



Australian Government
Inspector-General of Taxation

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

Annual Hearing – Friday 14 September 2012

Opening Statement

I thank you for the invitation to attend today's hearing of the Joint Committee of Public Accounts and Audit (JCPAA).

The JCPAA's review and support function in relation to the tax system, and in particular the role of key scrutineering agencies such as the Inspector-General of Taxation (IGT), is much appreciated.

As you would be aware, the overarching aim of my role is to improve the tax administration for the benefit of all Australians. The role offers a unique perspective that is founded upon three pillars, being:

- statutory independence;
- compulsory information and access powers relating to the Australian Taxation Office (ATO); and
- strong relationships and consultation with the tax paying community.

This foundation facilitates the sharing of frank and candid views in a manner not ordinarily exchanged between the ATO on the one hand, and taxpayers, tax practitioners and their respective representative bodies on the other. This process of exchange between stakeholders provides a strong basis for the development of my reviews and in the shaping of recommendations for improvements in the resulting report.

Each IGT review achieves both direct and incremental improvements. Whilst the full benefit of a given review may not always be immediately apparent, I am confident that the incremental changes brought about by the reviews and other complimentary activities that the IGT undertakes, over time, will result in enduring improvements to tax administration in this country.

I would now like to briefly update you on the reviews undertaken by my office since the last time that I appeared before the JCPAA and thereafter discuss a specific opportunity for you to contribute to my new work program for 2012/13.

IGT Reviews

Three of my review reports were publicly released by the minister since we last met. The first to be released was my review into the ATO's administration of class rulings. While the class ruling system was found to be a useful element of the tax system, a number of areas for improvement were identified.

The second report released examined the ATO's compliance approaches to Small and Medium business Enterprises (SME) and High Wealth Individuals (HWI). Many of the recommendations in the report are aimed at improving ATO staff capability which was found to be the main underlying challenge.

Another key achievement of this review was the ATO's agreement to replace its *Wealthy and Wise* booklet, which focused on HWI, with a booklet covering its compliance approaches to the entire SME and HWI market segment, providing taxpayers and their advisors with a better understanding of the processes and a means of holding ATO officers to account where those expectations are not met.

The report into the ATO's use of early and alternative dispute resolution is the latest one to be publicly released. Broadly, the recommendations in this report seek to address stakeholder concerns about the ATO's approach to alternative dispute resolution and its general commitment to resolving disputes as early as possible. Importantly, the ATO has already commenced a process of implementing the agreed recommendations.

Another two of my reviews have also been completed and await public release by the minister. These are entitled:

- the ATO's use of benchmarking to target the cash economy; and
- Improving the self assessment system.

I also have one review in progress at the present time. This is a follow up review which focuses on the ATO's implementation of IGT recommendations contained in a number of completed reviews.

IGT Policy Recommendations

My office not only examines systems established by the ATO, but also identifies opportunities for Government to consider policy improvements to those systems through legislative action. Recent examples of Government adoption of IGT recommendations include:

- legislative amendments (*Tax Laws Amendment (2012 Measures No. 2) Act 2012*) — implementing an IGT recommendation to better protect employees' superannuation guarantee (SG) entitlements by expanding the director penalty regime to apply to unpaid SG liabilities (recommendation 11 in my 2010 review of the ATO's administration of the Superannuation Guarantee Charge); and
- legislation being considered (*Exposure Draft - payslip reporting of superannuation contributions*) which may address recommendation 2 from the same review.

IGT Work Program

I would now like to invite you to contribute toward my work program.

While I may self-select matters for review, my office has a relatively short but proud history of engaging directly with the community to better understand their concerns or issues with the tax system and undertake reviews to address such concerns.

This grass roots consultation often draws my attention to issues that may not otherwise be considered. It also ensures my office's limited resources are maximised in delivering improvements through a process that is open and more relevant.

I also consult directly with the ATO, other scrutineer agencies and other relevant bodies to identify issues worthy of review. A recent example of intersection between both external stakeholders and the ATO raising a common topic for review was that of alternative dispute resolution.

I am eager to ensure that this kind of engagement with key bodies is also fostered through the JPCAA and its members. I would be grateful for any assistance you are able to provide in seeking to identify and address issues of concern to you, or others whom you may be in contact, regarding tax administration.

In closing I would be happy to take questions or note of any concerns you would like me to consider for my work program.

Ali Noroozi
Inspector-General of Taxation