

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 134

Topic: Taxation Ombudsman activities 2008

Hansard Page: Written

Senator Bushby asked:

1. Lodgement and processing issues were the top two topics of complaint to the taxation ombudsman for 2007 and 2008, and were in the top three areas of complaint in 2006. How are these issues being addressed?
2. Debt collection and superannuation issues also rate highly in topics of complaint to the taxation ombudsman. How are these issues being addressed with the ATO?
3. The *Taxation Ombudsman Activities 2008* notes that often a more complete explanation of processes and procedures given to the complainant is needed. as people are continually finding it difficult to understand ATO processes and legislative requirements. What systems are in place at the ATO to make it easier to explain issues fully to complainants?
4. The report *Taxation Ombudsman Activities 2008* notes that Debt ‘write-off’ as a term is often misunderstood by complainants. What is being done to minimise this confusion?
5. Systems problems seem to be recurring issues preventing the ATO from effectively communicating with complainants. What is the ATO doing to eliminate systems problems? What assistance from the government have the ATO received to assist with these problems?

Answer:

1. The majority of the lodgment and processing issues concerned the processing of income tax assessments, activity statements, refunds and credits. These have been addressed through a number of strategies such as:
 - identifying the 10 most common income tax and activity statement processing errors and communicating the errors to tax agents. Most errors causing processing delays relate to incorrect or missing information
 - advising stakeholders of any processing delays to minimise impacts and address urgent claims
 - issuing a range of electronic and paper products to keep tax agents informed. These include information and key messages published on the Tax Office website and the Tax Agent Portal, and
 - using tax agent relationship managers to discuss issues which affect tax agents as well as pass on important messages affecting their practice.

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2. A key issue underlying the most common debt collection complaints is that taxpayers often do not have an adequate understanding of the debt collection processes. The Tax Office is in the process of implementing a number of initiatives to address this, including:
- developing a suite of information products that explain the Tax Office's debt collection processes and taxpayers' options for dealing with their debts. Some of this is already published on the Tax Office website, with other products due to become publicly available later this year, and
 - revising the Tax Office's suite of debt letters to make them more user friendly and informative.

Most of the superannuation complaints received in the Tax Office are about superannuation co-contributions, superannuation guarantee payments (from an employer and employee perspective), eligible termination payments and superannuation surcharge. Most of these complaints relate to the facts of each individual case rather than identified systematic issues.

However, the issues raised are being addressed by:

- increased compliance focus on superannuation guarantee obligations of employers
 - changes to taxation laws to remove the complexity from the taxation arrangements that apply to the payment of superannuation benefits from 1 July 2007
 - ongoing communication strategies with intermediaries and affected taxpayers via the Tax Office website
 - engagement and liaison with superannuation funds through the Tax Office's Accuracy and Completeness program, resulting in funds maintaining data and reporting consistency, and
 - a significantly reduced population affected by surcharge since its abolition in 2005.
3. To ensure that issues are explained fully to all callers to the Tax Office, the following processes and improvements have been put in place:
- the tools used by call centre operators are being improved. The reference material used by staff handling calls is being continuously reviewed and updated based on feedback from both taxpayers and staff, with a focus on streamlining content and reducing duplication
 - the skills profile of telephony staff is continually reviewed, and training is provided on a rolling basis. A particular emphasis is placed on this during peak times such as the Tax Time period or when activity statement lodgments are due

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- a new quality assurance model has been introduced in all call centres, which focuses on the holistic client experience and helps to identify opportunities for improvement, and
- an escalation queue is available for telephony staff to receive assistance with their work from more experienced officers.

Together, these processes contributed to an overall reduction in the number of complaints to the Tax Office about telephony service. The number of upheld complaints lodged about telephony during 2008-09 decreased by 19 per cent compared to 2007-08, and quality assurance targets were also met.

Further, the Tax Office has been actively improving the letters it sends to taxpayers since 2003, by using specialised editorial staff to help make the content of education and compliance letters clearer.

In March 2007, the Tax Office started to rewrite many of the standard or pro forma letters so the content appropriately communicates what the taxpayer should know. The Tax Office ensures letters reflect the taxpayers' charter principles and clearly explain to taxpayers their obligations, entitlements and options.

This work, which is ongoing, involves rewriting letters in plain English, as well as structuring information about tax obligations in a more logical way. The intent is to help a taxpayer understand why the Tax Office is writing, clearly state if any action is required and what that action is.

The Tax Office has committed to further developing the skills of Tax Officers who have letter writing responsibilities. Specialised training for letter authors has been undertaken, with 381 staff trained since 2008.

Between March 2007 and 20 June 2009, the Tax Office rewrote 514 standard letters, and feedback from taxpayers has been very positive.

Enhancements are also being made to the notice of assessment and statement of account. The resulting statements will be easier to understand. These changes have already been implemented for fringe benefits tax and for some areas of superannuation. They will be implemented for income tax in January 2010.

The Tax Office has also implemented a change to allow for the aggregation of correspondence. This means that if more than one piece of correspondence is due to be sent to a particular taxpayer on the same day, and to the same address, the taxpayer will now receive all pieces of correspondence in the same envelope.

4. Under section 47 of the *Financial Management and Accountability Act 1997*, the Commissioner may decide not to pursue recovery of a debt where:
 - the debt is irrecoverable at law, or
 - the debt is uneconomical to pursue.

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The common features of complaints to the Ombudsman regarding debt that is considered uneconomical to pursue have been:

- a lack of awareness that a debt which was previously not pursued on the basis of it being uneconomical to do so, could later be re-raised, and
- the circumstances which would cause a debt which was previously not pursued on the basis of it being uneconomical to do so, to be re-raised.

Following a review by the Ombudsman, the Tax Office is currently implementing the following changes:

- when a decision is made not to pursue a debt on the grounds of it being uneconomical to do so and there is ongoing contact with a taxpayer, Tax Office staff will inform the taxpayer of the decision both verbally and in writing. Tax Office staff will also advise the taxpayer that the debt can be re-raised in the future should his or her circumstances change so that he or she is able to pay the debt
- when a decision is made to re-raise a debt that was previously uneconomical to pursue, Tax Office staff will inform the taxpayer in writing. Full details of the source of the debt and the reasons for re-raising the debt will be provided
- Tax Office guidelines for staff who conduct these conversations with taxpayers will be updated to refer to debts as not being pursued rather than written off. The letters to taxpayers will also be updated to refer to debts as not being pursued, and
- more broadly, all information available to taxpayers and Tax Office staff will be updated to use the term non-pursuit rather than write-off, where necessary.

These new arrangements are planned to be in place by no later than September 2009.

5. Assuming the question relates to superannuation, from 1 July 2007, the Government changed the law to allow the Tax Office to keep employees, who notified the Tax Office that they believed they had not received their correct superannuation guarantee payments, informed of the progress of their enquiry.

A suite of 22 system-generated letters was designed to provide the updates. For several months, system problems prevented two of these letters (used to advise that a matter has been finalised) from issuing. These system problems have now been resolved and the letters began issuing in June 2009.