

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

#### Treasury Portfolio

#### Additional Estimates

16 February 2012

**Question No:** AET 180 - 192

**Topic:** ATO's marketing and communications strategy for small business

**Hansard Page:** Written

#### Senator Ryan asked:

180. One of the features of the ATOs marketing and communications strategy for small business is the Online Tax Forum:
- The ANAO's report into the ATOs approach to small businesses - *The Management of Compliance in the Small to Medium Enterprises Market* said "Significantly less than 1% of all SMEs participate in the online Tax Forum. " p.23
- Please outline the ATO departmental resources are involved in running the Online Tax Forum.
181. What does it cost the department to run this?
182. How many ATO staff were involved?
183. What education/marketing is done for this Online Forum?
184. The ANAO report also states that in July 2009, the ATO's SME Business Line implemented an ongoing 'Campaign Team' to undertake a program of tailored telephone and letter verification activities. What ATO departmental resources were involved in this?
185. What did it cost the department to run this?
186. How many ATO staff were involved?
187. How many businesses were contacted through this?
188. How long has the campaign been running?
189. In 2010-11 \$16.7 million in liabilities was raised as a result of campaigns. How does this compare with years that the campaign was not run?
190. When it comes to measuring the effectiveness of SME tax programs the report says The SME Business Line is reviewed by the internal Quality Assurance Review team (QAR) and the ATO wide Integrated Quality Framework (IQF). Pp. 28-29. How many of these reviews take place each year?
191. Also it says you have market based measures to test effectiveness. p.30 What are the market based measures used to measure effectiveness?

192. "There was also feedback that the ATO website search engine could be improved, as information was difficult to find using this function and that consultative forums could be better promoted." p.30 What is being done about this feedback?

**Answer:**

180. The resources allocated to the administration of the SME (small and medium enterprises) online forum are a group of four officers and one manager. Managing the online forum forms a part of their duties, but no individual officer is dedicated to the running of the forum. In addition, designated ATO senior executives give one to two hours per month to participate in online discussions for the forum. The ATO has also engaged a consultant, Colmar Brunton Pty Ltd to administer some of the functions of the online platform. The purpose of the Online SME Tax Forum – is twofold:

- to give small and medium businesses the opportunity to engage with the ATO and learn about products to assist businesses to meet their compliance obligations, and compliance activities that the ATO is involved in.
- to assist the ATO to understand issues faced by small and medium enterprises attempting to comply with their obligations to the tax system. This includes any tax administration issues that businesses may face.

181. The ATO has a contract with Colmar Brunton Pty Ltd, an independent market research company, for \$17,260 per month. The current contract with Colmar Brunton expires on 30 June 2012.

The Colmar Brunton contract has two components. A services fee of \$15,260 per month and a member participation and retention programme costing \$2,000 per month.

For this amount, Colmar Brunton provides the following services:

- an online platform designed to meet the needs of the ATO
- recruitment of forum members
- facilitating monthly online discussions
- surveys of members for the purpose of improving the effectiveness of the forum

In addition, a small number of ATO staff (one manager and four officers) work on a part time basis with Colmar Brunton to facilitate the forum's operation.

182. The operation of the forum forms part of the duties of four officers and one manager. The total staff engaged in the running of the forum is equal to less than 2 full time equivalent officers.

In addition, a number of senior officers attend the online discussions on the forum for one to two hours per month.

183. The online forum is promoted via the monthly *SME Communicator* electronic newsletter sent to all subscriber members of the forum and to SME Community members. Each issue of this newsletter is also posted on the ATO website. As well as promoting the online forum, the aim of the newsletter is to deliver timely and relevant messages to small and medium enterprises (businesses with an annual turnover from \$2 million to \$250 million) about taxation issues that may affect them.

During 2012, the ATO will also market the online forum via business and industry associations to offer these organisations the opportunity to participate in online forum activities.

184. The campaign team staffing numbers for 2009-10 were 8.8 full time equivalent operational staff plus one executive level 1 campaign manager. Salary costs for the 2009-10 financial year were \$784,303. Other operating costs for this period were \$24,700.

185. In 2009-10, salary costs for the campaign team totalled \$784,303 with other operating costs of \$24,700.

In 2010-11, salary costs for the campaign team totalled \$958,333 with other operating costs of \$26,600.

The other operating costs involved in the running of this team are mainly attributable to travel, administration and staff training. The costs for phone calls and postage are grouped into a corporate expense and therefore cannot be attributed to an individual team.

186. In its first two full years of operation, the campaign team staffing numbers were:

- 2009-10 – 8.8 full time equivalent operational staff plus one executive level 1 campaign manager
- 2010-11 – 13 full time equivalent operational staff plus one executive level 1 campaign manager.

187. In 2009-10, the campaign team contacted 12,224 businesses as part of 23 separate campaigns.

In 2010-11, the campaign team contacted 15,627 businesses as part of 26 separate campaigns.

As at 29 February 2012, the campaign team has contacted 9,405 businesses based on a 2011-12 plan of 12,000 activities.

188. The campaign team was established and has been in operation since July 2009.

189. Prior to the formation of the campaign team, this type of high volume and outbound call-based early intervention activity was not conducted within the small and medium enterprise business line. As such, there are no directly comparable liability figures in the periods prior to the formation of the campaign team.

190. The Quality Assurance Review and the Integrated Quality Framework do not measure the effectiveness of SME tax programs (campaigns). The ATO's Compliance Effectiveness Methodology is used to measure the overall effectiveness of the ATO's management of specific tax programs and specific tax risks.

To further clarify, the SME campaign team is not responsible for the conduct of these quality assurance processes. The SME business line conducts Quality Assurance Review and the Integrated Quality Framework processes to assure that active compliance programs are delivering appropriate outcomes against a range of measures including the technical quality of decisions and timeliness.

*Quality assurance review* is an SME business line process examining the quality of the administrative completion of all required tasks and activities in the ATO's Siebel case management system. Quality assurance review was introduced in March 2007.

*Integrated Quality Framework* is an ATO-wide corporate process examining the quality of case management processes and technical decision making. Integrated quality framework was introduced on 1 June 2009.

The following review numbers for the financial years 2009-10 and 2010-11 were provided to the ANAO as part of their performance audit.

#### Quality Assurance Review

Financial year	Audits	Reviews
2009-10	19	127
2010-11	22	129

#### Integrated Quality Framework

Financial year	Audits	Reviews
2009-10	104	131
2010-11	61	64

191. In 2009, the ATO allocated considerable resources to apply the compliance effectiveness methodology to the SME market segment. This analysis sought to assess the effectiveness of the ATO's compliance strategies in meeting its strategic intent of optimising voluntary compliance in this market segment.

Some of the ATO's market-based measures included quantitative data such as effective tax rates, trends in debt and lodgment as well as more qualitative-based analysis of perception surveys. However, this work was discontinued as the number of variables present in the large and diverse SME market meant the ATO was unable to draw definitive conclusions regarding the cause and effect of its compliance strategies.

Instead, the ATO deployed its compliance effectiveness methodology analytical resources to a number of more specific risk-based focus areas such as:

- phoenix (the evasion of tax and/or superannuation guarantee liabilities through the deliberate, systematic and sometimes cyclic liquidation of related corporate trading entities)
- Division 7A (an integrity measure aimed at preventing private companies from making tax-free distributions of profits to shareholders (or their associates))
- on time lodgment rates, and
- number of fringe benefits tax lodgments and fringe benefits tax payable.

At the risk-based level, the ATO found it could more directly attribute changes in the behaviour of SME taxpayers to the ATO's compliance strategies.

In 2012, a review of the ATO's compliance effectiveness methodology work-program has the ATO re-focusing efforts to develop more robust effectiveness measures at whole-of-ATO and whole-of-market levels.

192. In 2008, a Google search appliance was added to the ATO website with the aim of improving searches on the site. This was part of a wider 'refresh' of the site.

The ATO is currently building a capability around search optimisation to provide best practice advice on metadata and search criteria. The ATO is analysing metadata, content and web metrics to better connect users with the right content.

The ATO service provider is undertaking a health assessment of the current search engine. The ATO has provided input regarding some of the known issues to ascertain if there are any features the ATO can implement that will further improve the search experience. The ATO is also undertaking an ongoing content review to ensure content is up to date, under review or withdrawn if no longer relevant.

The need for further marketing of the SME community is recognised as a priority for 2012. A major focus will be marketing the community via business and industry associations. The aim of this strategy is to expand the reach of the ATO's online forum activities.