risks and priorities on 2008-09 and beyond

Our risks and priorities reflect the environment of change in which we operate and the need to deliver sustainable programs that support the business today and position it to deliver into the future.

The ongoing implementation of safety and health strategies will benefit employees, increase productivity, ensure compliance with legislative requirements, and positively impact on our Comcare premium in the short and longer term.

The Change Program will remain a priority in out-years as we support the organisation to manage the ongoing workforce impacts. We will increase our support to the Change Program by providing advice, design and resources and collaborating and consulting with the business and drawing on their skills and expertise when needed through the conversion, migration and deployment phases.

We will continue our focus on delivering programs, tools and processes to ensure the workforce is skilled, engaged and able to continue to meet outcomes.

