

REPORT

JCPAA

APRIL 2008

**UNCLASSIFIED**

FORMAT

AUDIENCE

DATE

CLASSIFICATION



**Australian Government**

**Australian Taxation Office**

FILE REF: [FILE NO.]

# Our performance in 2007-08 and emerging priorities for 2008-09

30 April 2008



**UNCLASSIFIED**



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## CHAPTER 1: INTRODUCTION

This is the third submission relating to the Committee's biannual meeting with the Commissioner of Taxation.

We welcome the Committee's resolution to continue the biannual public hearings with the Commissioner. The hearings provide the Tax Office with the opportunity to share with the Committee and through the Committee, the wider community, our performance so far this financial year and an early picture of emerging risks and priorities for next year.

We are providing copies of our key corporate documents, including the draft 2008-09 Corporate Plan, the Strategic Statement 2006-10, and Plenary Governance Forum – Corporate Plan 2007-08: Sub-plan third quarter performance report. We would welcome any feedback on these documents.

Several sections of this submission refer to the Outcome outputs framework for the Tax Office. This is the framework in the Portfolio Budget Statements that Commonwealth agencies use to frame their commitments to Government and report their performance.

The Tax Office outcome is "Effectively manage and shape 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".

Under this outcome sits five outputs:

- Shape, design and build administrative systems;
- Management of revenue collection and transfers;
- Compliance assurance and support for revenue collections;
- Compliance assurance and support for transfers and regulation of superannuation funds;
- Services to governments and agencies.

Our approach to corporate planning and reporting aligns with the Australian National Audit Office'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.

### OUR STRATEGIC STATEMENT

In the package of documents accompanying this submission is a copy of the strategic statement for the 2006-2010 (*see Attachment 1*). The Strategic Statement 2006-10 sets out our aim to lift the bar in excellence in administration as we move from being a transaction-based and process-driven organisation to one that is based on knowledge and is technologically more responsive. It sets high level, over-arching directions for the Tax Office and provides direction for how we should go about doing things. Lower level Tax Office plans are consistent with the broad directions of the strategic plan.

The Strategic Statement includes:

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

### **OUR CORPORATE PLAN 2007-08**

Our Corporate Plan for 2007-08 does not include everything we do, but outlines our corporate priorities, or key areas of focus, for the year (and areas that will be our focus for the next few years). It is presented in terms of the outcome outputs framework, consistent with the Portfolio Budget Statements.

A copy of the draft Corporate Plan for 2008-09 also accompanies this submission (see *Attachment 2*).

## CHAPTER 2: REPORTING ON PERFORMANCE

### TRACKING PERFORMANCE

As part of our governance arrangements, we regularly review our performance to see how we are performing against corporate plans and to identify any emerging priorities and risks. The Plenary Governance Forum, made up of the Commissioners and National Program Managers, reviews the overall performance of the Tax Office three times a year.

The Plenary Governance Forum bases its assessment on:

- performance against the Corporate Plan by the Tax Office's six Sub-Plans (Compliance, Law, Operations, IT, People and Change Program) and the Australian Valuation Office, and
- a measurement of conformance with our statutory and other obligations, overseen by an independent integrity advisor.

In December 2007 the Plenary Governance Forum reviewed mid-year performance and agreed that overall we were on track for meeting the Tax Office outcomes. It also agreed that we had met our corporate requirements over the year so far and that we are tracking fairly well against the corporate objectives for 2007-08 as they stood at that time.

The Plenary Governance Forum met again on 8 April 2008 to review our progress against the Corporate Plan and to check that we are on track for this financial year. In summary, the result was that there was good progress across the Office and our performance against most corporate priorities is sound, although there are some areas where more needs to be done to make sure we reach our targets by the end of the year (the Plenary Governance Forum - Corporate Plan 2007-08: Sub-plan third quarter performance report is at *Attachment 3*).

### EFFECTIVENESS INDICATORS

The Tax Office has four effectiveness indicators. For 2007-08, we were on track against these indicators.

#### **Deliver to government**

Overall, our performance for the third-quarter of 2007-08 was sound. As at the end of February, the percentage of collectable debt to revenue was 3.79%, an improvement from 4% in the corresponding period last year. Superannuation Guarantee Charge debt collections exceeded forecast results by \$2.2 million (or 1.7%) for year to date.

Some service standards were reduced for 2007-08 to accommodate expected productivity impacts from the Change Program. We are generally meeting revised annual service standards but fell short during some peak periods. The following service standards are forecast to report below benchmark performance for the year:

- Telephone general enquiry service
- Paper amendments
- Clerical and administration errors

- Inbound correspondence, and
- Objections against private written binding advice

From a compliance perspective, we have delivered on specific compliance challenge commitments to government (including goods and services tax active compliance), and are on schedule to meet the commitments in our 2007-08 Compliance Program.

### **Maintain community confidence**

Independent analysis of the results of our surveys show:

- overall ratings of the Tax Office 'doing a good job' continue to improve
- over time perceptions of dealing with Tax Office call centres have improved
- tax agents continue to be positive about dealing with the Tax Office through the Tax Agents Portal
- a high level of trust exists in relation to the Tax Office handling confidential client details and perceptions of fairness, responsiveness and empathy, and
- ratings of the level of professionalism of Tax Office staff have continued to improve.

### **Improve ease of compliance**

Our latest Business Perceptions survey in November 2007 shows that over the past 12 surveys conducted since June 2004, overall there is a small reduction in burden with the bedding down of the new tax system. However, the latest survey shows a reported increase in the compliance burden, perhaps associated with increased choices in the law.

A record 1.9 million people used e-tax to lodge their 2007 tax return, an increase of over 300,000 from the previous year. While people under 50 years accounted for 85% of all e-tax users, people over 60 year recorded the strongest growth in usage.

### **Efficient, ethical and adaptive organisation**

We are tracking over our budget for 2007-08 by \$25.5 million or 1.4%. The overspend is a result of:

- a year to date labour overspend of \$22.4 million
- a year to date supplier overspend of \$3 million

We have sought approval from the Minister for Finance and Deregulation to operate at loss in 2007-08 of up to \$60 million (2.1% of expense budget), although we are trying to reduce that potential deficit. We have put in place some saving strategies which may impact on the final size of this overspend, including:

- reviewing all travel plans and where appropriate replacing them with video conferencing
- limiting overtime and payment of higher duties allowances
- reviewing plans for consultancy and contractor expenditure over the coming months, and
- a general 'thrift' emphasis across the organisation.

A recent review of our high level corporate committee structure undertaken by the National Institute of Governance confirms that our governance is undertaken in an effective manner and our structures are robust.

An information security review is being undertaken by Pricewaterhouse Coopers. The review is nearly finished and the report from the review is expected to be released publicly in the near future.

The level of engagement and capability of our staff as perceived by taxpayers is generally positive. There are high levels of agreement regarding handling of confidential taxpayer information, listening and responding to complaints, willingness to explain rights, sufficient understanding of issues and understanding of taxpayers' needs and fair treatment.

Our workforce planning and succession management approaches are helping us to address our workforce risks. Our work has been recognised as global best practice in the Corporate Leadership Council's latest research *Identifying and Responding to Strategic Talent Needs*.

We are working to continue to improve our organisational culture. We have articulated a set of corporate values which govern both our external and internal interactions. Through a number of communication mediums we are helping staff understand what these values mean to positively reinforce appropriate organisational and individual behaviour.

We have continued to enhance our leadership and management capability. Our new emergent leader program is accreditable to the level of Diploma in Government and has been adopted by the Australian Public Service Commission for delivery across the Australian Public Service. In addition, over half our SES have attended our Band 1 development program which is part of our accomplished leader suite of programs.

Our health and safety early intervention and prevention strategies are continuing to deliver results. For the first 6 months of this financial year there have been 290 accepted claims by Comcare, compared with 508 and 532 accepted claims for the same period in 2006-07 and 2005-06 respectively. While some of this reduction reflected changed legislation, most was attributable to our strategies and better work environment. We had less success on our level of unplanned leave and are talking to other agencies and the University of Queensland to develop new strategies.

On 10 December 2007, we launched our Reconciliation Action Plan which was favourably received by Reconciliation Australia and demonstrates our commitment to the National Program of Action. A copy of our Reconciliation Action Plan has previously been provided to the Committee.



## PERFORMANCE AGAINST OUTPUTS

Some particular aspects of this year's activities to date are discussed below.

### OUTPUT 1: SHAPE, DESIGN AND BUILD ADMINISTRATIVE SYSTEMS

#### Implementing the Government's election commitments

A continuing high priority is the implementation of the government's tax and superannuation agenda. A key focus at the moment is our work to deliver on the government's election commitments, including the first home savers accounts. We are working closely with Treasury and other relevant agencies to finalise policy details and to identify the best delivery options for the various proposals. This also includes significant work on changes to Tax Office IT systems and business processes, preparation of internal and external explanatory products and, in some cases, broader communications to inform the community about the proposals. This work invariably impacts on other planned achievements.

#### Change Program

Significant efforts over the past year have been focussed on delivering on our transformational Easier, cheaper and more personalised (Change) program. When finalised, the program will provide us with organisation-wide system and business processes for managing our case, client contact and correspondence work and an integrated registration, processing and accounting capability. For taxpayers, their experience with us will be easier, quicker and more efficient.

Last year, we deployed Release 2 of the Change Program. It delivered further enhancements to the Tax Agents and Business portals, including two-way secure messaging, individual income tax pre-filling reports for tax agents, and functionality to support fuel excise reforms. It impacted over 13,000 staff in over 1,000 teams across 60 sites and moved us towards to enterprise business processes.

Recently, we began Release 3, the third and most difficult stage of the Change Program. This will see the progressive introduction of a single accounting, processing and registration system. A replan of our deployment approach for the first part of this release was endorsed in February when extensive testing indicated that we would not be ready to deploy this part in its entirety. Our decision was in line with our commitment not to implement system changes that have the potential to seriously impact agents, the community, our own people and the revenue system.

Since then, we are successfully rolling out integrated core processing for fringe benefit tax. Deployment for income tax is planned for later in the year. Currently, we plan to deploy for superannuation in July and October this year, but our deployment plans are continually under review to ensure that we do not deploy until we are ready. In addition, new IT requirements associated with new Government measures will need to be taken into account in further reviews of our scheduling.

## **E-tax**

E-tax, our electronic income tax return product, continues to grow. In 2007, a record 1.9 million people, or almost two-thirds of self-preparers, lodged their 2006-07 tax returns using e-tax. This is an increase of over 300,000 people from the previous year.

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 also to fewer amendments after lodgment. In 2007, e-tax users had access to even more options for pre-filling of information including bank interest, managed fund information from 24 financial institutions, share dividends from two major registries, and payment information from other agencies including the Department of Veterans' Affairs and the Department of Education and Workplace Relations. We also conducted a pilot making pay as you go payment summary information available.

Pre-filling 2008 will expand the number of government payments, bank interest, managed funds and payment summary data providers, as well as the new 'sign and send' concept and e-tax alerts service. However, many taxpayers are eligible for work related expenses and tax offsets which involve information that is within their knowledge.

## **Providing quality and timely advice to Treasury and government**

Our processes for providing timely and quality advice to Treasury (which has overall responsibility for advising the Government on tax policy and tax law design matters) continue to improve. We recently signed a revised protocol with Treasury to give effect to these improvements.

Wherever possible, we contribute our views and experience to all stages of the tax policy and legislation design process. We provide advice to Treasury on:

- the administrative and interpretive aspects of tax design;
- input into costings of tax proposals, including administrative and compliance costs, and the compliance implications of policy advice; and
- issues that emerge through our experience in administration, including compliance costs and other issues for taxpayers in complying with proposed or existing tax laws.

This year we have worked closely with Treasury on significant measures including superannuation simplification, promoter penalties, taxation of financial arrangements, the tax practitioner legislative framework and the introduction of a single definition of small business.

The protocol will help us further develop an effective integrated tax and superannuation design process involving Treasury, the Office of Parliamentary Counsel and the Tax Office.

## **Delivering whole-of-government strategies**

We are a key supporter of Standard Business Reporting which aims to simplify business-to-government financial reporting.

We have been supporting Standard Business Reporting through: the provision of key resources to Treasury; developing pilot forms for Standard Business Reporting; as the Australian Business Registrar, providing an identification and registration authority for Whole-of-Government interactions; and, leading the work on a Whole-of-Government 'fit for purpose' authentication solutions for business to government interaction. As part of a multi-agency

team, we have also been developing the first Standard Business Reporting taxonomy for software developers and accountants.

Our efforts in Project Wickenby, the joint agency initiative to develop our capability to address the promotion of abusive tax haven schemes, have resulted in improvements in voluntary compliance. For example, net tax payable by people identified through Project Wickenby has increased by 57%.

So far, 188 audit cases have been completed, and we have raised 192 assessments. Currently there are 373 audit cases in course. Liabilities raised to date are in the order of \$115 million. We expect to raise an additional \$55.66 million in liabilities this year, and expected collections are estimated to be in the order of \$50 million for 2007-08.

## **OUTPUT 2: MANAGEMENT OF REVENUE COLLECTIONS AND TRANSFERS**

### **Reducing the rate of growth of collectable debt**

As at 29 February 2008, the percentage of total collectable debt to revenue was 3.79%, compared with 4% in the corresponding period last year. Superannuation guarantee charge collections year to date have exceeded forecast results by \$2.2 million (or 1.7%).

In the 2007 Federal Budget, we received additional funding of \$125.7 million over four years to continue the enhancement of our debt collection capabilities. This funding is being used to target aged debt (over two years old), and outstanding Superannuation Guarantee Charge debt. We are doing this by expanding our use of dialler technology, using external debt collection agencies and by increasing our capabilities. We are tracking to forecast on debt collection.

By enhancing collection activities, we not only ensure that the level of collectable tax debt is manageable over the long term, but we also maintain a level playing field for business. Those employees for whom the additional amounts of Superannuation Guarantee Charge debts are collected also benefit.

## **OUTPUT 3: COMPLIANCE ASSURANCE AND SUPPORT FOR REVENUE COLLECTIONS**

### **Misuse of tax havens**

We implemented a multi-faceted strategy to tackle non-compliance involving misuse of tax havens. This includes whole of government approaches; international taskforce partnerships and actions; encouraging voluntary compliance; marketing and education campaigns; and a targeted program of active compliance.

We have stepped up our program to help people better understand their tax obligations when they invest offshore. In February, we issued our latest *Tax Havens and Tax Administration* publication (a copy of which has been provided to the Committee).

We are working with a number of member countries in the OECD's Forum on Tax Administration, including Canada, France, Italy, New Zealand, Sweden, United Kingdom, and

the United States of America, concerning Liechtenstein structures and accounts being used for tax avoidance and evasion. Liechtenstein is recognised as a tax haven by the OECD and Australia. Data provided by the cooperating agencies is supporting around 20 tax audits currently underway, with significant amounts of revenue at stake.

We have also increased our focus on Australian taxpayers who have abusively used offshore bank accounts, offshore financial products, offshore tax arrangements and/or offshore structures, setting up a new team of 40 officers on this work.

In July 2007, we announced the Offshore Voluntary Disclosure Initiative to encourage people to make voluntary disclosures of undeclared money held offshore. As at 19 April 2008, the initiative has produced 661 disclosures, increasing taxable income by over \$28 million.

To further encourage voluntary disclosure, we have written to over 2,700 taxpayers where we have information that they have an offshore debit or credit card, issued by a financial institution in the tax havens of Jersey, Guernsey or the Isle of Man, or where they have made a high risk funds transfer identified through the Australian Transaction Reports and Analysis Centre.

We have worked on a cooperative project with some Australian financial institutions and in a pilot program have asked some of their overseas subsidiaries or branches in Vanuatu to write to their Australian customers informing them of how to make, if required, a voluntary disclosure of any undisclosed offshore income under the Offshore Voluntary Disclosure Initiative.

### **Company executives**

We are also reviewing the tax affairs of public and private company executives with remuneration in excess of \$1 million. While information gathering activities have focussed on remuneration provided under employee share schemes, other taxation issues, such as property transactions, are also being examined. To date, we have sent 174 review questionnaires to selected public company executives requesting an explanation for identified discrepancies. Almost half of the responses received (around 46%) have included voluntary disclosures. In the period 1 July 2007 to 3 March 2008, net assessments of \$11 million have issued and \$8.2 million recovered. This compares to net assessments of \$1 million in 2006-07. This increase reflects the move from information gathering to compliance activity.

### **Other high wealth individuals**

Our High Wealth Individuals Taskforce continues to show significant results in managing compliance by Australia's wealthiest people. By 29 February 2008, the taskforce had raised assessments totalling \$171.3 million and collected \$115.9 million in taxes and penalties.

We recently published the booklet *Wealthy and wise A tax guide for Australia's wealthiest people*. The booklet is specifically designed for the high wealth market and gives high wealth individuals some tools to help them manage their tax affairs. It poses a series of questions that high wealth individuals should ask themselves about their taxation affairs. It also sets out issues that will attract the attention of the Tax Office such as a disparity between reported income and lifestyle and private assets treated as business assets. A copy of the booklet has been provided to the Committee.

The booklet complements our annual *Compliance Program* publication and the booklets *Large business and tax compliance 2006* and *Tax havens and tax administrations*, issued late last year – all of which have also been provided to the Committee.

### **Working with large business**

We are working with large business to help boards and senior management refine their corporate governance processes to encompass effective management of material tax risks, and to provide them with the option of more certainty in their tax affairs. We are also working at the international level through the OECD's Forum on Tax Administration to develop guidelines on tax risk in corporate governance frameworks.

We are co-designing a concept with large business involving a review of a company's annual tax return and other information post lodgment to discuss areas of risk. Such early intervention will allow for some issues to be resolved at this early stage, thus reducing the possibility of surprises where there has been fully and true disclosure.

### **Small Business Assistance Program**

The Small Business Assistance Program, through targeted and practical assistance, is focussed on ensuring that small businesses understand their tax and superannuation obligations, establish good record keeping practices and manage their cash flows effectively. This approach is aimed at building long-term sustainability for these businesses.

In addition to our comprehensive suite of publications and website information, tools and calculators, we have provided more intensive assistance to more than 54,000 small businesses. Assistance has been provided through outbound education calls at key times of a business lifecycle; seminars and small group practical workshops; one on one assistance visits and the pilot provision of a payment card to assist cash flow management. Notwithstanding budget cuts, we have continued with this important initiative.

### **Working with tax agents and other intermediaries**

Tax agents continue to play an important role in helping their clients comply with their tax and superannuation obligations. We continue to work closely with them both in terms of providing assistance and in monitoring questionable behaviours.

Our research shows that the tax agent portal is now the most frequently used method by agents to interact with the Tax Office: with 81% of surveyed tax agents indicating that their tax practice uses it on a daily basis. Enhancements to the portal include downloadable payment slips; an income tax client lodgment report, and the ability for users to view, vary and lodge quarterly pay as you go and goods and services tax quarterly instalments.

Surveys of tax agents show that their overall satisfaction with our service has significantly increased from 39% in 2003 to 78% in 2007. Additionally, 96% of these tax agents agreed that the information received from us helps them deal with the tax system, and 90% agreed that it is easier to deal with the tax system now than in the past.

## Cash economy

We have been developing trade benchmarks in consultation with industry and trade associations. We will be working with these bodies to regularly publish and update these benchmarks so that they are accepted in industry; there is a level of certainty for compliant taxpayers; and those outside the benchmark can adjust their behaviour.

Our use of third party data-matching, particularly in relation to conspicuous consumption (luxury cars, boats, etc.) has delivered good outcomes. However, some aspects of the building industry and business to consumer services remain problematic.

## OUTPUT 4: COMPLIANCE ASSURANCE AND SUPPORT FOR TRANSFERS AND REGULATION OF SUPERANNUATION FUNDS

Regular reporting to the Tax Office by super funds has been comprehensively reviewed in light of the Simpler Superannuation changes and substantially upgraded. The majority of this information is now obtained electronically. This should improve the quality of information we receive and permit improved data matching.

We have developed a range of initiatives to assist new trustees, including a self managed fund start-up kit for all new trustees and for new funds we are undertaking a program of special compliance checks to assist trustees to carry out their new role and responsibilities. We are also upgrading the content on our website to provide a more intuitive approach which will organise information around the key phases and points in the lifecycle of the fund.

We are reviewing and auditing around 800 approved auditors this financial year. To date, we have referred five auditors to their professional bodies and a further six have entered into an enforceable undertaking with the Tax Office to improve their compliance and performance.

We are pursuing outstanding lodgments and conducting compliance checks on any reported issues with new registrants. We have also written to 740,000 employers to explain what they needed to do to comply with the super changes that commenced on 1 July 2007 and developed web and print products to support the changes.

Other initiatives we are working on include:

- streamlining of trustees reporting obligations into a single form covering their income tax, regulatory and member contribution statements for 2007-08
- a regular electronic newsletter for self managed super funds to provide practical and accessible guidance
- issue of five public rulings and determinations, including advice on the application of the sole purpose test and the prohibition on using the fund to provide financial assistance to a member or relative
- an on-line auditor tool which will make it easier for auditors to ensure that all regulatory requirements are covered
- a new booklet to further help trustees entitled *How your self managed super fund is regulated*.

## OUTPUT 5: SERVICES TO GOVERNMENTS AND AGENCIES

### Scrutineers

We are committed to working with external scrutineers with the goal of improving tax and superannuation administration. There are 14 external reviews involving the Tax Office currently in progress by our three external scrutineers across a broad range of areas.

#### Australian National Audit Office

The Australian National Audit Office has completed three reviews since September 2007, including a second report following its performance audit of the Tax Office's approach to managing self managed superannuation funds compliance risk. We agreed with all of the recommendations in the three audits and are already making progress with their implementation.

- *Audit Report No. 12 Performance Audit - Administration of High Risk Income Tax Refunds in the Individuals and Micro Enterprises Market Segments (tabled 1 November 2007)*
- *Audit Report No. 13 Performance Audit - The Australian Taxation Office's Approach Managing Self Managed Superannuation Funds Compliance risk (tabled 1 November 2007)*
- *Audit Report No 15. Performance Audit – Administration of Australian Business Number Registrations – follow up audit (tabled 29 November 2007)*

There are also six performance audits (including cross agency audits) currently in progress including:

- Tax Office use of data matching in tax administration (the data matching report is expected to be tabled on 24 April 2008)
- Tax Office strategies to address Tax Haven Compliance Risks
- Managing Recruitment (cross agency)
- Business Continuity Management in the Tax Office
- ATO Taxpayer's Charter (follow up audit)
- Preparation of the Tax Expenditures Statement (Treasury is the lead agency)

#### Commonwealth Ombudsman

We continue to work with the Ombudsman in relation to own motion reviews on possible systemic issues and on complaints. In 2008 the Commonwealth Ombudsman has commenced two own motion reviews involving the Tax Office:

- ATO practices and procedures for re-raising written off debts
- Decision-making processes and outcomes by several agencies including the Tax Office in relation to compensation claims under the Compensation for Detriment Caused by Defective Administration Scheme

The Ombudsman's 2006-07 annual report stated that in 2006–07, the Ombudsman received 1,261 approaches and complaints about the Tax Office, compared to 1,523 in 2005–06. The Ombudsman stated that he believed the continuing decrease in the number of complaints

about the Tax Office indicates that the Tax Office improvements to its own internal complaint handling system are enhancing the handling of taxpayer complaints.<sup>1</sup>

### Inspector-General

The Inspector-General has completed three reviews since our September 2007 report to the Committee and we have agreed with most of the recommendations.

- *Review of the Potential Revenue Bias in Private Binding Rulings Involving Large Complex Matters* (released by the Minister on 25 February 2008). We welcomed the Inspector-General's finding that there was no evidence of actual revenue bias in Private Binding Rulings.
- *Follow up review into the Tax Office's implementation of Agreed Recommendations included in the Six Reports prepared by the Inspector-General of Taxation between August 2003 and June 2006* (released by the Minister on 5 March 2008).
- *Review of the Tax Office's Administration of GST Audits for Large Taxpayers*. This has not yet been released by the Minister.

We have been working closely with the Inspector-General on his overarching report on the Tax Office's ability to identify and deal with major, complex issues within reasonable timeframes following the release of his three case study reports in 2007.

## **UPDATE ON MANAGED INVESTMENT SCHEME**

In our April and September 2007 submissions, we outlined our position in relation to draft taxation ruling TR 2007/D2, which provides the Tax Office's view on the income tax treatment of registered agricultural managed investment schemes. We noted that developments in case law required us to reconsider our views on the deductibility of investments in managed investment schemes. As the matter is not free from doubt, we advised our intention to urgently expedite a test case to obtain judicial opinion on our considered view. We also advised that there would be a transition period for the new Tax Office view being until a decision from the court on test case or 30 June 2008, whichever is the earlier.

In October 2007, we issued Taxation Ruling TR 2007/8, which formally finalised our view. As anticipated, a test case has been progressed with industry by way of a private ruling application for an investment in a project that would be offered in the 2008-09 financial year. We are now at the point where the relevant taxpayer has appealed to the Federal Court against our decision to disallow their objection to the private ruling. The Court has listed the first scheduling conference for 13 May 2008, although we are working together with industry to request the Court to bring this date forward so that we are in time to request that the matter be heard by the Full Federal Court in its August 2008 sittings if not earlier, noting that the call over date for the August sittings is 30 April 2008.

Due to delays in developing and progressing industry's test case it is now unlikely that a court decision will be handed down by 30 June 2008. In the circumstances, we will continue to accept and work on requests for Product Rulings for the 2008-09 year but will hold off issuing them pending the decision by the Federal Court.

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<sup>1</sup> Ombudsman Annual Report 2006-07 page 60



## CHAPTER 4: EMERGING CORPORATE PRIORITIES FOR 2008-09

As noted by in our opening statement to the Economics Committee at the February Additional Estimates hearing, the coming year will be a difficult one for us as we seek further improvements to productivity to meet the Government's efficiency drive and to meet the Government's policy agenda.

For the 2008-09 financial year, increasing efficiency dividends are a particular factor in our financial position. The overall increase in our efficiency dividend is \$54 million. As part of our corporate planning processes for 2008-09 and subsequent years, we are reviewing a range of risks and priorities to identify where efficiencies might be made. This includes identifying better ways of doing things and reprioritising of work so as to be able to deliver on new legislative measures.

### CORPORATE PRIORITIES FOR 2008-09

#### OUTPUT 1: SHAPE, DESIGN AND BUILD ADMINISTRATIVE SYSTEMS

##### Change Program

We are currently delivering the first part of our major Integrated Core Processing (ICP) system covering fringe benefits tax, with subsequent releases for superannuation and income tax being planned through the remainder of 2008-09. A significant issue is the capacity for us to deliver new IT requirements while at the same time delivering on our Change Program. We are also doing all we can to minimise community impact during the transition from our legacy systems to ICP, but expect some temporary reduction of services as inevitable for such major change.

##### Legislation agenda

We maintain a register of relevant legislative change proposals. For each law change on the program we work with Treasury in putting the proposal into practical effect. This includes commenting on draft legislation and explanatory materials. Implementation involves putting into place whatever administrative processes and systems are required to give effect to a law change, including providing sufficient information for taxpayers and their agents to meet the new law.

One particular area of focus has been to become involved in early considerations of potential new tax and superannuation policy changes. This allows us to provide Treasury with advice on the administrative impacts of potential policy changes, including the likely compliance cost impacts for taxpayers. We are working with Treasury to develop a more integrated tax/superannuation design approach.

## **OUTPUT 2: MANAGEMENT OF REVENUE COLLECTIONS AND TRANSFERS**

We continue to take a strong end-to-end focus on debt through early intervention, quick follow up of defaulted arrangements and escalating debt, and enforcement action where appropriate. This will be complemented by the enhanced use of automated dialling technology, increased referral of debt cases to external collection agencies, and wider use of more contemporary product offerings, payment cards and small business visits.

We are developing:

- an overarching payment strategy that will look at actively increasing both inbound and outbound electronic payments, this includes linking into the external Bpay Ltd promotional activity occurring in the market place
- strategies that will both reduce the number of paper activity statements that are generated for taxpayers that lodge electronically, and
- marketing, education and assistance to promote electronic transactions.

## **OUTPUT 3: COMPLIANCE ASSURANCE AND SUPPORT FOR REVENUE COLLECTIONS**

### **Expanded income tax compliance program**

The Tax Office has received a funding increase of around \$750 million over four years in support of an expanded income tax compliance program. The expanded program will cover all of our markets, with a particular focus on large businesses and high wealth individuals. The expanded program commences in July 2008 and is intended to deliver an additional \$5.7 billion in revenue over four years.

The outcomes from this government initiative were subject to a number of qualifications including our ability to recruit appropriate staff and no change in the budget. The recent budget cuts have meant that we may have to divert resources from other areas to achieve the expected results.

In recent years, increases in the size and complexity of the income tax system have seen thinning levels of Tax Office coverage. Examples of growth and complexity in the income tax system include:

- In the individuals market, many people have become investors and we have also been seeing increasing claims for work related expenses.
- In the micro business market, a large number of micro businesses are now trading internationally and are engaged in electronic commerce. More small business owners are investing for their retirement through Self Managed Superannuation Funds.
- In the small and medium enterprises market, we are looking to achieve greater coverage of businesses with a turnover of \$100 million to \$250 million.
- In the large business market, there has been growth in mergers and acquisition activity and growth in international dealings. Boards are also increasingly mindful of tax risks and are seeking additional levels of assurance from the Tax Office about the taxation consequences of their business strategies.

This funding will allow us to better address these emerging gaps in coverage and to increase our capability. Even with this extra funding we are still of the view that greater levels of coverage would be desirable. However, we do not have the capability to expand faster than is possible as a result of the extra funding provided by government, which was above our funding bid.

In keeping with our business intent, we will use this funding to optimise levels of voluntary compliance through:

- Better and more targeted help and education products
- A greater focus on prevention of non compliance
- Improved intelligence and early risk detection using approaches such as data mining and strategic risk research programs, and
- Increased enforcement activity, especially in pockets of blatant non compliance.

We also propose to use this funding to support a deliberate program of internal capability development aimed at building our complex income tax compliance workforce for the future.

### **Project Wickenby**

The strategic focus of the multi agency taskforce, that is Project Wickenby, is to deter, detect, disrupt and deal with international tax avoidance and evasion. This involves international promoters, Australian intermediaries and Australian participants and requires a cross agency approach to dealing with tax avoidance and evasion by offshore concealment of assets and income.

The Tax Office is the lead agency for the project. Also involved are:

- Australian Crime Commission
- Australian Federal Police
- Australian Securities and Investments Commission
- Commonwealth Director of Public Prosecutions, and
- with the support of the Australian Transaction Reports and Analysis Centre (AUSTRAC), the Australian Government Solicitor and the Attorney General's Department.

The Tax Office will continue civil actions by the use of its formal powers, risk assessments and the finalisation of over 100 tax audits this year. Currently there are also 20 criminal investigations on foot, with more charges expected to be laid shortly.

A major focus of the project is to send a clear message that tax avoidance and evasion by offshore concealment of assets and income is not acceptable and may result in criminal offences.

### **Cash Economy**

We are increasingly trying to focus on behaviours that lead to the non-reporting of income and, in particular, we are focussing on cash transactions between businesses and individuals.

We are increasing our use of third party data from Federal and State licensing bodies. This assists in identifying taxpayers who appear to be living beyond their means through the acquisition of luxury motor vehicles, boats and aircraft and who may therefore have failed to report cash income.

We are also using third party data to identify potential non-reporting of cash transactions in retailing, personal services and by tradespeople in residential building sectors. We have also made improvements in the receiving and actioning of information on tax evasion from the community.

We are assisting taxpayers to comply. We are working collaboratively to develop 'business norm' benchmarks for certain trades and industries where there are high incidences of cash transactions and poor record keeping/business practices.

We continue to undertake compliance activities in high risk industries such as building and construction and are considering the need for withholding arrangements.

Finally, we continue to work jointly with other agencies on cases of mutual interest. This addresses the risk that businesses which do not meet their tax obligations may also fail to comply with fair trading laws, child support, industrial relations, immigration, social security, superannuation etc.

### **Increased Assistance to Small Business**

Our support for small business is aimed at building their long-term sustainability. This assistance takes the form of:

- information products (both paper and web)
- phone services such as the Business Tax Info line (132866)
- online services and support tools such as the Business Portal, tax calculators and a free electronic record keeping tool, e-Record
- tax seminars and workshops in all capital cities and in many regional areas.
- business assistance visits
- an outbound educational phone service to support businesses who are 'new to business' or new to tax
- joint activities with industry bodies and local chambers of commerce, and
- the Regional and Remote Program covering 175 locations, through 79 service providers, supporting small business taxpayers and the use of relevant products and services.

## **OUTPUT 4: COMPLIANCE ASSURANCE AND SUPPORT FOR TRANSFERS AND REGULATION OF SUPERANNUATION FUNDS**

### **Self Managed Super Funds**

There are currently around 372,500 self managed super funds and the number of funds continues to grow steadily. We are aiming to ensure that new trustees better understand and comply with their obligations and address any non-compliance quickly. In 2008-09 the strategy

will cover at least 10% of all new funds and include checks of all new funds where the approved auditor has reported non-compliance.

We plan to pilot in July 2008 an electronic tool that will help auditors undertake and document their audits, including the reporting of contraventions of standards they identify.

### **Illegal early release of benefits**

We work closely with Australian Securities and Investments Commission to identify and investigate illegal early release schemes and their promoters. In 2008-09 we will increase our focus on illegal early release further by increasing the number of cases to 500 audits.

### **Superannuation guarantee**

We are committed to following up every complaint received from an employee about their employer not meeting their superannuation obligations and to keeping those employees informed of the progress of our investigations.

From 1 July 2008, we expect to have available a web based Employee Super Guarantee Eligibility and Entitlement Calculator. Employees will be able to determine whether they are eligible for superannuation guarantee and whether they have received the correct contributions for each quarter. If employees determine there is a shortfall in their contributions they will be able to prepare an enquiry and submit this to the Tax Office 24 hours a day, 7 days a week.

## **OUTPUT 5: SERVICES TO GOVERNMENTS AND AGENCIES**

### **Australian Business Register**

The role of the Australian Business Registrar is separate from the role of Commissioner of Taxation. The Australian Business Registrar is progressing a broad range of strategies aimed at increasing government use and reliance on the Australian Business Register as means of progressing on-line dealings. These include:

- refining the existing suite of Australian Business Register services to enable the integration of transactions and sharing of business information across agencies (e.g. improvements to data publishing services, cross-agency review of future service requirements)
- progressing large-scale whole of government projects that will significantly advance the intent of the Australian Business Register (e.g. Standard Business Reporting, Australian Business Number-Business Names project)
- promoting general awareness and use of Australian Business Number and Australian Business Register by government agencies
- clearly delineating internal and external reporting and governance for the Registrar as distinct from the Commissioner, and
- improving the integrity of Australian Business Register data to promote increased reliance

The Registrar currently has strategic alliances with over 70 government agencies for the provision of Australian Business Register data. The Registrar is also working with a range of strategic partners to progress cross-agency initiatives that will further deliver upon the intent of the ABR and progress increased use of Australian Business Number to streamline business to

government interactions. These projects include the Standard Business Reporting and Australian Business Number-Business Names projects.



OVERVIEW



**FROM THE COMMISSIONER**

Government business is a necessary part of the strategic statement with respect to the tax system. It is the tax system that provides the revenue for the Government. It is the tax system that provides the revenue for the Government. It is the tax system that provides the revenue for the Government.

*Michael O'Shea*  
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.

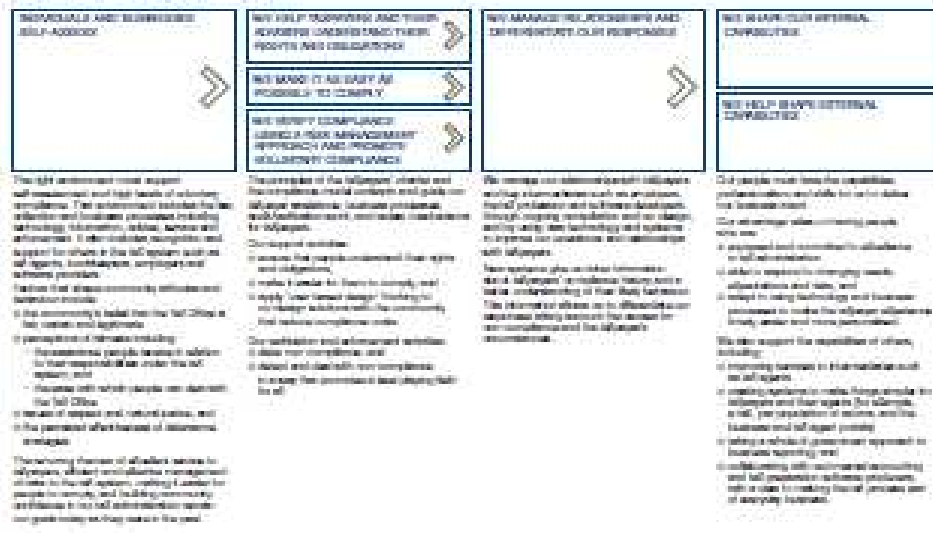
**Our commitment to government**  
To effectively manage and shape administrative systems that support and fund services for Australians.

**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 identifying and dealing appropriately with people who are not meeting their obligations.

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

**Delivering a tax system that is easy to understand, that is easy to use, and that is easy to pay.**  
Making payments is a key to the benefits and rewards of the tax system. The tax system is designed to be as easy as possible to use. It is designed to be as easy as possible to use. It is designed to be as easy as possible to use.

## Our business model



**Our people**  
A highly skilled, well managed, valued and committed workforce 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 rule of law, without it providing security, stability and certainty for taxpayers  
 • respecting taxpayers who want to do the right thing, but making sure they pay their taxes  
 • being accessible, collaborative and willing to acknowledge  
 • being engaged and accountable  
 • being responsive to challenges and opportunities, and  
 • respecting and working with others, including other agencies and self-administration.

## 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 agents through more personal and differentiated services in the delivery of our business intent.**

Our strategy will:  
 • provide taxpayer self-service, including pre-paid and online self-administration  
 • allow us to offer additional services, information and training  
 • provide us to reflect taxpayers' own needs in our decisions, and  
 • ensure our identifying and analytical capabilities so that we can better identify risks and differentiate our resources.

Our processes and other systems will:  
 • be an integrated, "one level" process  
 • be based on self-administration and self-service  
 • align our requirements with broader business priorities that will be seen and felt  
 • be an essential part of our  
 • make our taxpayer and payment transactions more secure, saving system failures and enabling us to focus more on activities such as credits, risk assessment, taxpayer assistance and problem-solving  
 • be based on our ability to provide timely responses and to make it easier to resolve taxpayer enquiries and queries from our operations, and  
 • be based on our ability to provide timely responses and to make it easier to resolve taxpayer enquiries and queries from our operations, and

Strengthen our business processes, consistent collection of organisational data, people accountability and more responsible decision making (all points) for markets and the rights of taxpayers, reduce financial requirements and enhance capability to comply with requirements.

**1. To be able to fully benefit from the business intent, we need to be able to fully benefit from the business intent.**



**FROM THE COMMISSIONER**



Our Corporate plan for 2008-09 provides a multi-year view of our corporate priorities in the lead up to our centenary in 2010. It is not intended to include everything we do, but to outline our corporate priorities for 2008-09.

The plan includes our strategic and capability areas of focus. They are consistent with our Strategic Statement 2008-09, and support the delivery of our priorities for 2008-09, guide our on-going change agenda and assist us to identify opportunities for business productivity improvements.

The priorities are presented in terms of the outcome-output framework to assure government and the community that the tax and superannuation systems will be effectively and efficiently managed and administered.

**Our values**

- Our values are:**
- being fair and professional
  - applying the rule of law
  - supporting taxpayers who want to do the right thing, and being fair and firm with those who don't
  - being consultative, collaborative and willing to co-design, including at a whole-of-government level
  - being open and accountable, and
  - being responsive to challenges and opportunities.

**Corporate plan 2008-09** including a multi-year focus

**DRAFT**  
as at 23 April 2008

**TAX OFFICE OUTCOME**  
Effectively manage and deliver systems that support and fund services for businesses and give effect to social and economic policy through the tax, superannuation, trustee and other related systems.

**KEY THEMATIC AREAS OF FOCUS**

To give the government and the community, including stakeholders, the very best tax and superannuation administration, our strategic areas of focus in 2008-09 are set out in the table below.

- Delivering the tax and superannuation systems that support and fund services for businesses and give effect to social and economic policy through the tax, superannuation, trustee and other related systems.
- Effectively managing and delivering systems that support and fund services for businesses and give effect to social and economic policy through the tax, superannuation, trustee and other related systems.
- Supporting business processes to improve the taxpayer experience through modern and new processes.
- Improving taxpayer access to information and services, including leveraging through digital technologies and
- Enhancing the production capacity to ensure an efficient, effective and resilient organisation.

→ Being and supporting our ongoing change agenda  
→ Optimising opportunities for operational business productivity improvements

OUTPUT 1	OUTPUT 2	OUTPUT 3	OUTPUT 4	OUTPUT 5
<p><b>Shape, design and build administrative systems</b></p> <p>Law &amp; Order, Check and Issue, Performance Sub-systems</p> <ul style="list-style-type: none"> <li>- Implement the government's system program including the government's information and digital commitments</li> <li>- Promote quality and being better in Taxation and government's policy, programs, for design and service business</li> <li>- Contribute to and enhance Taxation's strategic digital system</li> <li>- Continue to build sustainable operational capability in the areas of program and system management, designed information management</li> <li>- Deliver our change program as outlined in Working Better Examples ..... 2008 - 09</li> <li>- Measure our information capability for enhanced use of analysis and data processing systems ..... 2007 - 09</li> <li>- Title is leading role in design in areas of government strategic including Australian Business Number ..... 2007 - 09</li> <li>- Business Business Reporting ..... 2007 - 09</li> </ul>	<p><b>Management of revenue collection and transfers</b></p> <p>Corporate Sub-system</p> <ul style="list-style-type: none"> <li>- Monitor our current focus on reducing the cost of growth of customer self service, reducing our 2008 collection costs by doing with existing legal skills through the self service environment ..... 2008 - 09</li> <li>- Implement our change program with introducing a new focus on the delivery of government products</li> <li>- Monitor compliance across business, including our performance standards will be used for cost for a period, including the impact of our change program</li> <li>- Deliver and continue to improve a self business number to customer service program and deliver a more robust and secure system ..... 2009 - 09</li> <li>- Collaborate with stakeholders and other government agencies to enhance the Australian Business Number to ensure we are best for business</li> </ul>	<p><b>Compliance assurance and support for revenue collection</b></p> <p>Compliance &amp; Law Sub-system</p> <ul style="list-style-type: none"> <li>- Support our revenue and external government policy, including Income Tax Operations ..... 2008 - 09</li> <li>- Support our revenue and external government policy, including Income Tax Operations ..... 2007 - 09</li> <li>- 2007 commitments to state and territories</li> <li>- Provide a capable and well-regulated tax system, including supporting the integrity of self tax for professional and providers</li> <li>- Make it easier to comply including business compliance and provide guidance on practical compliance</li> <li>- Continue to build business compliance for small business entrepreneurs</li> <li>- Use appropriate information strategies to address our strategic objectives including compliance for business</li> <li>- Make it easier to comply including business compliance and provide guidance on practical compliance</li> <li>- Continue to build business compliance for small business entrepreneurs</li> <li>- Manage digital to meet the Federal Court provisions and better address legal risks</li> <li>- Provide high quality and timely advice through the Public Rulings Program and ensure the highest quality technical advice</li> </ul>	<p><b>Compliance assurance and support for taxation and regulation of superannuation funds</b></p> <p>Compliance &amp; Law sub-system</p> <ul style="list-style-type: none"> <li>- Support our revenue and external government policy, including The First Home Super Saver, 2008 - 09</li> <li>- Support our revenue and external government policy, including The First Home Super Saver, 2008 - 09</li> <li>- Support an effective superannuation system for Australia, with a focus on supporting small business self superannuation including our ongoing work in digital advice superannuation funds</li> <li>- Provide a capable and well-regulated tax and superannuation system, including advice of superannuation funds</li> <li>- Provide high quality and timely advice through the Public Rulings Program and ensure the highest quality technical advice</li> </ul>	<p><b>Services to government and agencies</b></p> <p>All sub-system</p> <ul style="list-style-type: none"> <li>- Create and collaborate with agencies and business to improve service delivery to the community</li> <li>- Manage our relationship with external stakeholders, including Government, Treasury and academia</li> <li>- Meet our commitments under our public statement of understanding with other departments and agencies</li> <li>- Provide quality valuation advice and services to key government agencies</li> <li>- Work with other agencies and stakeholders to address the Australian Business Number on the government's business register</li> <li>- Work with other agencies on the business trading system</li> </ul>

**CAPABILITY FOCUS AREAS**

Policy Implementation | Tax Technical | Change Management | Billing | Priority | Security Management | Analysis | Intelligence | Process Improvement & Management

ENABLING OUTPUT 1	ENABLING OUTPUT 2	ENABLING OUTPUT 3	ENABLING OUTPUT 4
<p><b>Plan and Manage</b></p> <p>People and Place &amp; Law Sub-system</p> <ul style="list-style-type: none"> <li>- Develop and integrate our government processes with a focus on developing better performance outcomes</li> <li>- Implement a strategic program of internal audit, risk control, planning and financial audit, investigation and review</li> <li>- Identify productivity savings to enable efficiency delivery</li> <li>- Enhance the financial management systems to support financial integrity ..... 2008 - 09</li> </ul>	<p><b>People</b></p> <p>People and Place Sub-system</p> <ul style="list-style-type: none"> <li>- Continue to develop and deploy innovative recruitment strategies and programs that ensure best practice recruitment strategy</li> <li>- Build on productivity through the delivery of our services, including our Indigenous employment and a workforce that is diverse and multi-cultural</li> <li>- Complete the integrated induction and training framework</li> <li>- Build workforce plans and service integration activities to ensure workforce availability and improved productivity ..... 2008 - 09</li> <li>- Build a customer centred, engaged organisation ..... 2007 - 09</li> </ul>	<p><b>Workplace</b></p> <p>People and Place &amp; Law Sub-system</p> <ul style="list-style-type: none"> <li>- Implement improvements to the accommodation management framework and processes</li> <li>- Progress implementation of the plan for self storage that aligns with business plans ..... 2007 - 09</li> <li>- Enhance our information systems capability by further developing our skills ..... 2008 - 09</li> <li>- Develop an enterprise wide environmental policy and framework ..... 2008 - 09</li> </ul>	<p><b>Information Technology Services</b></p> <p>Information Technology Sub-system</p> <ul style="list-style-type: none"> <li>- Provide IT tools and support for staff writing collaboration together, including the use of video conferencing</li> <li>- Complete management of the Tax Office IT and communication systems to deliver on business commitments ..... 2008 - 09</li> <li>- Manage the planning and delivery of IT solutions consistent with the IT strategy, IT budget, business and the IT Spending Model ..... 2007 - 09</li> <li>- Develop and manage IT infrastructure services capability ..... 2007 - 09</li> <li>- Increase awareness of IT security requirements, including IT security obligations for Tax Office staff, external stakeholders and the agency ..... 2007 - 09</li> </ul>





This report informs the 8 April 2008 Plenary Governance Forum how the organisation is positioned to deliver the Tax Office outcome and outputs to Government through the corporate priorities outlined in the 2007-08 Corporate Plan

As at 29 February 2008 (unless otherwise indicated)

## Plenary Governance Forum Corporate plan 2007-08 Sub-plan third-quarter performance

### EXPLAINING THE DASHBOARD RATINGS

#### Green

Priority is on track or ahead of schedule to meet EOY commitment

#### Amber

Priority is currently not on track, and requires monitoring over the remainder of the year to ensure it meets EOY commitment

#### Red

Priority is at risk of not meeting, or will not meet, EOY commitment and requires close and active involvement and monitoring by the sub-plan Executive

# High level performance summary

Third-quarter performance 2007-08

## TAX OFFICE OUTCOME

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

EFFECTIVENESS INDICATORS		
<p><b>PERFORMANCE SUMMARY</b></p> <p>Overall, the Tax Office performance for the third-quarter is sound and we are on track to meet budgeted revenue. We are improving generally, meeting our revised annual service standards but falling short on some standards during peak periods. Nevertheless, ratings of community and tax agent confidence levels are trending upwards, although recent results suggest that business is reporting an increase in compliance burden.</p> <p>Continued focus to end of year (EOY) is on meeting our commitments to government including new policy and closely managing our financial position. Along with exploring opportunities for productivity savings, we are also focusing on better measuring the effectiveness of our administration and compliance strategies.</p> <p>Our capability to implement new measures that have major IT impacts will be stretched until the end of 2009 when we fully implement Integrated Core Processing. However we have increased our assistance to Treasury on policy development with a view to simpler design that minimizes compliance costs.</p> <p>Sound progress has been made in a range of initiatives for our people, governance and integrity areas to support continued delivery of our outcomes and the sustainability of our activities.</p>	<p><b>KEY HIGHLIGHTS</b></p> <ul style="list-style-type: none"> <li>We are on track to meet budgeted revenue.</li> <li>The percentage of total collectible debt to revenue, as at 20 February 2008 was 3.70%, an improvement from 4% in the corresponding period last year.</li> <li>Annual service standards generally maintained.</li> <li>Delivered on 100 compliance Challenge commitments (including GST advice compliance) and substantially met the commitments in the 2007-08 Compliance Program.</li> <li>We have issued 31 draft and 28 final public goods and determinations, and 73 class rulings year to date.</li> <li>Decrease in superannuation guarantee charge cases on hand compared with same period last year.</li> <li>The Tax Haven voluntary disclosure initiative resulted in over 500 voluntary disclosures and good progress made in Project Woburny.</li> <li>A record 1.9 million people used e-tax to lodge their 2007 tax return.</li> <li>The ANAO issued an unqualified audit opinion on the 2006-07 financial statements and acknowledged the overall reduction in audit findings over the last few years.</li> <li>Our health and safety early intervention and prevention strategies are beginning to deliver results with claims accepted by Concise reducing by almost half so far this financial year.</li> </ul>	<p><b>KEY EXCEPTIONS</b></p> <ul style="list-style-type: none"> <li>Two of the specific commitments to Government: Project Woburny and Superannuation Guarantee (SG) (Employee significantly more than planned referrals), have been noted as not likely to meet end-of-year commitments.</li> <li>Integrated Core Processing (ICP)-income tax implementation deferred with a revised date in 2008 to be established. As a result, we will deliver Tax-Free 2008 using legacy systems.</li> <li>The Minister for Finance and Deregulation has approved an operating loss of up to \$60 million in 2007-08. At the end of February, the Tax Office was tracking at \$25.2 million or 1.4% over the YTD budget.</li> </ul>

### DELIVER TO GOVERNMENT

**REVENUE**

- We are on track to meet budgeted revenue.

**COMMITMENTS TO GOVERNMENT**

- Of the 24 specific commitments to Government two are called out: Project Woburny and Superannuation Guarantee (SG) (Employee). The commitments within Tax Office control that are called out are expected to be being given by end of year.
- New policy implementation - a total of 154 projects are reporting to the Project Implementation Forum with an overall rating of green, with one red (Superannuation) and 13 amber.

**DEBT**

- The percentage of total collectible debt to revenue, as at 20 February 2008 was 3.70%, an improvement from 4% in the corresponding period last year.
- Superannuation Guarantee Charge debt collections have exceeded forecast results by \$2.2 million (or 1.7%) for year to date.

**LAW DESIGN**

- Significant contribution to major law design projects. Detailed technical papers have been prepared on the location of trusts, consolidation, cross-border trusts, the location of financial arrangements and the key provisions of a section 80B trust deed.
- Continued collaboration with external consultants to ensure continuous improvement in tax and superannuation administration.

**COMPLIANCE**

- Delivered on Compliance Challenge commitments (including GST advice compliance) and substantially met the commitments in the 2007-08 Compliance Program.
- Reviews and audits by Self Managed Superannuation funds and Superannuation Guarantee largely behind the year-to-date plans however expected to meet the end of year targets.
- Getting traction around high profile evidence and event related projects such as Woburny and Tax Haven. We are working closely with the other law jurisdictions in relation to offshore tax structures in their capacity to assist with the implementation of the voluntary disclosure initiative for release of tax haven proven residential and additional \$20m taxable income relief so far.
- S&I service provider initiative implemented, including point service advisory program.
- Improved relationships with key stakeholder groups such as large corporates, tax agents and Big 4 accounting firms, and access to high wealth individuals. Additionally, the Small Business Advisory Program is now well established and strategies in place to increase awareness and retention rate.

**AUSTRALIAN VALUATION OFFICE (AVO)**

- New Certificate Memorandum of Understanding is expected to be in place by 1 July 2008.
- Increased involvement in policy advice to Government agencies including ASIC, Department of Health and Aging, Attorney General's Department and the ANAO.

On track to deliver healthy profits.

**AUSTRALIAN BUSINESS REGISTER (ABR)**

- Continued progress on projects to establish the ABR as the Government's business register.
- However, there are some concerns about risk associated with the ABR Business Names Registration Project which are outside our control.

**WHOLE OF GOVERNMENT INITIATIVES**

- Continued support of the Standard Business Reporting project.
- A robust system for developing and managing Memoranda of Understanding (MoU) with Federal, State and Territory governments has been put in place with the release of the MoU Corporate Management Practice Statement.

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### MAINTAIN COMMUNITY CONFIDENCE

**COMBINED SURVEY RESULTS**

An independent analysis of our combined survey information was commissioned to assess the overall effectiveness of the Tax Office using the following:

- Professionalism Survey (November 2007)
- Community Confidence Survey (May 2007)
- Business Perceptions Survey (May 2007)
- Tax Agents Survey (March 2007), and
- Project Woburny ad hoc Survey (November-December 2007).

Headline results from analysis are:

- Overall ratings of the Tax Office 'doing a good job' continue to improve, although satisfaction ratings are lower among Small and Medium Enterprises.
- Clear line perceptions of dealing with Tax Office call centres have improved.
- Tax Agents continue to be extremely positive about dealing with the Tax Office through the Portal.
- A high level of trust exists in relation to the Tax Office handling confidential client details and preservation of fairness, responsiveness and empathy.
- Ratings of the level of professionalism provided by staff have continued to improve.

**TECHNICAL QUALITY**

- Preliminary results of Technical Quality Review panels suggest we have maintained levels of quality.
- Progressively implementing Integrated Quality Framework which will improve how we define, assess, measure and manage quality.

**SERVICE STANDARDS**

- Overall Tax Office comparative performance shows a continued efficiency gain between third-quarter and mid-year reporting periods. This is represented by improved performance against the service standards aimed higher than usual volumes for some service standards.
- Contributing to our improved performance is the revised methodology of Release 3.1, which defines some adverse productivity impacts until 2008-09.
- Overall Tax Office performance against the index for the third quarter has remained above 1.20 rated as good; however, some service standards are lower than usual, reflecting the impact of the Change Program.

The following service standards are forecast to report below benchmark performance for the year ending:

- Telephone general enquiry service
- Paper correspondence, and
- Clerical and administration errors.

Also at risk of not achieving benchmarks is our ability to meet inbound correspondence and objections against private written binding advice service standards.

### IMPROVE EASE OF COMPLIANCE

**BUSINESS PERCEPTIONS SURVEY - November 2007**

Our surveys provide a number of key indicators and one we continue to hone is our measurement of people's experience in meeting their compliance obligations. The latest survey showed an increase in compliance burden. However overall the trend line shows a small reduction in burden with the leading down of the new tax system.

**CHANGE PROGRAM**

- Deferral of Integrated Core Processing Income Tax component to first half of 2008-09
- Release 3.1 Fringe Benefits Tax conversion successful and technical deployment for production still commenced.
- Release 3.2 design work on Superannuation is near completion, build is progressing and testing has commenced.

**E-TAX**

- A record 1.9 million people used e-tax to lodge their 2007 tax return, exceeding initial projections by 100,000.
- Heading 2008 is currently working towards expanding the information as well as the new 'fast and easy' connect and advice service.

### CORPORATE PRIORITIES

- The Tax Office has 31 output priorities and 16 enabling output priorities in the 2007-08 Corporate Plan. Below is a comparison of output and enabling output measures and their quarterly performance ratings and revised EOY 2007-08 expected performance ratings.
- The top six priorities are Deliver our Change Program and Maintain acceptable service standards.

### EFFICIENT, ETHICAL AND ADAPTIVE COMPLIANCE

**COMBINED SURVEY RESULTS**

- The level of engagement and capability of Tax Office staff as perceived by taxpayers is generally positive.
- There are high levels of public approval and support regarding the way ATO handles confidential taxpayer information, issues and responds to complaints, in willing to explain rights, has a sufficient understanding of issues, understands taxpayer needs and provides fair treatment.
- While taxpayers are a fairly positive about the Tax Office's use of technology and the website, there is scope for improvement according to those with more complex taxation affairs.
- Seven out of ten Tax Agents indicate they have found the Tax Agent portal to be very useful, particularly for viewing client activities and editing accounts.
- AFS survey indicates 10% above average confidence of ATO staff.

**FINANCE AND BUDGETS**

At the end of February the Tax Office is tracking at \$25.2 million or 1.4% over the YTD budget. This overpend is a result of:

- A YTD labour overpend of \$22.4 million. This overpend is consistent with the total YTD over budget FY08 position across the Tax Office - \$20.175 YTD.
- A YTD capital overpend of \$3 million. This overpend reflects a YTD overpend in Accommodation largely from unbudgeted leases and Legal expenditure. These overpends are offset by savings in Comorbate and Contractors and Bulk Printing and Postage.

**PEOPLE**

- The ANAO issued an unqualified audit opinion on the 2006-07 financial statements and acknowledged the overall reduction in audit findings over the last few years.
- We have implemented strategies to better position the Tax Office strategically by redefining the Corporate Design Forum forward work program, supporting long-term strategic planning through the introduction of multi-year priorities in the corporate plan, and benchmarking our strategic planning capability.
- Our work in workforce planning, succession management and leadership development has also been recognised as agency best practice and is being published and shared across the AFS.
- Our health and safety early intervention and prevention strategies are beginning to deliver results with claims accepted by Concise reducing by almost half so far this financial year.
- Over 13,500 employees participated in the top five training activities offered, with over 7,000 employees completing the top training event 'Security Essentials'.
- We are streamlining and integrating recruitment activity. The average time to fill vacancy has reduced from 156 days to less than 65 days, which is below the AFS benchmark of 47.8 days. Costs have also reduced from \$4,000 to \$2,300 per hire. We are also rolling out a new e-recruitment system.

**GOVERNANCE, INTEGRITY, EFFECTIVENESS**

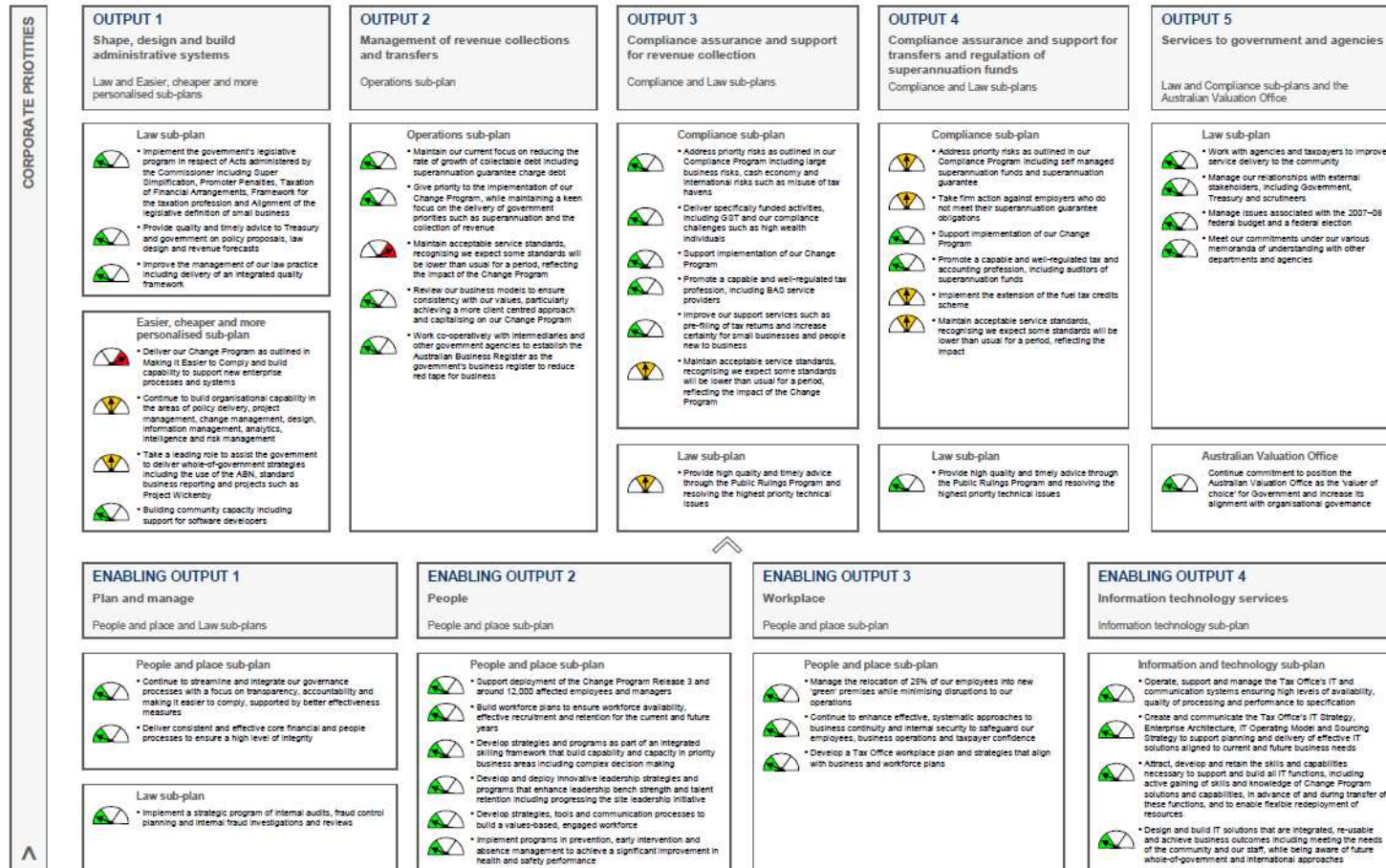
We are continuing to streamline and integrate governance processes with a focus on transparency, accountability and meeting a desire to comply, supported by better effectiveness measures.

- Focused on developing effectiveness measures across the organisation with a top-down approach complementing on the ground continuous improvement.
- Review of high level corporate control structure undertaken by the National Institute of Governance confirms that Tax Office governance is robust with sound formal structures.
- A quarterly quality assurance review has confirmed the accuracy and quality of our costing advice.
- Recognition and awards for Corruption Prevention Network Award 2007 under the Commonwealth Public Sector category. Chief Internal Auditor Bruce Turner awarded the 2008 Bob McDonald Award for his outstanding contribution to the internal audit profession.
- An Information Security Review is being undertaken by PricewaterhouseCoopers to ensure that the Tax Office retains the community's confidence. Early findings indicate a strong culture of security awareness across the office. The review will concentrate on advice Bulk data requests and working away from the office, both areas of potential concern.

**INFORMATION TECHNOLOGY**

- Roll-out of internal access to all Tax Office staff was completed by 6 March 2008.
- Change Program continues to be a challenge but is being closely managed.
- Progressive improvement being made to all projects.

**Executive summary of corporate priorities**  
Third-quarter performance 2007-08



### Summary of specific commitments to Government

Third-quarter performance 2007-08

CONSOLIDATED VIEW OF SPECIFIC COMMITMENTS TO GOVERNMENT (2007-08)

Commitment	31 Oct 2007	29 Feb 2008	End of Year
<b>Enhanced debt collection</b> Reduce the existing stock of taxation debt and outstanding superannuation guarantee charge payments.			
<b>457 Visa – Ongoing visa caseload management</b> Implementation of improvement of the temporary skilled migration visa category.			
<b>ABN Business Names Registration Project<sup>1</sup></b> Contribute to reduction of registration costs for businesses through enhancement of ABN framework.			
<b>Childcare tax rebate</b> Conversion of current rebate to a direct payment.			
<b>Pre-filing of tax returns</b> Implement pre-filing initiatives for electronic tax returns. • 2006-07 Returns • 2007-08 Returns			
<b>New business intensive assistance program</b> Increase support to new businesses.			

<sup>1</sup> Initial funding to Operations (Client Account Services) has been topped-up for this project work, to the extent of meeting 5 FTE plus supplier expenses – a total of \$763,600 of direct costs.

CONSOLIDATED VIEW OF SPECIFIC COMMITMENTS TO GOVERNMENT (CARRIED OVER FROM PREVIOUS YEARS)

Commitment	31 Oct 2007	29 Feb 2008	End of Year
<b>Superannuation Simplification</b> Implementation of the 'simplify and streamline' superannuation plan.			
<b>Superannuation Guarantee (SG) enquiries</b> Improve the responsiveness of the Tax Office to enquiries about superannuation guarantee.			
<b>Super Choice</b> Implementation of choice of superannuation fund legislation.			
<b>High Wealth Individuals</b> Allow the Tax Office to cover increased number of high wealth individuals.			
<b>Simplified Tax System (STS)</b> Implementation of changes to the requirement of small businesses to use STS.			
<b>30% Childcare Rebate</b> Implementation of 30% childcare tax offset policy.			
<b>25% Entrepreneurs' Tax Offset (ETO)</b> Implementation of 25% ETO.			
<b>FBT Transitional Grants</b> Provide transitional grants to specific entities which lost concessional status.			
<b>Review of Aspects of Self Assessment (RoSA)</b> Implementation of RoSA recommendations.			
<b>Tax Practitioners' Legislative Framework (TPLF)</b> Implementation of preferred TPLF framework.			
<b>CSA lodgment compliance</b> Creation of a dedicated child support lodgment enforcement capability.			
<b>GST – Additional compliance activities</b> Additional active compliance activities for GST collection.			
<b>Excise – Fuel Tax Reform</b> Administration of the fuel tax credits arrangements.			
<b>Fuel Tax Credit transitional funding</b> Implementation of early payment of fuel tax credits claimed on BAS.			
<b>Project Wickenby</b> Compliance project targeting tax arrangements involving tailored offshore schemes.			
<b>New policy</b> Implementation of a range of new policy measures.			
<b>Compliance challenges</b> Deliver specifically funded activities (final year).			

SUMMARY OF COMMITMENTS AT RISK OF DELIVERY

**457 Visa – Ongoing visa caseload management**  
The commitment is to identify and implement measures to improve the effectiveness, fairness and integrity of the temporary skilled migration visa category. The role of the Tax Office is to verify that participating employers are fully compliant with their employment related tax obligations (e.g., PAYG withholding, Fringe Benefits Tax, Superannuation Guarantee etc). The Department of Immigration and Citizenship refers cases to the Tax Office for verification checks. All of the originally planned referral cases have yet to be received by the Tax Office at the end of February 2008.

**ABN Business Names Registration Project**  
The Tax Office plays a supporting role on this project by providing design input and procuring a consultancy to conduct needs product and gaps analyses on Automated Name Determination engine software. The overall project has met some unexpected delays but to date the Tax Office has met its commitments.

**Superannuation Guarantee (SG) enquiries**  
The commitments are to:  
• Allow for the provision of more information to complainants against employers on the progress of their cases (required legislation and systems changes)  
• Improve the responsiveness of the Tax Office to enquiries about compliance with superannuation guarantee arrangements, and  
• Address backlogs of enquiries and provide more timely completion of future investigations.  
The law has been amended to allow the Commissioner to keep employees informed of progress in pursuing their superannuation entitlements. This is done through regular automated letters which advise the employee of the stage of the enquiry and give the employee a telephone contact if they want further information. However, recent IT systems issues mean that we have not been able to send these letters since February 2008, and they will not resume until late April 2008. Even though we are not able to send letters, work is still continuing on addressing the complaints.  
We have been successful in addressing the backlog of complaints from employees that were on hand at 1 July 2007. However, the volume of complaints that we receive and can action has increased substantially this year because we have improved our processes for ensuring we get the necessary information from employees to allow us to pursue their complaint. This has meant that while we are completing cases within reasonable timeframes, we are not always starting action on new complaints as soon as we would like.  
We expect by the end of the year to have substantially completed our target volume of cases, but may not be able to formally evidence this as our superannuation IT systems need to be locked down before 30 June 2008 in preparation for our next major Change Program release. We have already substantially exceeded our target of superannuation guarantee collections on behalf of employees.

**Tax Practitioners' Legislative Framework**  
The commitment is to ensure nationally consistent, high quality and accessible tax practitioner services for the community. The framework will also introduce registration for Business Activity Statement service providers and the provision of services to this client group.  
The Tax Office continues to work closely with Treasury, the existing tax agent boards, and the profession more generally to achieve the desired outcome. However, this commitment is dependent on the passage of enabling legislation.

**Project Wickenby**  
The commitment is to support the cross-agency operation targeting tax arrangements involving tailored offshore schemes established by domestic and overseas promoters and aimed at creating fictitious deductions or concealing income. The specific revenue commitment for 2007-08 is \$67.5 million.  
It is expected that the revenue target will not be met this year. A very large case involving around \$48 million in revenue has recently been finalised. This case was previously classified as a Project Wickenby case but, on review, is now considered to be more correctly characterised as partly a Project Wickenby case and partly a High Wealth Individuals case. The revenue outcome will accordingly be split between the two projects, reducing the planned Project Wickenby outcome by around \$24 million for this year. The High Wealth Individuals project is expected to significantly exceed its revenue commitment for the year.  
The Tax Office is currently focusing on 49 priority Project Wickenby cases, 36 of which should be finalised by 30 June 2008. At this stage it remains doubtful that we will reach the full revenue target for the year.

# TAX OFFICE CORPORATE PLANNING MODEL

