

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

16 February 2012

Question No: AET 176 - 179

Topic: \$58 million funding to catch tax cheats

Hansard Page: Written

Senator Bushby asked:

176. In relation to the \$58 million funding the ATO has been given to catch tax cheats:
An article published in the Financial Review on Wednesday 30 November, 2011 states that the crackdown will target the legal profession, employers registered with WorkCover and single income families. Why were these three categories selected?
177. Why was the legal profession selected when previous targeting has found a 98% compliance rate for the profession?
178. What is the anticipated amount of additional revenue to be collected as a result of this exercise?
179. Is \$58 million over three years, adequate to undertake this operation and how will it be applied?

Answer:

176. The Mid Year Economic and Financial Outlook (2010) announced an additional \$57.7 million in funding to increase the ATO's data matching program. The program is expected to increase revenue by \$436.3 million across three years by providing additional resources to focus on:
- investment income, such as interest, dividends and unit trust distributions
 - employment and welfare income
 - foreign sourced income
 - capital gains tax, for example the disposal of property and shares
 - health insurance policies and the Medicare levy surcharge, including policies that do not provide sufficient private patient hospital cover to exclude the member from having to pay the Medicare levy surcharge
 - eligibility for tax offsets and the Medicare levy exemption, and
 - employee share schemes.

Each year the ATO undertakes a range of data matching activities in areas of risk to ensure specific taxpayers or groups within the community are meeting their obligations. Third party data can be acquired and matched against ATO records to identify potential discrepancies. The acquisition of the data and its proposed use is publicised through a notice in the Attorney-General's Commonwealth Gazette and in a publicly available Data Matching Program Protocol. Revenue protected through such work varies depending on the program being undertaken and until completed, can not be calculated.

It is assumed that the statement made in the *Australian Financial Review* refers to the following data matching programs that are currently being undertaken:

- legal profession data matching program - conducted to refresh the ATO's understanding of those who are not currently fully compliant with their taxation obligations
- dependant spouse tax offset data matching program - conducted to ensure the dependant spouse tax offset is correctly claimed
- workcover data matching program - conducted to ensure that employers are complying with their registration, reporting, lodgment, payment, pay as you go withholding and superannuation obligations

It should be noted that these particular activities are a subset of our comprehensive data matching program.

The ATO is unsure where the *Australian Financial Review* statement that "Past reviews of the accounting, architecture and legal professions found 98 per cent compliance rates" is sourced from. A data matching project, undertaken in 2006 from information held by relevant organisations, resulted in the ATO finding a list of legal practitioners who were non compliant with their taxation obligations. To refresh this list, it is necessary to undertake periodic data matching programs.

Non-compliance by the legal profession poses a high risk to the ATO's reputation due to:

- the status or profile of members of the profession in the community
- the impact or influence on the taxation and superannuation systems, and
- the expected/required probity or professional standards.

177. The following information is also outlined in our response to AET 176.

A data matching project, undertaken in 2006 from information held by relevant organisations, resulted in the ATO finding a list of legal practitioners who were non compliant with their taxation obligations. To refresh this list, it is necessary to undertake periodic data matching programs.

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It should be noted that these particular activities are a subset of our comprehensive data matching program.

178. The following information is taken from our response to AET 176.

The Mid Year Economic and Financial Outlook (2010) announced an additional \$57.7 million in funding to increase the ATO's data matching program. The program is expected to increase revenue by \$436.3 million across three years.

179. The following information is taken from our response to AET 176.

The ATO is confident that we will be able to deliver on the revenue commitment of \$436.3 million utilising the additional \$57.7 million funding. The funding will provide additional resources to focus on:

- investment income, such as interest, dividends and unit trust distributions
- employment and welfare income
- foreign sourced income
- capital gains tax, for example the disposal of property and shares
- health insurance policies and the Medicare levy surcharge, including policies that do not provide sufficient private patient hospital cover to exclude the member from having to pay the Medicare levy surcharge
- eligibility for tax offsets and the Medicare levy exemption, and
- employee share schemes.