



Australian Government
Inspector-General of Taxation

PRESS RELEASE

**INSPECTOR-GENERAL TO EXAMINE
ATO AUDIT PRACTICES**

David Vos, Inspector-General of Taxation, today released the Terms of Reference and Consultation Plan for his review into aspects of the ATO's active compliance activities.

Mr Vos said, "Last year, the Tax Office raised about \$6.4 billion through its active compliance activities, such as amending tax returns as a result of tax audits. Just under \$6 billion of this amount was from businesses."

"This year the Tax Office will take a firmer approach now that the new tax system is bedded down. It has been given an extra \$326 million to do this over the next 4 years."

"Business and industry groups tell me that the Tax Office doesn't always act appropriately during compliance activities. Some tax audits take years to complete. In others, I'm told that the Tax Office inconsistently applies penalties and interest."

Of the 152 large business audits finalised last year, the average time taken to complete each audit was about 2 years. In the micro-business and SME sectors, the average completion time is 6 months. However, there are just over 200 unfinalised active compliance cases that are over a year old. Some tax issues are unusually complex to resolve but undue delays do adversely affect businesses and significantly add to the cost of doing business.

Last year the Tax Office raised \$1.4 billion in penalties and interest against Australian businesses. Penalties are applied according to the facts of the case. Tax officials must follow Tax Office policies and processes when applying penalties. However, the Tax Office cannot publicly compare how it applies penalties in individual cases because of taxation secrecy laws.

The review has arisen from the issues being raised by taxpayers and their representatives as a key concern throughout the Inspector-General's scoping study and subsequent consultations.

The Inspector-General stated, "This review will determine whether the Commissioner of Taxation is striking an appropriate balance between efficiently conducting active compliance activities, minimising the adverse impact of undue delays on businesses and ensuring the consistent treatment of penalties and interest."

Mr Vos said, "Taxation compliance is one of the main regulatory costs to running a business. This issue affects both businesses and the economy. The Tax Office's handling of audits and other active compliance activities is a cost to business and has a dramatic effect on Australian businesses and their resultant bottom line. Clearly the Tax Office has a responsibility to check that businesses are paying the correct amount of tax, but it also has a responsibility to do so in a way that is efficient, fair and consistent."

"I am actively seeking community feedback for this review" said Mr Vos.

The Terms of Reference and Consultation Plan for the review are available at www.igt.gov.au

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