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Strategic Statement

MORE INFORMATION

You can find more information on the Tax Office in our corporate publications including:

- The *Taxpayers' charter*
- The compliance model
- The *Compliance program 2006–07*
- *Making it easier to comply*
- *Integrity framework*, and
- our *Annual report*.

For a copy of these publications or for other information, visit our website at **www.ato.gov.au**

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THE COMMISSIONER



Fairness in accordance with the law, integrity, accountability and transparency – these are core values underlying our administration of the tax system as we move towards our centenary year.

We are fortunate to have a tax and compliance culture where the great bulk of Australians, many supported by their agents, voluntarily comply with their tax obligations – but this is no accident. By building core values into our administration, service delivery and treatment of taxpayers, we have helped to foster high levels of community confidence in us.

On many measures, we are a successful tax administration, and recognised as such internationally. And yet we are not complacent, and we continue to look for ways to improve our contribution to our society. We are conscious of the need to be responsive to the changing expectations of the community and the dynamic world we live in, and to take advantage of opportunities for

improvement presented by an evolving environment, new measures, new business processes and new technology.

This strategic statement sets out our aspiration to lift the bar in excellence in tax administration in the years ahead.

Fundamental to our approach is helping taxpayers and their agents to understand their rights and obligations. We will do everything possible to make it easy for people to comply with the tax law, and we will support those people who want to do the right thing – while ensuring there are real and tangible risks for those who don't. Our approach is about fairness for taxpayers, and ensuring that business can operate on a level playing field.

By listening to and co-designing with taxpayers and others, we can build community trust in our administration and reduce compliance costs. This more empathetic, user-based approach ensures that administrative

solutions are designed and built around what works for taxpayers.

Our aim is to become less visible to those who comply, but highly visible to those who don't. For those who don't comply, we are investing in technology to improve our analysis and identification of risk. And for those who want to comply we will continue to be a source of help and assistance.

We will also invest in our own people to ensure we have the skills, support and commitment needed for the important work we do for the community and for government.

Over the next four years, we will continue working with the community in the care and management of its tax system and deliver an administration which continues to add value to our nation.

A handwritten signature in dark ink that reads "Michael D'Ascenzo". The signature is fluid and cursive, with a large, stylized 'M' and 'D'.

Michael D'Ascenzo
Commissioner of Taxation

WHAT WE ARE HERE FOR

Our aspiration

To work with the community
in the fair administration and
effective management of the
tax system to add value
to our nation

Our commitment to government

To effectively manage and shape administrative systems that support and fund services for Australians and give effect to social and economic policy through the tax, superannuation, excise and other related systems.

'The quality of life enjoyed by Australians is underpinned by a myriad of government funded goods and services. Health, education, justice, general infrastructure, scientific research, emergency services, social security, defence and so many other vital aspects of our society are supported by revenue raised through taxation. The tax system is also used to give effect to social and economic policy. It is an indispensable part of Australia's wellbeing.' **Michael D'Ascenzo**

Our commitment to the community

To administer the tax system fairly by helping people do the right thing, by making it as easy as possible for taxpayers to comply, and by identifying people who are not meeting their obligations and dealing with them appropriately.

'While tax law is a matter for government, the Tax Office's responsibility is to administer the law in a way that builds community confidence and encourages high levels of voluntary compliance.' **Michael D'Ascenzo**

Our business intent

To optimise voluntary compliance and make payments under the law in a way that builds community confidence.

'Optimise' is not about chasing every last dollar of revenue, but making intelligent choices about where to best apply our resources to create an environment that promotes compliance with the tax laws.

'Making payments' is about the benefits and refunds we administer. This includes income tax and GST refunds, excise grants, family tax benefits and superannuation guarantee transfers.

Working **'under the law'** recognises that the laws we administer determine what taxpayers owe the community and what the community owes them.

We need to **'build community confidence'** to have a fair, efficient and sustainable tax system. This guides the way we go about our work, the administrative choices we make, the user friendliness of our systems, the fairness of our approaches, and the professionalism of our dealings with taxpayers and their agents.

Delivering our business intent

We deliver our business intent by:

- helping taxpayers and their agents understand their rights and obligations
- making it as easy as possible for people to comply with the law
- ensuring effective strategies are in place to deter, detect and deal with non-compliance, and
- developing and supporting the capability of our people and of others in the system.

Our outputs reflect the delivery of our business intent. These outputs are:

- shape, design and build administrative systems that support and deliver community and government expectations of the tax system
- manage tax collections, transfers and payments
- assure compliance and support for revenue collection
- assure compliance and support for transfers and regulation of superannuation funds
- deliver services to government and government agencies which facilitate government policy and meet community expectations, and
- give effect to, monitor and provide feedback to Treasury on the tax law and policy.

Our people

A highly skilled, well-managed, valued and committed workforce is critical to the Tax Office meeting its commitments to the community and government.

Investing in the training, development and values of our people is important. We must have the skills and commitment to deliver the right mix of service and enforcement necessary to encourage high levels of voluntary compliance with the tax laws.

To meet our business intent, we will:

- continue to support, train and develop our people to use their initiative, skills and new and existing systems to add value to the community and government, and
- adhere to the behaviours, values and ethics that underpin the taxpayers' charter, and Australian Public Sector standards.

Our approach to the care and management of the tax system has evolved to meet rising community expectations and our own desire to improve tax administration. We will continue to adapt and be responsive to change and to new challenges and opportunities by:

- building an environment that allows our people to grow and learn, and which seeks out their ideas and engagement
- equipping our people with the right tools that help them treat taxpayers as people or entities rather than as transactions, and
- improving our employment image and conditions to attract and retain talented people who want to add value to their community.

Our values

Strong values build trust and community confidence in our management of the tax system.

COMMUNITY CONFIDENCE

We build community confidence by being professional, accountable and transparent, by treating people fairly and with courtesy, by maintaining high levels of integrity, and by promoting a culture of mutual respect.

THE RULE OF LAW

We apply the rule of law because it provides security, redress and certainty for taxpayers.

SUPPORT

We support taxpayers, tax professionals and other intermediaries who want to do the right thing, including being fair but firm where necessary with those that don't.

INVOLVE THE COMMUNITY

We involve the community in the administration of the tax system through consultation, collaboration and user based co-design.

ACCOUNTABILITY

We are transparent in our reporting, and in making public our views on matters of uncertainty and our approach to risk management. We listen and respond to community feedback. We go the extra step to help taxpayers comply.

INNOVATION

We look for opportunities to improve voluntary compliance or to reduce compliance costs.

Our business model

Our business model explains how we deliver our business intent and administer the tax system

INDIVIDUALS AND BUSINESSES SELF-ASSESS



WE HELP TAXPAYERS AND THEIR ADVISERS UNDERSTAND THEIR RIGHTS AND OBLIGATIONS



WE MAKE IT AS EASY AS POSSIBLE TO COMPLY



WE VERIFY COMPLIANCE USING A RISK MANAGEMENT APPROACH TO PROMOTE VOLUNTARY COMPLIANCE



The right environment must support self-assessment and high levels of voluntary compliance. That environment includes the law, collection and business processes including technology, information, advice, service and enforcement. It also includes recognition and support for others in the tax system such as tax agents, bookkeepers, employers and software providers.

Factors that shape community attitudes and behaviour include:

- the community's belief that the Tax Office is fair, certain and legitimate
- perceptions of fairness including:
 - the assistance people receive in relation to their responsibilities under the tax system, and
 - the ease with which people can deal with the Tax Office
- issues of respect and natural justice, and
- the perceived effectiveness of deterrence strategies.

The recurring themes of excellent service to taxpayers, efficient and effective management of risks to the tax system, making it easier for people to comply, and building community confidence in our tax administration remain our goals today as they were in the past.

The principles of the taxpayers' charter and the compliance model underpin and guide our compliance strategies which include:

- a mix of information, education, service and enforcement
- publishing our annual compliance program
- releasing technical advice and information to assist taxpayers and their advisers understand our view of the tax law,
- targeting areas of greatest risk, and those taxpayers with a history of non-compliance, with a view to creating a fair and level playing field for compliant taxpayers, and
- differentiating our responses based on the causes of non-compliance and the circumstances of the taxpayer.

The taxpayers' charter is about being open and fair in our treatment of people in accordance with the law.

Our support activities have two main functions:

- to ensure people understand their rights and responsibilities by providing them with accurate and timely information, and answering their questions – so that they understand how to comply, and
- to make it easier for them to comply by providing effective ways for people to send us information, make payments and receive refunds – through initiatives like e-tax and the tax agent and business portals.

Our verification and enforcement actions are guided by the compliance model which helps us to understand why people are not complying and to develop appropriate responses to particular behaviours as early as possible. Our actions include:

- deterring non-compliance by having sensible risk management strategies in place, and
- detecting and dealing with non-compliance in a way that promotes a level playing field for all.

WE MANAGE RELATIONSHIPS AND DIFFERENTIATE OUR RESPONSES



WE SHAPE OUR INTERNAL CAPABILITIES

WE HELP SHAPE EXTERNAL CAPABILITIES

We manage our relationships with taxpayers and key intermediaries such as employers, the tax profession and software developers through:

- consulting, collaborating and co-designing solutions that encourage high levels of voluntary compliance and reduce red tape and compliance costs, and
- exploring and introducing new ways of personalising our dealings with taxpayers and their advisers – for example through new technology.

In managing our relationships we operate as a:

- trusted authority on the law
- professional adviser and educator, ensuring that people have the information and support needed to meet their obligations under the law
- firm enforcer of the law where necessary, and
- fair administrator that recognises people's circumstances and previous compliance history.

We recognise that there are many different participants in the tax system. Different taxpayers have their own set of circumstances, and take different postures in meeting their tax obligations. Our compliance model provides for proportionate and tailored responses depending on the causes of non-compliance.

New systems give us richer information about taxpayers' compliance histories and a better understanding of their likely behaviour. This information allows us to differentiate our responses taking into account the causes for non-compliance and the taxpayer's circumstances.

A key approach for us is to differentiate between taxpayers trying to comply, and those who are not; supporting those trying to do the right thing and taking a firmer response for those that are not.

The effectiveness of our business model depends on the capabilities, professionalism and skills of all the participants in the tax system – including our people.

We build our own capabilities to ensure we:

- have skilled people who are equipped and committed to excellence in tax administration
- deliver our business intent and respond to changing needs, expectations and risks, and
- use technology and business processes to make the taxpayer experience timely, easier and more personalised.

Where possible we take a user based approach, directly involving taxpayers to co-design solutions.

We also support the capabilities of others. In particular we focus on:

- improving services to intermediaries such as tax agents
- creating systems to make things simpler for taxpayers and their agents (for example, e-tax, pre-population of returns, and the business and tax agent portals)
- taking a whole of government approach to business reporting, and
- collaborating with commercial accounting and tax preparation software producers, with a view to making the tax process part of everyday business.

'It could be argued that of all statutory authorities, the ATO has the most significant and wide-ranging relationship with the community, involving people both as individuals and also where they may be participants in business or non-profit organisations or as tax professionals. To assist the community in that relationship, the ATO has established a wide range of consultative arrangements ...'

Uhrig Review of Corporate Governance of Statutory Authorities and Office Holders (June 2003).

Adding Value

Tax administration in the future – how we intend to give the community the very best tax administration in the years ahead.

Managing our relationships

Listening to the Community

- Effective consultation, collaboration and co-design will encourage greater community participation in the care and management of the tax system, building trust and confidence and reducing compliance costs.

Focusing on taxpayers, not transactions

- New systems provide a whole of client view, and allow us to proactively offer additional services to taxpayers to help resolve their problems.
- We relate more effectively with taxpayers and their agents by having detailed information about their prior dealings with us, their preferences and their requirements.

Personalised services

- We have taxpayers' histories available to us and richer information so that we can differentiate our responses to best meet their circumstances.
- We acknowledge a taxpayer's past record and efforts to comply, and reflect this in our decisions about extensions of time to lodge or pay, and remissions of interest and penalties. When we deal with non-compliant taxpayers we consider their history, their circumstances and the reasons for the non-compliance and in these cases we are fair but firm where necessary.

Supporting taxpayers and others

Providing an integrated service

- Taxpayers' dealings with us are easier through online and taxpayer-centric services, improved access to information, improved risk profiling through better information management and co-designed processes.
- We have a practical approach of aligning our requirements with accepted business practice – so that tax fits with everyday business, accounting and community procedures, practices and systems. Increasingly tax is a by-product of the way taxpayers go about their business.
- We have standard procedures and our people, taxpayers and their agents can view one taxpayer account covering all revenue products.

Strong support

- Pre-population of tax returns and e-tax makes it easier for taxpayers.
- Our research materials and precedents are open to the public through our website www.ato.gov.au
- Tax professionals have seamless access to information and electronic interfaces for lodgment and other transactions through ELS and the tax agent portal, and receive personalised service from us.
- Business can deal with us online through the business portal.
- We help and collaborate with tax agents and other intermediaries to support taxpayers who want to comply, or to make it easier for them to do so.

Recognising reasonable care

- Taxpayers with good records using 'approved' software are treated as lower risk and attract less intrusive attention from us.
- New legislative proposals may give taxpayers a safe-harbour from penalties where they use tax agents.

A more level playing field

- Our analytics, intelligence and data mining and matching capabilities allow us to make better risk management choices and to differentiate between those who want to do the right thing and those who do not. We are not visible to compliant taxpayers, other than when they require help but we are highly visible to those who choose not to comply.
- Our open and transparent approach makes public our view of the tax laws and our risk management choices based on the principle that prevention is better than cure.

Simpler business processes

Consistent processes

- We have processes and integrated systems to do our work. For example, case management, business processes and IT systems are consistent across the Tax Office, enabling better decision making and a better experience for taxpayers and their agents.
- Registration for business becomes a 'government' process with different agencies sharing responsibility.
- Making changes to our systems to incorporate new law or to fix existing problems is faster and easier.
- Consistent processes allow us to better plan ahead, act proactively and take more control over our workloads.

A shift to higher value work

- Routine work is automated – our workloads have shifted from preparing and 'fixing' transactions passing through our systems, towards activities such as analysis, risk assessment, assisting taxpayers, reviewing transactions reported as 'unusual' from a risk perspective, problem solving and adding value.

Agility

Quick response to challenges and opportunities

- Our new business processes and systems provide a snapshot of our processing, advice and compliance workloads, allowing us to allocate resources on a monthly, weekly or even daily basis.
- Improved workflow management gives more timely turnaround for taxpayers and their advisers.
- Our people have the right skills, values and information to respond quickly to a dynamic environment. This enables them to deliver the improvements made possible by our new business systems and processes.

Simpler accountabilities, more responsive decision making

- New accountability structures and approaches to risk management protect both the revenue and the rights of taxpayers.
- We have consistent collection and aggregation of organisational performance data, reduced reporting requirements, and an enhanced ability to identify areas for improvement and to add value to our community.