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Commissioner's statement: ATO submission to the House of Representatives Tax and Revenue committee: 7 February 2014

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## **Commissioner's Statement and Submission for the ATO's hearing before the House of Representatives' Standing Committee on Tax and Revenue**

### **Hearing of 28 February 2014**

Good afternoon to all of you at the inaugural hearing of the House of Representatives' Standing Committee on Tax and Revenue. I look forward to working together with you on the important matters of tax and revenue for Australia.

In this first meeting I am particularly keen to understand your views and areas of interest and share with you my observations and my intentions after one year in the job as Commissioner of Taxation.

In taking the reins at the beginning of 2013, I knew I was joining a strong, capable organisation with a record of more than a century of delivery for this country. I was aware however, of feedback that the ATO had become isolated from, and out of touch with, some key stakeholders and segments of the community.

*[The independent Australian Public Service Commission's Capability Review also echoed that change was needed in the ATO - which confirmed some of my own personal observations.]*

I took on the role as Commissioner and expected to bring about changes to the ATO using my tax policy and law experience, external perspective, relationships and appreciation of contemporary business practices. The membership of this committee offers a wide range of knowledge and experiences that will bring valuable insights to help drive improvements in the way tax is administered in Australia. I look forward to hearing your perspectives and to having a constructive relationship to jointly deliver a better taxation experience for all stakeholders.

Within the ATO, we are driving a program that will transform and significantly improve the experience of Australian individuals and businesses with the tax and superannuation systems. As we progress to 2020 we will move from 'high touch' to 'low' or 'no touch' for those who have simple, transparent, low risk affairs. This will progressively reduce the need for people or businesses to interact directly with the ATO – a significant productivity improvement for the community and businesses, with attendant reductions in compliance costs for all parties.

In essence, we are reinventing the ATO, making it a truly contemporary [public] service organisation with integrity and expertise of the highest order.

There is no doubt we have a complex system and there will inevitably be mistakes. I want us to identify and rectify issues quickly and learn from them. Most importantly, I want to ensure people are treated fairly and with respect.

This means that we will put the client first and our people will have a greater service ethic – where it is easy to do the right thing and hard not to – for individual Australians and businesses. And if you have to interact with us, we are helpful, accurate, timely and pragmatic.

Our public service role also means providing useful, insightful and relevant advice to government in order to ensure that the tax and superannuation systems remain sustainable, fair and competitive. I believe we can do this better, consulting in a more targeted way, using intelligence in a more sophisticated way and looking at different options for managing risk. Our voice has to be unambiguous about what should have priority attention for law design.

This work has both domestic and international implications – with our important role to combat corporate tax base erosion and profit shifting.

Our intentions are to listen and collaborate with stakeholders, representatives of the community and the tax profession, scrutineers, and employees. We will work with the right people on the right issues to solve problems and create an administration that is streamlined and effective for everyone.

We will change the culture of the ATO and provide more contemporary products and services.

Achieving this future state is not simple or quick, nor is it separate to the APS wide improvement agenda. However within the ATO, let me tell you of some of the progress we have made - signs that we are on the right track and that there is already action. In the past year:

For individuals, we:

- released our first app
- published our first Digi-Mag - online instructions to fill in a tax return
- Revamped our web-site and introduced new services including the ability to update personal information and find lost super
- expanded pre-filling of tax returns
- made *e-tax* available to Mac users
- expanded SuperSeeker, allowing individuals to view all their active accounts for the previous two years, and make online requests to claim lost superannuation
- improved matching rates of lost and unclaimed superannuation money (USM), with 94% of lost accounts and 70% of USM accounts now matched to a TFN.

For small business, we:

- released our first Small Business app (3 January 2014)
- implemented an after-hours call back service

- launched an interactive online tool called Small Business Assist
- provided an online business viability assessment tool to help businesses manage their cash flow and debts
- gave greater online access to ATO systems for advisors and BAS agents to help their small business clients
- provided industry benchmark information for businesses to compare their performance against peers
- published information about compliance risks that will draw our attention.

For large business, we:

- implemented independent review and objections functions separate from the compliance function
- increased use of independent parties (such as ex-judges) and alternative dispute resolution, and brought in external expertise to advise on better audit practices
- recruited audit professionals= from the private sector to ensure best practice audit methodologies and project management skills
- completed trials of a different engagement model for rulings, significantly cutting average cycle time
- initiated multi-lateral information sharing and compliance work to deal with multi-nationals' global tax planning and profit shifting
- gave greater online access to ATO systems for advisors
- published information about compliance risks that will draw our attention.

For superannuation funds, we:

- implemented data standards for processing rollovers, reducing processing time by more than half
- introduced the SuperTICK and the funds validation service, significantly reducing processing time - industry estimates savings of around \$50 million annually.

There is a lot of detail to be worked through in consultation with stakeholders and I am not underestimating the change management required internally and externally. However, I am confident in the team I have to deliver these aspirations. So let me mention the changes to the top leadership of the organisation.

Today I am accompanied by Second Commissioners, Geoff Leeper who was appointed in October 2012 and Neil Olesen who was appointed on 1 July 2013. Alison Lendon is with us acting in the Second Commissioner role that will be filled by Andrew Mills, a former director at the law firm Greenwoods & Freehills, who will

commence his seven-year term in March. We are new, enthusiastic, committed and well-rounded team:

- By March, the ATO Executive Committee will be comprised of members with a diversity of backgrounds, expertise and perspectives:
  - three Commissioners from outside the ATO, two from the private sector and based in Sydney,
  - the head of ATO People from another agency, with private and international experience
  - the head of ATO Corporate from NSW government and based in Sydney
  - and our CFO originally from private sector (banking, retail, energy) and based in Melbourne.

The ATO Executive Committee is no longer comprised solely of long term ATO, Canberra based people. We have made a number of shifts of other senior roles in the past year and are in the process of recruiting for the positions of Chief Tax Counsel and Deputy Chief Tax Counsel – intended to be based outside of Canberra.

Of course, driving change of the scope I have described earlier is not just about leadership change. These changes however signal the commitment and sense of purpose we have in transforming the ATO.

I trust the high level intentions for change and progress to date will give you confidence in our approach and our agenda, and I look forward to your counsel in helping us get there.

I am, of course, very happy to answer your questions or take them on notice.

Thank you.

## **Attachment A – Future Directions and Progress**

### **New directions**

The ATO has established new long term, high level directions with a focus on 2020:

#### **Mission**

We contribute to the economic and social wellbeing of Australians by fostering willing participation in our taxation and superannuation systems.

#### **Vision**

We are a leading taxation and superannuation administration known for our contemporary service, expertise and integrity.

#### **Values**

- Impartial
- Committed to Service
- Accountable
- Respectful
- Ethical

### **Progress and key achievements in 2013**

Consistent with our commitments to deliver to government and consistent with our long term directions, the following featured as key achievements or milestones in 2013:

- 1. Delivered all agreed outputs and met all government commitments for 2012-13 within budget**
- 2. Improved service to individuals with Tax Time 2013**

The release of e-tax for Macs saw 320,000 people lodge online using the Apple-friendly return. More than two million people converted from receipt of paper cheques to electronic refunds. The number of people who lodged by paper reduced from 600,000 last year to 400,000 this year, and our new mobile app had a positive reception.

- 3. Revised and streamlined consultation arrangements**

- Reduced the number of ongoing forums from 68 to 8
- Rewrote charters for forums to be more outcomes oriented, with a stewardship role, focussed on whole-of-system and improvements in the nation's interest
- Project-like consultation on the right issues with the right people at the right time

#### **4. Implemented independent review and integrated tax design functions**

- The review and objections functions were separated from the compliance function and brought into a new area called Independent Review
- Created a new function, Integrated Tax Design, to bring together priorities for law design and to provide feedback to Treasury and government about how existing law is working

#### **5. Increased our use of independent parties for settlements and alternative dispute resolution**

- Increased use of independent parties (such as ex-judges) for settlements and dispute resolution
- Used independent parties from within and external to ATO to facilitate alternative dispute resolution

#### **6. Increased focus on international tax issues**

- Active membership of the OECD's Bureau for the Foreign Tax Administrations and a range of forums including Study Group on Asian Tax Administration and Research (SGATAR), the Joint International Tax Shelter Information Centre (JITSIC), the Global Exchange of Information Forum, and a range of OECD working parties.
- We are hosting the 44th SGATAR meeting in 2014
- Greater collaboration and leadership internationally to combat corporate tax base erosion and profit shifting (BEPS)
- Dedicated senior resources to BEPS
- Half a billion dollars of tax, penalties and interest leverage resulting from 100 treaty partners
- Developing strategies to encourage more taxpayers to comply with their obligations – we are currently considering giving people a fresh opportunity to



come forward and voluntarily disclose any assets or interest they have in offshore bank accounts..

## **7. Increased use of Standard Business Reporting**

- Business' use of SBR has significantly increased in this financial year with the introduction of tax file number integrity checks for superannuation transactions – or SuperTICK.
- In 2012-13 financial year, there were nearly 150,000 lodgements using SBR, and to end of September 2013 more than 750,000 transactions had been recorded. The vast majority of these have been SuperTICK checks supporting member transactions.
- 3.2 million checks are estimated to be made by the end of 2013-14

## **8. Refreshed leadership and aligned internal structures to those in the community/markets**

- Ten National Program Managers (SES Band 2s) moved to take on different 'portfolios'
- Aligned our business units to the business community, renaming and realigning our functions to better reflect how legal structure, ownership, reporting requirements and governance arrangements shape how a business operates. Our renamed business lines are:
  - Public Groups and Internationals - all listed companies and foreign-owned entities
  - Private Groups and High Wealth Individuals
  - Small Business (under \$2m turnover) and Individual Taxpayers

## **9. Agreed (and began implementing) an action plan to respond to the APSC Capability Review**

Five priority areas for improvement:

- a. Develop a forward-looking, enterprise wide strategy
- b. Develop ICT efficiency and agility (ICT top-down strategy, change proportion of investment in non-discretionary and discretionary, stop work not aligned to 2020 vision)

- c. Build the future workforce (workforce plan, location strategy beyond 2020, leadership/manager development program, maintain/improve APS workforce census results)
- d. Streamline governance arrangements and structures (new assurance framework, review decision making rights, rationalise forums, improve meetings)
- e. Improve external connectedness (strengthen relationships, refine consultative arrangements, analyse community expectations, understand commercial environment)

## **Ahead in 2014**

Consistent with our intention for low and no touch experiences, for Tax Time 2014 we will generate pre-filled electronic income tax returns for 1.4 million individuals with simple, low-risk tax affairs. With a few easy steps, they will be able to:

1. review and confirm the information sent to them from the ATO
2. answer a few simple questions about deductions, and
3. submit the return to us

In early 2014, the ATO will be part of myGov, which provides a single entry point for key government services. Registered myGov users will have access to services such as 'Tell Us Once' for change of address, and will be able to update tax and bank account details and see their current superannuation accounts, and even consolidate these into a single account.

We will continue to expand the use of Standard Business Reporting (SBR) to save time and money for business. SBR simplifies the business to government reporting process by providing standardised electronic reporting. For small businesses, once they have SBR-enabled software, we could access the necessary account information, calculate their obligations, and seek confirmation and payment for quarterly instalments and annual returns.

Initially offering ease of financial and payroll reporting, SBR is introducing standards for all superannuation transactions over the next two years and the ATO will transition its Electronic Lodgement Service to SBR from 2015-16.