KEYNOTE ADDRESS

SUSTAINING GOOD PRACTICE TAX ADMINISTRATION

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I INTRODUCTION

"Tax authorities already operate in an environment that is laden with risks."[1] For the foreseeable future the spotlight on tax within a context of a global financial crisis, is set to hold special interest and new challenges for the ATO's administration of Australia's tax and superannuation systems.

There are new laws which will need to be bedded down, for example the Taxation of Financial Arrangements, with its start date of 1 July 2009. The Government's stimulus measures (as at 12 December 2008) include a range of tax measures such as:

- 10 percent temporary investment allowance to encourage capital investment by Australian businesses,[2]
- 20 percent cut in the next pay-as-you-go (PAYG) tax instalment for 1.3 million small businesses,[3] and
- support for small businesses during the global financial crisis.[4]

The Henry Review of Taxation is in full consultation mode with the release of three papers last month.[5] The Budget is also on the horizon, and the Government has foreshadowed changes to the pension system, and its intersection with taxation. This is occurring in the midst of a slowing economy, with associated tax risks.[6]

In this context of interesting times it is opportune to test assumptions about best practice tax administration. What does best practice mean in this new environment? This is particularly relevant to the ATO given its role to administer major aspects of Australia's "tax-transfer system [which] is a fundamental part of Australia's social and economic infrastructure".[7] It is also relevant as the ATO reviews its strategic statement for 2010-2015.

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[1] EDS, "The Extended Tax Authority", 24 June 2008 p 15.

[2] Prime Minister of Australia, Media Release, "$4.7 Billion Nation Building Package", Issued 12 December 2008.

[3] Ibid.

[4] Prime Minister of Australia & Minister for Small Business, Joint Media Release, "Support for Small Business during Financial Crisis", Issued 24 October 2008.

[5] Australia's future tax system: Consultation paper; Consultation paper summary; and Retirement Income Consultation paper, Commonwealth of Australia, December 2008.

[6] See D'Ascenzo, M., "Playing it responsibly" Victorian Tax Bar Association 8 December 2008. But see more generally Weatherburn, D., "Economic Adversity and Crime" Australian Institute of Criminology, August 1992.

[7] Australia's future tax system, Consultation paper, Summary, December 2008, p 2.

II OVERVIEW OF TAX ADMINISTRATIONS

The OECD has just released the third edition of its comparative information series on aspects of tax administration in OECD and selected non-OECD countries.[8] While great care needs to be taken in making comparisons of administrative features and performance across different countries, the OECD report provides a useful lens through which to assess good practice in tax administration.[9]

The OECD series presents a number of observations, which at their broadest level attest to the great variation between countries in their tax system administration. Institutional arrangements, organisational structures, governance frameworks, regimes for return filing, tax collection and assessment, and use of technology all exhibit significant differences across the countries studied.

The OECD is of the view that while comparison is useful, it needs to be conducted in full knowledge of the underlying key features of particular systems. Characteristics of a particular system cannot be viewed in isolation without appreciation for the 'below the line' arrangements that support them, and the environment in which they operate.

A *Institutional arrangements and scope*

Institutional arrangements are of course matters for Government and not for the administrations per se. Although there are quite marked differences in the institutional arrangements and levels of autonomy of tax authorities in OECD and non-OECD countries, it is still possible to identify trends and common characteristics.

The majority of the revenue bodies surveyed are unified semi-autonomous bodies that deliver both direct and indirect taxes.[10] Australia and New Zealand both fit this model. The OECD notes that Australia has a unified semi-autonomous tax revenue body, sometimes known as the 'executive agency' model. Although drawing no firm conclusions, the report notes that there is a view that the executive agency model best promotes effectiveness and efficiency.[11]

Even with its high levels of autonomy, the ATO operates within a framework of accountability to government and the community through a range of external and internal governance measures. External scrutiny includes appearances before the Joint Committee of Public Accounts and Audit and the Senate Economics Committee, and reviews by the Australian National Audit Office, the Inspector-General of Taxation and the Commonwealth Ombudsman among others.[12]

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[8] OECD, Forum on Tax Administration, "Tax Administration in OECD and Selected Non-OECD Countries: Comparative Information Series", 2008, (Note: due for publication in January 2009).

[9] The ATO is also involved in a separate benchmarking study being conducted by McKinsey and Co for the OECD and another study in conjunction with the UK, the USA and South Africa.

[10] OECD, above n 8, Draft Executive Summary, p 1.

[11] OECD, above n 8, Chapter 1, pp 9 – 11.

[12] The ATO welcomes external scrutiny, but it is resource intensive and does come at a cost. A conservative estimate of the cost of external scrutiny across the organisation is about 33 FTE or $4,157,488 based on an average EL2.1 costing. And it is growing – In 2005 the ATO estimated 21 overall FTE, costed at $2,451,235. For the most part these figures do not include the time of senior officers or the ongoing costs associated with the implementation of review recommendations and

Importantly, the Administrative Appeals Tribunal and the courts stand as final arbiters on the ATO's application of the laws it administers. Internal governance includes a comprehensive twice yearly plenary governance process, an audit committee with significant external representation, stringent quality assurance standards and an independent integrity adviser.

Australia's tax administration manages the income tax, GST and excise systems. In New Zealand, excise is administered by the customs body. There is no clear pattern in this arrangement across the broader set of countries studied.

The OECD notes there has been a general trend towards the increased use of the tax system (and by definition its tax administration arrangements) to deliver social and economic policies. The ATO delivers a range of personal and business benefits, for example, the private health insurance rebate, the superannuation co-contribution, the fuel credit scheme, and research and development subsidies. New Zealand's Inland Revenue follows this pattern and certainly based on resource usage, its role in these areas is very significant when contrasted with all other OECD countries.

The ATO also has a leading role in regulating the superannuation system, as does the NZ IRD with the 'KiwiSaver' scheme. However, unlike NZ IRD, the ATO no longer administers the Child Support Agency.

In some countries (for example, Denmark, Netherlands and Spain), tax administrations also have responsibility for customs administration.[13] However, there is no trend in this direction and it is certainly not the practice in either Australia or New Zealand. If anything, and going on recent experience from Canada and the UK, the work of customs is increasingly being seen to be more in the domain of border security and is being aligned organisationally with related areas of government administration. Overall, this practice of giving revenue bodies additional non-tax functions represents a considerable ongoing challenge where revenue bodies are already contending with the growing complexity of tax systems, the globalisation of business and sometimes decreasing resources and budget.[14]

Most tax administrations are responsible for a 'mix' of activities, and there is a general shift in structural arrangements away from 'tax type' to 'function' or 'taxpayer segment' criteria.[15] These are choices which are sometimes able to be made by the administrations. However, what the ATO has found is that major tax technical issues (for example, capital gains tax) cut across segments and therefore multiple lenses are often appropriate.

There is also duplication and inefficiencies in non-functional structures but failure to have integrated strategies, significantly reduces the effectiveness of the organisation. The ideal would be to garner potential efficiencies while retaining the external focus on taxpayers and on the effectiveness of holistic and flexible strategies. For example, in the ATO we are making progress with enterprise-wide approaches (where that makes sense) and retaining the differentiation implicit in

ongoing reporting. As well, the costs of parliamentary scrutiny (eg Senate Estimates and JCPAA) have not been included and nor has the time spent on briefings and discussions with ministers and scrutineers.

[13] OECD, above n 8, Table 4 (Non-tax functions of revenue bodies), p 7.

[14] OECD, above n 8, Draft Executive Summary, p 1.

[15] OECD, above n 8, Draft Executive Summary, p 1.

our Compliance Model.[16] Eliminating silo mentality wherever possible is critical to being responsive to challenges and opportunities. Structure should respond to strategy, not the other way around.

There is also an emerging trend towards creating specialist or dedicated operational units, such as national call centres and data processing centres, rationalising the size of office networks to deliver frontline tax administration operations.[17] Nevertheless, the balance between back office and front line functions is difficult to set, particularly as new technology expands the remit of what is in essence front line work.

For example, the ATO's expanded use of data matching and pre-filling fits the descriptor of front line work. Moreover any tax administration that does not have an appropriate focus on enablers such as plan and manage, people and place and IT and change is not only unlikely to be sustainable but will also limit its effectiveness and efficiency.

B *Legal and administrative frameworks*

The report notes an increase over the past few years in the number of countries with a formal set of taxpayers' rights.[18] The ATO's complaint management and alternative dispute resolution processes have been rated as best practice.[19] Importantly, our professionalism surveys continue to show high levels of satisfaction across a range of measures including respect, courtesy and fairness.[20] Australia has recently celebrated the 10 year anniversary of its Taxpayers' Charter.

C *Strategic management and transparency*

Overall the OECD report notes arrangements in place that help to improve the accountability of revenue bodies, including the almost universal use of annual business plans and reports. However, there are some variations in levels of transparency.[21]

The preparation of multi-year business plans is almost universal. However, significantly fewer revenue bodies make such plans publicly available.[22] The ATO publishes both a multi-year strategic statement and corporate plan and an annual compliance program besides its annual report on its performance.

The practice of setting formal service delivery standards is common around the world, however, the report notes that not all revenue authorities publish or publicly report on results against these survey standards.[23]

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[16] ATO, Understanding and applying the compliance model, http://www.ato.gov.au/corporate/content.asp?doc=/content/5704.htm

[17] OECD, above n 8, Draft Executive Summary, p 1.

[18] OECD, above n 8, Draft Executive Summary, p 2.

[19] Commonwealth Ombudsman, Annual Report 2005-2006, p 62; and Bentley, D., "Taxpayers Rights: Theory, Origin and Implementation", *Kluwer Law International*, 2007, pp 178-212.

[20] ATO Annual Report, p 25.

[21] OECD, above n 8, Draft Executive Summary, p 3.

[22] OECD, above n 8, Chapter 3, p 39.

[23] OECD, above n 8, Chapter 3, p 39.

The ATO publishes these standards monthly. The ATO also measures our professionalism and has strong quality assurance processes. The results of both are made public, as are the results of our independently conducted surveys.[24]

In terms of transparency, our flagship statistical publication, Taxation statistics (for 2006-2007) is due to be released in the next few months. Over the last few years we have invested significant time and resources in improving its usability and profile in the (research) community. This included the setting up of the Taxation Statistics Advisory Group which was established during 2006 to help manage the development and direction of this series of data.

A recent and important step forward for us has been the preparation of a 1 percent sample file of confidentialised individual tax return form records. A pilot sample file is currently being user-tested by external representatives from the Advisory Group. The pilot will be reviewed during the Group's February meeting and our ambition is to make the 2006-07 sample file available at the same time we release the Taxation statistics 2006-07 publication.

D *Resources and costs of collection*

In terms of relative staff numbers for tax administration, the ratios displayed for both the ATO and NZ IRD are almost identical (at around 1 staff member for every 520 labour force participants) and well ahead of most European countries where the numbers tend to range between 300-400. However, the fuller context needs to be recognised here—many European countries administer taxes that elsewhere are the domain of sub-national bodies (e.g. real property taxes).

The data presented also reveals a broadly decreasing trend in the cost of collection ratios (that is, the relationship between costs of administration and net revenue collected) across most countries over recent years.[25] This ratio and more importantly its trend are frequently used by revenue bodies as a crude measure of relative efficiency. However, given various 'design differences' comparisons need to be made with considerable care and used only as a pointer to further inquiry. In terms of effectiveness, the measure does not compensate for economies of scale nor the quantity and quality of services and activities.

The ATO's costs of collection have reduced from 1.06 percent in 2001 to 0.93 in 2007.[26] All things being equal, after the implementation of our change program we are planning to further reduce our costs of collections (and also to reduce compliance costs for taxpayers). In the case of NZ IRD, the figures are even more favourable (i.e. from 0.90 in 2001 to 0.75 in 2007) but are influenced in part by the higher legislated tax burden in NZ (approximately 20 percent higher). These are quite positive results for both bodies for the period under review. However, this ratio will inevitably be impacted in the medium term by the difficult economic conditions both countries are currently facing.

[24] See ATO, Our Research, http://www.ato.gov.au/corporate/pathway.asp?pc=001/001/024&mfp=001&mnu=39508#001_001_024.

[25] OECD, above n 8, Draft Executive Summary, p 1.

[26] OECD, above n 8, Table 11 (Comparison of aggregate administrative costs to net revenue collections/1), pp 19-20.

E *Areas of operational performance*

The OECD report notes that the incidence of overpaid taxes (which must be refunded to taxpayers) for many countries in aggregate terms is higher than perhaps generally recognised.[27] Roughly $1 in every $5 collected by the ATO is refunded to taxpayers.[28] This is higher than the 'norm' but largely reflects a range of factors that are external to the administration – policy design (eg GST exemption on exports and food, personal income tax withholding arrangements and work related expenses/deductions). The corresponding figure for NZ is roughly $1 in every $6. Such a high rate does, of course, raise compliance burden issues and the need for efficient refund mechanisms.[29]

The report also looks at the collection of unpaid taxes. A key measure of effectiveness (and relative payment compliance) is the value of year-end tax debt to annual net revenue collected during the fiscal year.

In 2007, Australia's and New Zealand's ratio was, coincidently, 4.3 percent and both appear to be trending downwards.[30] This ratio is well below the OECD norm, although above reported rates for a few other countries (e.g. Denmark and Ireland).[31] Interestingly, the report observes that the following administrative 'characteristics' tend to be present in countries with very low levels of tax debts:

1. wide use of withholding
2. a very comprehensive set of enforced collections powers
3. a common penalty/interest framework across the major taxes
4. significant resource allocations for timely debt collection
5. fairly aggressive write off policies concerning uncollectible debt, and
6. use of direct debit collection capabilities.

The current global financial crisis may see a general increase in this or ratio for most tax administrations.

F *Return filing, tax collection and assessment regimes*

Withholding at source arrangements are generally regarded as the cornerstone of an effective income tax system.[32] In this respect, the data in the report suggests that Australia, in comparison with most OECD countries, is a relatively 'light' user of withholding which is confined largely to employment income, investment income paid to non-residents, and as a sanction in the absence of TFN/ ABN quotation by taxpayers in particular situations. By way of comparison, NZ generally deducts tax at source on interest income and its withholding system extends to prescribed categories of contractors' incomes.

An important feature of the personal tax systems in many countries is the operation of tax withholding arrangements (and other elements of tax law) that are designed to free the majority of employee taxpayers from the requirement to file

[27] OECD, above n 8, Chapter 5, p 66.
[28] OECD, above n 8, Chapter 5, p 67.
[29] But see, Joint Committee of Public Accounts and Audit "Report 410 – Tax Administration", June 2008, pp 176-179, and 184-185.
[30] The ATO reduces this ratio by 4.02% in 2007-2008: ATO Annual Report 2007-08, p 3.
[31] OECD, above n 8, Table 24 (Selected action concerning enforced tax collection activities), pp 40-41.
[32] OECD , above n 8, Chapter 7, p 87.

an annual return – the 'cumulative' form of withholding for employment income, along with other complementary design features (eg strict limits on employees' work-related deductions). However, these systems are not without their problems and tend to impose higher compliance costs on employers.[33]

By way of contrast, Australia has a 'non-cumulative' withholding approach for employment income, requiring each taxpayer to file an annual tax return to assess their overall tax liability and to refund any amount overpaid. This is partly influenced by the availability of work related deductions and the intersection of the tax and transfer systems. Nevertheless the processing of tax returns is very automated, and its impact on taxpayers (particularly those with straight forward affairs) is being reduced significantly by initiatives such as e-tax, 'electronic filing' and, more recently, 'pre-filling'.

Many countries support withholding regimes with mandatory reporting of third party information.[34] Significantly, the OECD series notes that most countries use 'withholding at source' arrangements for collecting personal income tax on employment income, and use withholding regimes for collection of income tax on interest and dividend income.[35] However, use of information reporting for small and medium enterprise taxpayers is much less developed although there are some noteworthy developments underway in the USA (e.g. reporting of prescribed business to business and government to business transactions).[36]

III MEASURING THE EFFECTIVENESS OF THE ATO

Finding good measures of effectiveness is not easy and all performance indicators have their weaknesses and limitations. Nevertheless this is an important journey best illustrated by an example.

Registration is one of our 'four pillars' of ensuring compliance with the taxation and superannuation laws. The others are lodgment, correct reporting and correct payment.

Last year's Annual Report provides information on our performance against service standards[37] and the number of registrations processed.[38] This is important but does it fully answer the key question of whether we have all the right people and businesses registered in the system? The answer is no.

When we start to look for indicators of our effectiveness, our starting point is to try and benchmark our performance against an external data set. In the case of registration for individuals, we can look to the Australian Bureau of Statistic's data sets on population.

In 2008 there were 21.3 million Australian residents. At the same time the Tax Office had 17.7 million registered resident individuals. The simple comparison with the number of taxpayers registered in the tax system and the total number of Australian citizens suggests that 83 percent of the resident population have a tax file number.

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[33] OECD, above n 8, Chapter 7, pp 88-89.
[34] OECD, above n 8, Chapter 7, p 92.
[35] OECD, above n 8, Draft Executive Summary, p 2.
[36] The US Internal Revenue Service (IRS) now also gets reports on credit card transactions and capital gains tax reports from brokerage firms. The ATO is discussing increased automatic exchanges of information with the IRS.
[37] ATO Annual Report, above n 30, pp 26-28.
[38] ATO Annual Report, above n 30, p 42.

However, this simple comparison is not the most useful given the differences in purposes of two data sets. Firstly, the ABS population estimates include those persons who have no need or obligation to register such as some children, students and pensioners. Secondly, the ABS estimate does not include non-residents while our tax file number data includes non-residents in receipt of Australian sourced income.

To account for these factors we make a comparison using the ABS population estimates for residents aged between 15 and 74 - focusing on the segment of the population that is more likely to have a need for a tax file number. We similarly align our registration counts by taking out those taxpayers who are under 15 or over 74 years of age. We also take out from our registration data set those taxpayers who are non-residents.

This leads to the following result. The ABS population reduces to 15.9 million residents aged between 15 and 74. Our adjusted registration data is 16.3 million registrations.

The resultant 103 percent comparison has decreased from 113 percent two years ago, reflecting some resource intensive work in removing non-active registrations. The result seemingly suggests high levels of compliance albeit that there may still be some taxpayers currently registered in the tax system who should not have an active registration.

However, a significant reason for the difference is that the tax file number data includes temporary residents while the ABS data does not. So a 103 percent comparison is an extremely good outcome.

Turning to businesses, there are difficulties in benchmarking against data from the Australian Bureau of Statistics because they use a different definition of business. There are further complications because the ABS data relies to some extent on our registration information.

So we have turned to some other benchmarks. The ratio of ATO company tax file number registrations to the Australian Security and Investment Commission companies registrations currently is 105 percent. When the ATO series is adjusted to account for those entities that do not need to register with ASIC, such as strata title companies and limited partnerships this ratio falls to 87 percent.

Again, like all indicators this indicator is far from perfect. For example there are some ASIC registered entities such as ‘shelf companies’ that do not have a current tax obligation. Nevertheless the results from these two measurement approaches provide a reasonable level of confidence in relation to our registration activities.

Registrations are perhaps one of the more straightforward areas for measuring our effectiveness and these two examples illustrate the challenges in developing better measures of effectiveness. Nevertheless, this work is fundamental to best practice tax administration.

A *Tax gap measures*

Tax gap measurement has its supporters,[39] however we note concerns about the accuracy of the estimates and the fact they may shed little light on the

[39] McManus, J. and Warren, N., “The Case for Measuring Tax Gap”, (2006) 4(1) *e-Journal of Tax Research*, Volume 4, Number 1, August 2006.

sources of and reasons for non compliance.[40] If they involve "random audits" they are administratively expensive both in resource and opportunity costs, impose unnecessary compliance costs and can reduce community confidence. The Joint Committee of Public Accounts and Audit recently supported the ATO's risk-based approach to compliance which minimises the burden on compliant taxpayers.[41]

As a new development we are undertaking some gap analysis for indirect taxes, relying on macro approaches such as those used in certain other jurisdictions, notably the UK. Here we are using ABS data together with GST expenditure information to support comparison of theoretical GST liability and actual GST outcomes. Our assumption is that the difference emerging could be viewed as the lost revenue or 'gap'.

In relation to income tax, rather than impose additional burden arising from random audits on the generally compliant Australian taxpayer, we are looking at methods to extrapolate our active compliance (risk driven non-random based interventions) results across the broader community to obtain experimental estimates of potential reporting gaps. We also have ongoing work with Treasury and the Australian Bureau of Statistics to understand the relationship between independent measures of the economy with forecast and actual tax liabilities and collection, providing a platform for understanding apparent tax gaps. We will then be better placed to evaluate whether tax gap measurement of this type adds value to our current approaches to risk identification and assessment.[42]

B *Micro measures*

To better evaluate our strategies, we have developed a methodology to help us measure how effective we have been in making positive and sustained changes to compliance behaviour and/or community confidence. This compliance effectiveness methodology has been published on our website together with a literature review. This methodology complements the practical application of the ATO's Compliance Model.

Our methodology takes a bottom-up approach looking at discrete, compliance risks – but it is focused on outcomes rather than activities. It is relatively early days for this pioneering work. Nevertheless we are seeing added

[40] Note for example IRS Commissioner Douglas Shulman (21st Annual George Washington University International Tax Conference), IRS Newswire, IR-2008 – 137 of December 8, 2008: "Second is the international tax gap. So how big is it? It's hard to say as I haven't seen any solid research to arrive at conclusive numbers. Difficulties arriving at one include the complexity of cross-border audits, and the inherent complexity of the tax code in this area. But in some ways, whatever the size of the international tax gap, our commitment to this issue would be unchanged. That is because our international compliance efforts are much more about protecting the $2.7 trillion base of revenue that we collect today rather than just the incremental enforcement revenue that we collect from these efforts".

[41] JCPAA "Report 410", above n 29, p 127.

[42] These current approaches include at the macro level – budget estimate forecasts, reviews of segments and industries against economic trends and expectations, environmental scan assessments, broad scale intelligence assessments, risk pool analysis, and health of the system assessments for each tax product - and at the micro level, transaction tolerances and risk-driven rules in our processing systems, external data matching activities, analytics-based case selection and targeted intelligence analysis of high risk areas.

discipline to the development and implementation of strategies to address high risk areas.

What we have learned from applying this discipline is that it encourages us to:

- define compliance behaviour and consider the drivers of that behaviour
- describe desired outcomes from the outset
- consult, collaborate and co-design with stakeholders relevant strategies
- design indicators that will enable us to assess the extent of the effectiveness of our strategies, and
- evaluate and refine our strategies in light of the outcome we want to demonstrate.

We now appreciate that our effectiveness is not demonstrated simply by evidence of the conduct of a range of compliance activities measured solely by cases completed and liabilities raised. We now also understand that effectiveness must be considered from the outset in the planning process.

For example, the ATO wanted to improve the lodgment performance of taxpayers with a balance of $20,000 on their previous assessment. This population changes greatly from year to year with approximately 80 percent churn in the population. However, most of these taxpayers used a tax agent to manage their tax affairs. By understanding what we were trying to do and by understanding where we thought the key leverage point was, we developed with tax agents a strategy to achieve the desired outcome.

To date we have seen a marked improvement in on-time lodgment here, indicating that high value taxpayers and their agents have a greater and shared awareness of their responsibilities to lodge by the due date in accordance with the tax agents' lodgment program.[43] Our strategy appears to have also had a ripple effect to the broader tax agent community in terms of awareness of key priorities and responsibilities under a lodgment program designed jointly with tax agents.

C *Making it easier, cheaper and more personalised*

We publish a digest called "Making it easier to comply" which sets out our future intentions for improved products and services, and summarises how we have gone in meeting those intentions. We will shortly be publishing the latest update on our website.

D *Improving ease of compliance*

The taxpayer experience of dealing with the tax system is at the heart of good tax administration.[44] Citizens understandably expect interactions with government to be straightforward and efficient.

In the past few years we have been upgrading our systems with a view to making our interactions with taxpayers more personalised and streamlined. Progressively over the next few years, as people contact us by phone, letter, or in

[43] Developed jointly with the Lodgement Working Party - A subgroup of the ATO Tax Practitioner Forum.

[44] We have, for some time been trying to design services from the outside-in (that is taxpayer centred design) using the 3Cs (Consultation, Collaboration and Co-design) and our Simulation Centre. The objective is to minimise compliance costs for taxpayers and their agents.

person, we will have a complete online history of their dealings with us on the screen, including copies of correspondence.

We are currently creating a new IT environment for the organisation based on integrated and connected systems rather than a menu or separate systems. While this work is risky and ambitious, we are slowly getting closer to realising the goal of an integrated environment with its key benefits of significantly improving the taxpayer experience.[45]

One of the upsides of breaking new ground is that we are changing ourselves and our business in the process. We recognise as an organisation that we need to continuously take new legislative requirements, government initiatives, community expectations and economic conditions and capability considerations into account as we plan for the future.

We also take a much more analytical approach to how people use our products and services and how satisfied they are with them. For example, in responding to feedback, our new auto call-back technology avoids the need for callers to have to wait online. We also recently delivered an improved website, complete with a superior search engine.[46]

Similarly in responding to feedback, we now offer a wider range of convenient payment options both in Australia and overseas,[47] and are considering the feasibility of payment by credit card. In responding to the global financial crisis, taxpayers with a tax debt or unable to pay by the due date, can phone our automated self help service to set up a payment arrangement or make a late payment.[48] This service uses Natural Language Speech Recognition technology and operates 24 hours a day, seven days a week and reflects our community first approach to debt collection.

E *Best Practice*

Our change agenda is consistent with what is being recognised internationally as best practice[49] and includes:

- continuing to make tax returns for individuals easier by pre-populating the e-tax return with data from a growing range of third parties,
- helping business interact with us online, including simplifying the process for access to the business portal and developing more online tools and calculators that make it easier to work out obligations and entitlements,[50] and

[45] We had to reschedule our original change program plans to splice in the shifting sands of government policy including Super Simplification, and the First Home Saver's Account. This, and the complexity of the project have meant that delivery of some aspects of the largely self funded program have been delayed, deferring efficiency dividends and causing financial difficulties for the organisation.

[46] We are also exploring Web 2.0 technologies including wikis and blogs for internal and external consultation, collaboration or knowledge or ideas sharing.

[47] BPAY, Direct credit, Direct debit, Mail (Cheque/ Money order), Australia Post (Cash/ Cheque, EFTPOS, Overseas payments (BPAY, direct credit, mail).

[48] You can only use this phone service for debts that are less than $25,000.

[49] "Many tax authorities recognise the need to work more outwardly and are beginning to focus their efforts on the systems, processes and data that sit outside their boundaries", EDS "The extended Tax Authority", (24 June 2008), p3.

[50] "The internet takes the edge of a tax system outside the physical confines of the Tax Office", EDS, above n 49, p 12.

- working with other government agencies to make business reporting to government simpler and easier.

More 'joined up' government[51] is particularly relevant to the role of the Australian Business Registrar. Recent developments in relation to the Australian Business Register (ABR) include:

- improving governance – including greater involvement of partner agencies, and greater separation of ABR activities from ATO operations,
- conducting annual service reviews with partner agencies and more transparency and promotion of the ABR's whole of government agenda, including a regular ABR Update newsletter,
- ongoing improvements to quality and data integrity, and
- on-going reductions in ineligible registrations.

In terms of more effective use of data, last year we used information on over 400 million transactions as part of our data matching and pre filling work. This included:

- 133 million security transactions from the Australian Securities Exchange and the major share registries
- 78 million transactions which were used to verify income and benefit information on individual tax returns
- 174 million transactions which were used to support other compliance activities; and
- 19.5 million property transactions and 3.5 million rental bond reports.

Our support of the Standard Business Reporting (SBR) initiative takes advantage of eXtensible Business Reporting Language (XBRL) and the ABR to reduce compliance costs for business.[52] SBR is an example of expanding our horizon to support and integrate with taxpayer accounting and record keeping processes and with natural business systems and activities. Extending the horizon further includes consideration of point of transaction or event possibilities to make processes easier and in real time.

IV CONCLUSION

The ATO has developed "a positive reputation internationally"[53] and is known around the world as "one of the leading examples of best practice tax authorities".[54] As we look into the foreseeable future, tax administrators will need to be even more careful in balancing the need to be fair, efficient and effective. On the one hand we must be vigilant for abusive tax practices so as to provide a level playing field, but at the same time empathetic to taxpayers facing real hardship.

In meeting this responsibility the ATO is well served by its corporate values of:

- Being fair and professional so as to give life to the Taxpayers' Charter

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[51] Above n 49. "Similarly, many tax authorities have understood that delivering genuinely citizen-centric services also requires stepping outside their traditional boundaries by joining up services and data with other government departments, for example, through a single business registration function" EDS, above n 49, p 3.

[52] Standard Business Reporting website, http://www.sbr.gov.au/content/default.htm.

[53] JCPAA, "Report 410", above n 29, p 20.

[54] Inspector-General of Taxation quoted in JCPAA "Report 410", above n 29, p 20.

- Applying the rule of law so that taxpayers' rights are respected and we distinguish Australia's administration from others which operate by fiat or which lack integrity
- Supporting taxpayers who want to do the right thing (putting ourselves in their shoes and treating them as we would expect to be treated in their circumstances). Being fair but firm with those that don't so as to deter non compliance, promote a level playing field and support honest taxpayers
- Being consultative, collaborative and willing to co-design to engage the community in the administration of their tax and superannuation systems and to reduce compliance costs
- Being open and accountable to foster community confidence and trust, and
- Being responsive to challenges and opportunities – so important in the current environment.