

CHAPTER 5

Conclusion

5.1 Evidence presented to the inquiry indicates strong support for the creation of a new statutory office of Inspector-General of Taxation to review tax administration and to report to the Government with recommendations for improving tax administration for the benefit of all taxpayers.

5.2 The proposal is viewed as a valuable addition to the taxation governance framework, complementing the existing functions of the Board of Taxation, the Commonwealth Ombudsman and the Auditor-General.

5.3 While a number of commonly held concerns with the current Bill were expressed in submissions and evidence to Committee, most witnesses wanted to give the proposed legislation a chance to succeed. Mr Sheppard reflected the general attitude of witnesses when he told the Committee:

We think it has the potential to make a difference, and we are happy to give it the benefit of the doubt at this stage and, hopefully, make the position work.¹

5.4 Although the problems identified in the Bill were not generally considered to be sufficient to prevent the proposal proceeding, the Committee considers that if not remedied they have the potential to undermine the credibility of the Office of the Inspector-General. In particular, the Committee is mindful of the need to protect the independence of the office. Thus, the Committee believes it would be remiss to disregard concerns held so widely by those providing evidence to the inquiry.

5.5 Significant issues which have been raised include the ability of the Inspector-General to review taxation policy and law, the public release of reports, the setting of work priorities, and the resourcing of the office.

5.6 The Committee has made several recommendations and suggestions in regard to these issues, and other points raised in evidence, and urges the Government to consider amending the Bill in the manner recommended.

Recommendation 1

The Committee recommends that before the Bill proceeds to its final stages the Government consider addressing the following issues raised in this report:

1 *Committee Hansard*, p. E7.

- **including in the Bill a clear statement of intention that the proposed legislation is not only to strengthen the advice given to government on tax administration but also to promote the advocacy of taxpayer concerns;**
- **specific merit based selection criteria for the Inspector-General;**
- **the breadth of the scope of the Inspector-General's functions in relation to review of tax policy and law and proposed changes to the system;**
- **ensuring that professional privilege is protected;**
- **imposing a time limit for response from the Commissioner of Taxation to criticisms of the ATO in draft reports;**
- **the timely release of review reports, except where public interest, privacy or confidentiality matters are concerned in which case reasons should be shown for not making the document public; and**
- **providing for an independent review within five years of the operation of the Office of the Inspector-General including the effectiveness and functions of the office, its funding and reporting obligations.**

5.7 While considering that the Bill requires amendment in these areas, the Committee acknowledges the support expressed for the creation of the Office of Inspector-General of Taxation and recommends that it should proceed.

Recommendation 2

The Committee reports to the Senate that it has considered the Inspector-General of Taxation Bill 2002 and recommends that it proceed.

SENATOR GEORGE BRANDIS
CHAIRMAN