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Annual Public Hearing with the Commissioner of Taxation – 2012

Joint Committee of Public Accounts and Audit

November 2012
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Foreword

This report marks the tenth time the Joint Committee of Public Accounts and Audit (JCPAA) has conducted a public hearing with the Commissioner of Taxation, and is the first report made on an annual basis. From this regular parliamentary scrutiny the Committee's has seen positive improvements to the administration of Australia's tax system over time.

Regarding the responses to the Committee's previous report, the Committee was glad to see that the Australian Taxation Office (ATO) agreed to all related recommendations. The adoption of these recommendations has improved the ATO's reporting of compliance with its own service standards, as well as assisted the Committee's ongoing scrutiny of tax administration.

However, the Australian Government disagreed with the Committee's recommendation to publish ATO notifications regarding tax administration and legislative problems within 12 months of submission, along with publishing the subsequent actions taken. Although recognising that this recommendation may mean that sensitive information is realised to the public, the Committee remains convinced that the increased transparency and additional incentive for timely action following receipt of the ATO advice would be of benefit overall.

Considering this year's review, the Committee found that the administration of Australia's tax system remains robust.

Although the Committee's review covered a range of important areas, the following issues warrant additional comment:

- ATO interactions with small business and the taxation community of practice, inviting the Council of Small Business Australia, CPA Australia, and The Tax Institute to appear to discuss these matters;
- the ATO's compliance with its own service standards;
- key findings from the ATO's external scrutineers;
- the lack of a 'tax gap' estimate; and

- the question of broader tax reform.

The session held with small business and the community of practice was largely positive in identifying improvements made by the ATO over recent years to improve relationships with these groups.

Considering service standards, the Committee found some clear improvements in taxation administration over the last year, and was glad to hear of the positive attitude towards ATO service provision during the busy 'tax time' period. At times, this area had been one of underperformance in the past, so this positive feedback was welcome news.

Noting these positives, the Committee also found some deficiencies, in particular with the Commonwealth Ombudsman reporting that ATO complaints for the 2012-13 period were at a ten year high. Further, the Ombudsman reported of being able to identify some deficiencies in ATO complaint handling, and that the Ombudsman had actually referred matters back to the ATO for further consideration. The Committee was supportive of the Ombudsman doing this, but believes that wherever possible the ATO should be properly handling complaints in the first instance, rather than having deficiencies identified by an outside body.


It is also worthy to note the discussion that took place regarding calculation of the tax gap – the difference between the amount of tax payable if there was complete compliance, versus the amount actually collected. Despite the challenges in developing such an estimate, it is an important factor to calculate and the development of a practical methodology needs to be given more consideration in Australia. I look forward to seeing this work undertaken in response to the Committee's recommendation.

The hearing also very briefly discussed general tax reform issues; identifying the need to consider broadening the tax base, reducing compliance costs, and eliminating inefficient taxes. Further, the need to examine state taxes was also identified. These are all important issues that I feel should be examined and addressed as a priority.

In closing, I would like to acknowledge the departing Commissioner of Taxation, Mr Michael D'Ascenzo AO, and thank him for his cooperation throughout this process. It was clear from the public hearing that the Commissioner was held in high esteem by his colleagues, the scrutineers of the ATO, and the taxation community of practice. This high esteem was undoubtedly earned from the many improvements that have occurred in Australian tax administration under his watch.

Finally, I thank all witnesses, Committee members and the Secretariat for their assistance in the conduct of this public hearing and the preparation of this report.

Rob Oakeshott MP
Chair



Membership of the Committee

Chair Mr Robert Oakeshott MP

Deputy Chair Ms Yvette D'Ath MP

Members Hon Dick Adams MP

Mr Jamie Briggs MP

Ms Gai Brodtmann MP

Mr Darren Cheeseman MP

Mr Josh Frydenberg MP

Ms Deborah O'Neill MP

Ms Laura Smyth MP

Hon Alex Somlyay MP

Senator Mark Bishop

Senator Helen Kroger (30/09/10-13/09/12)

Senator Louise Pratt

Senator Anne Ruston (from 13/09/12)

Senator Dean Smith

Senator Matt Thistlethwaite

Committee Secretariat

Secretary Mr David Brunoro

Senior Research Officer Mr Shane Armstrong

Administrative Officer Ms Louise Goss



List of abbreviations

ABN	Australian Business Number
ACN	Australian Company Number
ANAO	Australian National Audit Office
ATO	Australian Taxation Office
BAS	Business Activity Statement
CIT	Canberra Institute of Technology
COSBOA	Council of Small Business of Australia
GST	Goods and Services Tax
IGT	Inspector-General of Taxation
JCPAA	Joint Committee of Public Accounts and Audit
SMEs	Small and Medium Enterprises
TAFE	Technical and Further Education College



List of recommendations

2 Theme 1 – Service Standards

Recommendation 1

That the Australian Taxation Office and Commonwealth Ombudsman review all complaints rectified through the ‘last chance referral’ process to determine whether there are any systemic administrative deficiencies within Australian Taxation Office complaint review and handling processes.

That both organisations provide a joint response to the Committee briefly outlining their findings and the steps taken to rectify the situation.

Recommendation 2

That the Australian Taxation Office and Commonwealth Ombudsman examine why complainants are initially taking complaints to the Ombudsman, rather than approaching the Australian Taxation Office, and that both organisations take steps to ensure complaints are sent to the Australian Taxation Office in the first instance.

That both organisations provide a joint response to the Committee briefly outlining their findings and the steps taken to rectify the situation.

3 Theme 2 – Compliance

Recommendation 3

That the ATO offer to provide assistance to professional organisations that provide online calculators relating to taxation to ensure they are based on accurate figures and assumptions, and that the ATO promote this service to these organisations.

Recommendation 4

That the Australian Taxation Office continue to promote its social media resources and to seek feedback from business consultative groups about the usefulness of these resources. Further, that the Australian Taxation Office determine and report on the effectiveness of these resources in its submission to next year's hearing.

4 Theme 3 – Policy development

Recommendation 5

That the Australian Taxation Office examine tax gap methodologies to produce a comprehensive national estimate, and report to the Committee on the positives and negatives of these methodologies and whether implementation is practical.

That this report form part of the Australian Taxation Office's submission to the Joint Committee of Public Accounts and Audit's 2013 Annual Public Hearing with the Commissioner of Taxation.

Recommendation 6

That the Australian Taxation Office publicly release its tax gap analysis relating to Goods and Services Tax collections when the analysis has been completed.

5 Theme 4 – External scrutiny

Recommendation 7

That the Australian Taxation Office publish information regarding the implementation of Joint Committee of Public Accounts and Audit recommendations on its website alongside those of other Australian Taxation Office scrutiny bodies.