



Australian Government
Inspector-General of Taxation
Taxation Ombudsman

IGoT
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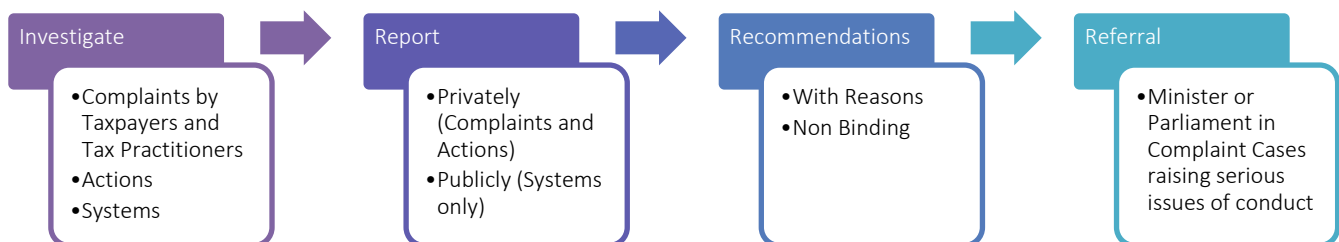
Update from the Inspector-General and Taxation Ombudsman

It has been six months already since I commenced as Inspector-General and Taxation Ombudsman (IGTO). It has been a steep learning curve and an extremely busy period for the office.

In the first quarter of the 2020 Financial Year (FY20), my team and I have completed and published our [Corporate Plan 2020 - 2023](#), our [Annual Report 2018-19](#) and lodged four submissions – two to the Senate Economics Legislation Committee, one to the Treasury and one to the Australian Information Commissioner. One of the submissions to the Senate Economics Legislation Committee was in relation to the Inquiry into the performance of the Inspector General of Taxation and Taxation Ombudsman – which is ongoing.

This is an important inquiry and opportunity to clarify the role of the IGTO and the community's expectations of our services in the administration of taxation laws. For example:

- We **must** investigate complaints by taxpayers (or their representatives) and tax practitioners where a Tax Official's actions or inactions, decisions or systems **affect them personally**;
- We **must** investigate systems to administer taxation laws **if directed** by the Minister; and
- We **may** investigate actions or systems established by taxation laws, the Australian Taxation Office (ATO) or Tax Practitioners Board (TPB) to administer taxation laws - especially with an objective to improve the administration of the taxation laws for the benefit of all taxpayers, tax practitioners and other entities. This is always subject to competing priorities.



I have joined the Australian and New Zealand Ombudsman Association (ANZOA) to learn and share experiences, insights and improvement opportunities with other domestic and international Ombudsmen. This complements our membership with the International Ombudsman Institute.

I took the opportunity this quarter to attend New Ombudsman training and engage with the USA and other international Ombudsmen at the United States Ombudsman Association Conference. I also attended the meeting and conference of the Australasian-Pacific Ombudsman Region. Both provided insights to assist in my own work here in Australia.

Domestically, I have attended a range of meetings, discussion groups and conferences including the IPA Women in Practice Conference, the Tax Institute’s 52nd Western Australia State Convention and the Society of Consumer Affairs Professionals (SOCAP) Symposium where two of my team members were recognised for their work in complaints handling services – especially improvements to assist culturally and linguistically diverse individuals.

I welcome these opportunities to meet with participants in the tax system and discuss concerns and potential areas for investigation. Details of two new investigations are provided below.

Two New Investigations to commence!

Obviously we cannot investigate every systemic issue that is raised with us. The reviews below respond to feedback we have received directly from stakeholders and is informed by priority concerns arising through our complaint handling service. Full details, including how to lodge a submission, are available on our [website](#).

An investigation and exploration of undisputed tax debts in Australia

During the last four financial years – FY16, FY17, FY18 and FY19 – the ATO reported an increasing trend in the levels of undisputed debt (called ‘collectable debt’ by the ATO). The increasing trend is evident at both a headline level and within each of the major components of debt, as set out in the table below.

ATO Data ¹	FY16	FY17	FY18	FY19
Activity statement	\$10.2 billion	\$11.3 billion	\$12.3 billion	\$14.3 billion
Income tax	\$8.3 billion	\$8.8 billion	\$10.3 billion	\$10.8 billion
Superannuation guarantee charge	\$0.6 billion	\$0.7 billion	\$0.9 billion	\$1.1 billion
TOTAL*	\$19.2 billion	\$20.9 billion	\$23.7 billion	\$26.5 billion

Source: ATO Annual Reports *Rounding causes the totals not to add

The Auditor-General Report notes that tax debt owed by small business makes up 63% of overall tax debt, with collectable debt for small business totalling \$15 billion in June 2018. The composition and reasons underlying the growth in undisputed debt are not entirely evident. Increasing undisputed debts may be attributable to a range of factors – interest and penalties, increasing tax collections, timing factors, internal changes within the Australian Taxation Office, including system and process changes as well as external environmental factors such the performance of the economy, credit availability, introduction of new laws or policies that affect tax compliance.

The purpose of the review is to understand the trends and landscape of outstanding tax debts in Australia. The results can assist to identify and gain greater insight into which segments of the economy are experiencing increases in undisputed debt collections – that is, areas for further and targeted investigation.

The investigation will also consider international jurisdictions associated with low levels of undisputed tax debts and their related environment. Whilst direct international comparison is rarely possible owing to differences in tax systems, there may be some lessons or insights from overseas experiences that can be identified for further exploration.

Although this is largely an initial scoping study for a subsequent targeted review, the IGTO welcomes submissions, comments and observations from all stakeholders.

Death and taxes: An investigation into ATO systems and processes for dealing with deceased estates

This review responds to feedback we have received directly from stakeholders and through our complaints handling service. Full details are available on our website but in summary we understand the system is not optimal.

Some of the concerns raised (to date) include:

- a lack of acknowledgment from the ATO following notification of the death of a taxpayer;
- difficulties or delays obtaining a deceased estate tax file number;
- inconsistent steps for executors to provide their identity to access information, which is made more challenging in instances where the taxpayer died intestate (without a will);
- inconsistent advice and requirements to obtain probate or letters of administration;
- inability to appoint registered tax practitioners or solicitors as authorised contacts;
- difficulties or delays in accessing taxpayer information for the purposes of finalising taxpayer and deceased estate trust returns; and
- denial of access to the ATO Portals.

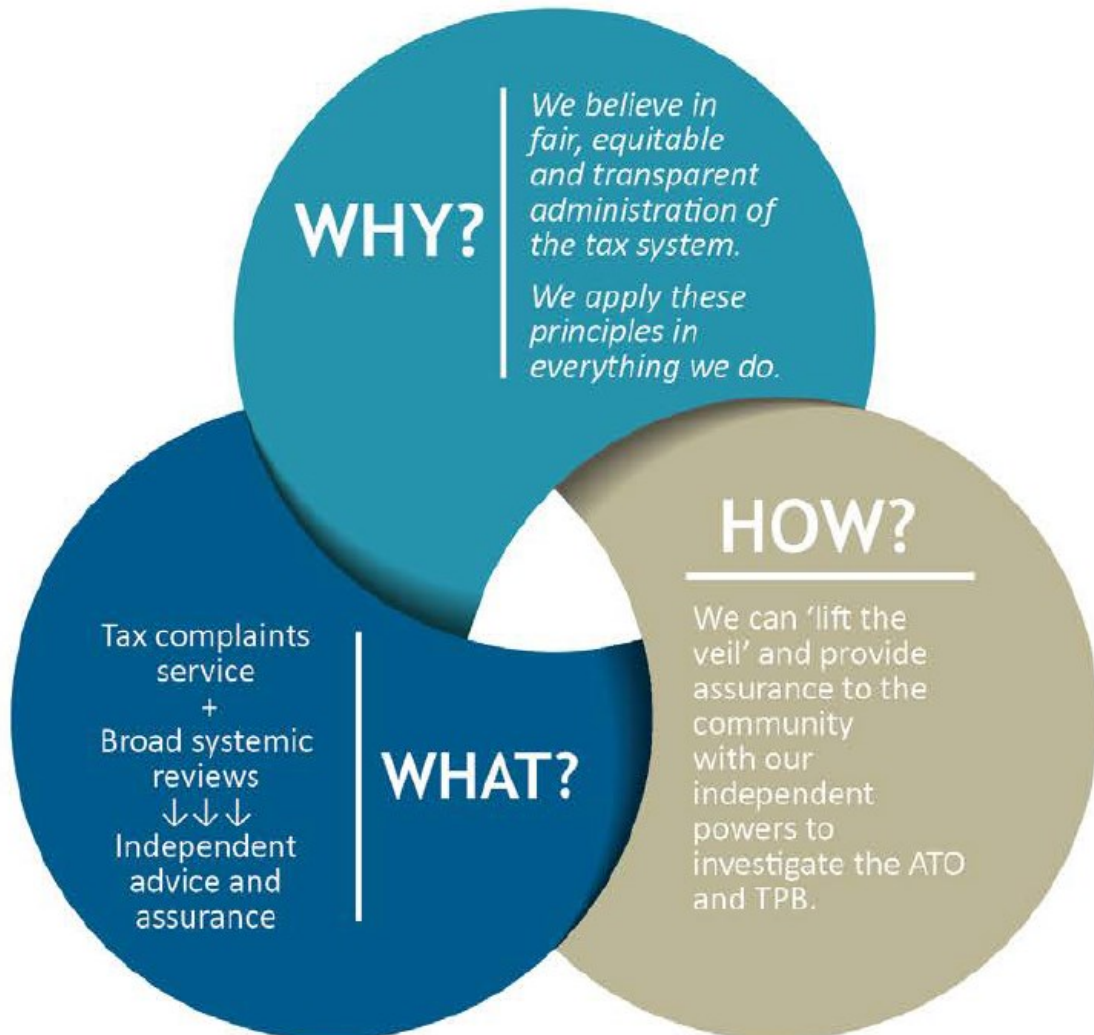
The investigation seeks to identify opportunities to improve the administration of deceased estate tax compliance. The IGTO will examine and consider:

- the experiences of the community (family and friends) in managing the tax affairs for the deceased;
- the ATO's policies, processes and guidelines for receiving information from and dealing with deceased estates;
- the public guidance issued by the ATO to assist executors or administrators;
- the ATO's systems, including the ATO Portals, for dealing with deceased estates;
- any legislative impediments to the efficient administration of deceased estates; and
- any other relevant issues to the administration of deceased estate tax obligations.

All taxpayers, advisers (tax practitioners, solicitors or barristers, financial planners, trustee and estate service providers) and professional bodies are welcome to provide examples and suggestions for improving the administration of the tax laws and systems for the deceased.

Understanding “Why”

Our [Corporate Plan 2020-2023](#) addresses the question of “Why” we do what we do. In short, our role is to ensure and provide assurance that the administration of the tax system is fair, equitable and transparent. These principles sit at the core of everything that we do, whether it is assisting a taxpayer to resolve a complaint, undertaking a review investigation or providing independent advice and assurance.



Q1 Report

Our Q1 report for FY20 will be available on our website soon. This report sets out the performance measures as per our Corporate Plan 2020-2023.

An update on our complaint statistics

In the first quarter of FY20, we received 909 complaints, a 14% increase over the same period in FY19 (797 complaints were received). The majority of our complaints were received from self-represented individuals (82.4%) with 8.8% being lodged by a representative on behalf of an individual. Approximately 10 – 12% of individuals are small business taxpayers. The remaining (8.8%) complaints were lodged by organisations (mostly small businesses), both represented and unrepresented.

Stakeholders	Number	Percentage
Self-represented individuals	749	82.4%
Represented individuals	80	8.8%
Self-represented organisations	59	6.5%
Represented organisations	21	2.3%
TOTAL	909	100%

Represented Taxpayers (80+21) were largely represented by a family member or friend (51.5%) and more than one third were represented by an accountant or tax practitioner (37.6%). Legal practitioners and company representatives also assisted taxpayers to lodge their complaints with the IGTO. Assistance was also provided through State parliamentary officers.

Representative	Number	Percentage
Family/Friends	52	51.5%
Accountant/Tax practitioner	38	37.6%
Lawyer	7	6.9%
Company representative	3	3%
Other	1	1%
TOTAL	101	100%

The top 5 issues raised in complaints this quarter remain unchanged from those in the final quarter of FY19. Debt collection issues were raised in 29.6% of all cases closed in this quarter, with the remaining top 5 issues being issues relating to payments (i.e. refunds or other credits), lodgement and processing issues, ATO communications and issues affecting ATO conduct of reviews and audits.

Issue	Number	Percentage
Debt collection	259	29.6%
Payments to the taxpayer	167	19.1%
Lodgement and processing	139	15.9%
Communications	67	7.7%
Audit and review	50	5.7%

The issues surrounding debt collection have featured consistently amongst complaints lodged with the IGTO since the assumption of the Tax Ombudsman service. Although the subject of a number of reviews both by the IGTO and other scrutineers, such as the Australian National Audit Office, the IGTO is keen to unpack and understand the sectors of the economy where increasing uncollected debt is an issue, particularly where the debt is not disputed.

2018-19 Annual Report

In preparing and verifying our complaint statistics for our quarterly reporting of KPIs, we noted some corrections to the numbers reported in our recent Annual Report – Table 3 on Page 19. We wanted to update this information now, rather than later.

Table 3 figures that should have published in the 2018-19 annual report:

Agency	Complaints received			Complaints resolved or carried forward	
	Carried forward from 2017-18	Received in 2018-19	Total handled 2018-19	Total resolved in 2018-19	Total carried forward
ATO	288	2,470	2,758	2,576	182
TPB	8	88	96	92	4
Other	8	154	162	159	3
Total	304	2,712	3,016	2,827	189

Table 3 as published in the 2018-19 annual report:

Agency	Complaints received			Complaints resolved or carried forward	
	Carried forward from 2017-18	Received in 2018-19	Total handled 2018-19	Total resolved in 2018-19	Total carried forward
ATO	279	2469	2748	2,576	172
TPB	8	88	96	92	4
Other	9	155	164	159	5
Total	296	2,712	3,008	2827	181

Overview of System Investigations (Reviews)

The IGTO office was initially set up to conduct systemic investigations or reviews. To date, we have completed forty-nine (49) reviews which have covered a broad range of topics including debt collection, alternative dispute resolution, small to medium enterprises, large businesses, refund integrity, data matching and superannuation.

Reviews may be originated from a number of different sources – the IGTO’s own initiative, topics identified in complaints data and trends, a direction of the Minister, a request from the Minister, either or both Houses of Parliament or a Parliamentary Committee, the Commissioner of Taxation or the Chair of the Tax Practitioners Board.

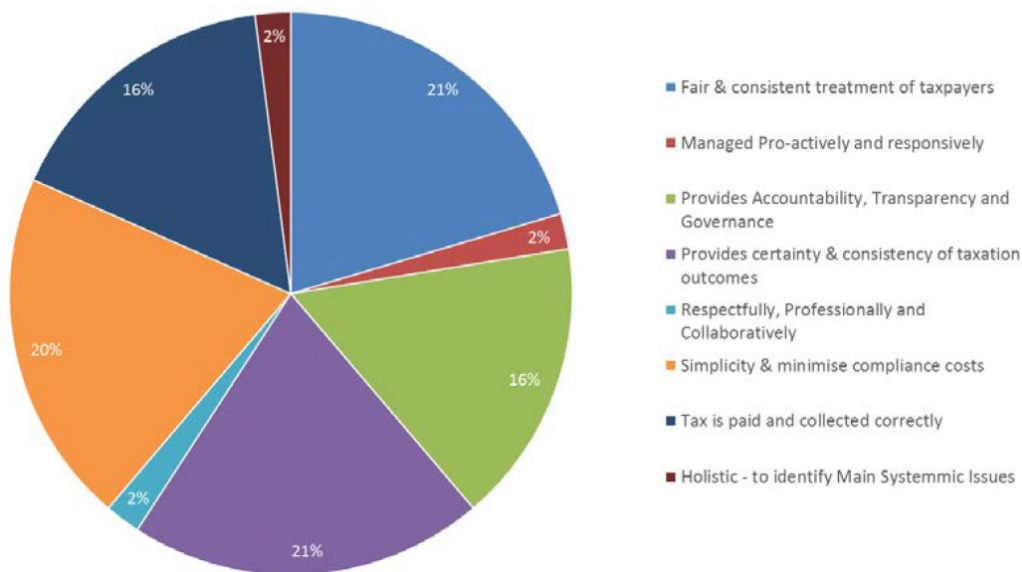
Reviews commenced by the IGTO		
Reason for the review	Number completed	Percentage
IGTO Own initiative	41	84%
Direction or request by the Minister	3	6%
Request by Parliamentary Committees	2	4%
Request by the Commissioner of Taxation	3	6%
TOTAL	49	100%

Our reviews have touched on all areas of good tax administration, including:

- fair and consistent treatment of taxpayers;
- being proactive and responsive;
- providing accountability, transparency and governance;
- providing certainty and consistency of outcomes;
- being respectful, professional and collaborative;
- simplicity and minimising compliance costs, and
- that tax is paid and collected correctly;

Some reviews have touched upon multiple areas of good tax administration, as can be seen in the diagram below.

IGTO Reviews - Features of Good Tax Administration



We have announced two new reviews and will announce further reviews in FY20 as they are commenced. We will draw topics from stakeholder feedback and complaints service data.

Stay in touch

We value your feedback, so please stay in touch. You can contact me directly at any time using the details below. You can also keep up to date with the IGTO’s activities via our website or follow us on [Facebook](#), [Twitter](#) or [LinkedIn](#).

Kind Regards
Karen Payne

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The Inspector-General of Taxation and Taxation Ombudsman acknowledges the traditional owners and their ongoing cultural connection to Country, throughout Australia. We pay our respects to their Elders past, present and future.

ⁱ Source: Commissioner of Taxation Annual Report 2017-18, p 198 and Annual Report 2018 -19 pp 177 - 178. The breakdown of collectable debt lists only the major components. Rounding causes the totals to differ from the sum of the components.