



Australian Government
Inspector-General of Taxation
Taxation Ombudsman

The Australian Taxation Office's Administration and Management of Objections

Interim Report

By the Inspector-General of Taxation

October 2022

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1

INTRODUCTION

This chapter provides an introduction to the report and sets out key parameters and caveats on the data used.

1. INTRODUCTION

Purpose of the interim report

- 1.1. This is an interim report of the Inspector-General of Taxation and Taxation Ombudsman's (IGTO) *Investigation into the Australian Taxation Office's Administration and Management of Objections*. The terms of reference for the review investigation were announced on 9 December 2021. This interim report is produced pursuant to section 7(1)(b) of the *Inspector-General of Taxation Act 2003*.
- 1.2. This report aims to provide stakeholders with insight into the breadth and scope of objections work undertaken by the Australian Taxation Office (ATO) across five full financial years (FY17 to FY21, inclusive). All charts, tables, extrapolations, analysis and ratios in this report were developed by the IGTO from underlying ATO data and do not necessarily reflect reporting that the ATO develops for its own internal purposes.
- 1.3. The IGTO has not investigated the ATO's data beyond analysing, tabulating, extrapolating and charting the data to report the information publicly. At this stage of the investigation, the IGTO's comments in relation to the data have been focused on explaining the information for readers and highlighting areas of interest and focus for stakeholders as well as those areas that the IGTO may further explore in the next phase of the investigation. Any commentary and observations aimed at identifying areas for improvement in the ATO's administration and management of objections (including any improvements to data capture and reporting) will be reserved for the next phase of the IGTO's investigation.
- 1.4. This report will assist the IGTO to explore concerns and issues raised by stakeholders in written submissions and through consultations with the IGTO. It will complement the IGTO's further investigation and final report.

What is an objection?

- 1.5. An objection is a statutory right to request an internal review by the Commissioner of Taxation. Part IVC of the *Taxation Administration Act 1953* provides a process for taxpayers who are dissatisfied with an assessment, determination, notice or decision, or with a failure to make a private ruling, to object against it.

1.6. Importantly, taxation objections must be made:

- in the approved form,
- within statutory time limits¹ (between 60 days – 4 years depending upon the nature of the objection) and
- state fully and in detail, the grounds relied upon.²

1.7. A copy of the objection form (for taxpayers) is contained in Appendix B. The ATO's website states that where taxpayers are unable to access – or choose not to use – the objection form, they may lodge an objection via a letter to the ATO. The ATO's website provides information on the content that needs to be included in the letter.³

1.8. On appeal to the Tribunal or the Federal Court, the taxpayer is limited to the grounds stated in the objection (unless the Tribunal or Court orders otherwise) and bears the burden of proving:

- For taxation decisions concerning an assessment - that the assessment is excessive or otherwise incorrect.
- In any other case – that the taxation decision should not have been made or should have been made differently.⁴

1.9. The right to object is not automatic and is dependent upon the relevant Act or legislative instrument providing such a right.⁵ Subject to relevant time limits, most decisions about the following areas are internally reviewable under the objections process:⁶

- | | |
|-------------------------------|--|
| • Australian Business Numbers | • JobKeeper payment |
| • Cash Flow Boost | • JobMaker hiring credit |
| • Excise | • Luxury car tax |
| • Fringe Benefits Tax | • Penalties and interest |
| • Fuel schemes | • Resource rent taxes (petroleum and minerals) |
| • Fuel tax credits | • Single touch payroll |
| • Goods and services tax | • Superannuation |
| • Income tax | • Superannuation – reviewable decisions |
| | • Wine equalisation tax |

¹ *Taxation Administration Act 1953*, s 14ZW.

² *Taxation Administration Act 1953*, s 14ZU.

³ ATO, *Objection form – for taxpayers* (7 September 2021) <<https://www.ato.gov.au/Forms/Objection-form---for-taxpayers/>>.

⁴ *Taxation Administration Act 1953*, ss 14ZZK and 14ZZO.

⁵ *Taxation Administration Act 1953*, s 14ZL.

⁶ Australian Taxation Office, *Decisions you can object to and time limits* (22 July 2021).

<<https://www.ato.gov.au/General/dispute-or-object-to-an-ato-decision/object-to-an-ato-decision/decisions-you-can-object-to-and-time-limits/>> [accessed: 10 May 2022].

1. INTRODUCTION

- 1.10. Certain decisions of the ATO are not reviewable through the objections process. For example, a taxpayer cannot object to the imposition of general interest charge (GIC) on outstanding tax amounts but can request that the GIC be remitted (i.e., cancelled or reduced). Similarly, a decision by the ATO not to remit the GIC is not reviewable under the objections process. A list of decisions that cannot be disputed via an objection is available on the ATO website.⁷
- 1.11. This report focuses on data in relation to disputes that have been lodged, or purported to be lodged, under Part IVC (i.e., an objection). The figures presented in relation to objection case numbers may include those applications that have been invalidly lodged, relate to disputes for which there are no objection rights or disputes which are not genuine objections.

Taxpayer populations in FY21

- 1.12. The ATO's Annual Report 2020-21 provides the following breakdown of the Australian taxpayer population as at 30 June 2021:⁸

Table 1.1: Taxpayer populations as at 30 June 2021

Taxpayer group	Population size as at 30 June 2021
Individuals not in business	11.8 million
Small businesses	4.3 million (plus a further 2.1 million individuals linked through their influential role (director, partner, shareholder, beneficiary))
Employers	1.0 million
Superannuation funds	600,000 (composed of 598,000 self-managed superannuation funds, 221 large APRA-regulated funds and 1,367 small APRA-regulated funds)
Not for profit organisations	209,000
Privately owned and wealthy groups	201,000 groups linked to 952,000 entities
Public and multinational businesses	39,000 groups linked to 91,000 entities
Registered and active tax and BAS agents	37,000 ⁹

⁷ Australian Taxation Office, *Decisions you can't dispute via an objection* (3 December 2020). <https://www.ato.gov.au/General/dispute-or-object-to-an-ato-decision/object-to-an-ato-decision/decisions-you-can-t-dispute-via-an-objection/> [Accessed: 10 May 2022].

⁸ Australian Taxation Office, *Commissioner of Taxation Annual Report 2020-21* (2021) p 4.

⁹ Tax Practitioners Board, *Annual Report 2020-21*(2021) p 7. The Tax Practitioners Board reported that as at 30 June 2021, there were 61,276 registered tax and BAS agents. The difference is attributable to the ATO only counting those registered Tax and BAS agents who were active (i.e., made at least one lodgement) during FY21.

Publicly available data on objections

1.13. The ATO reports aggregated numbers of objection cases resolved in its Annual Report along with some brief commentary to explain any increases or decreases. The quantity of objections resolved by the ATO according to its Annual Reports since 2017 is set out in Table 1.2 below.

Table 1.2: Number of objection cases resolved – FY17 to FY21

Financial Year	Number of objection cases resolved	% Increase (Decrease) on prior year	Explanation (if any) – extract from ATO Annual Reports
FY21	29,877	34%	Of the total objections, 12,204 were completed as part of the implementation of stimulus measures due to COVID-19. ¹⁰
FY20	22,290	(15.2%)	No explanation provided in the ATO's FY20 annual report. The ATO has as part of this investigation, advised the IGTO that the decrease was likely a result of environmental factors, including natural disasters and the COVID-19 pandemic.
FY19	26,276	7.9%	The increase in objections can in part be attributed to taxpayers objecting to their own self-assessments. ¹¹
FY18	24,350	(0.6%)	The consistent flow of objections is partly attributable to a continuing increase in taxpayers objecting to their own self-assessments rather than objecting to adjustments from ATO audit activity. ¹²
FY17	24,490	(8.2%) ¹³	No explanation provided

¹⁰ Australian Taxation Office, *Commissioner of Taxation Annual Report 2020-21* (2021) p 187.

¹¹ Australian Taxation Office, *Commissioner of Taxation Annual Report 2018-19* (2019) Appendix 3 <<https://www.transparency.gov.au/annual-reports/australian-taxation-office/reporting-year/2018-2019-60>>.

¹² Australian Taxation Office, *Commissioner of Taxation Annual Report 2017-18* (2018) Appendix 1 <<https://www.transparency.gov.au/annual-reports/australian-taxation-office/2018/part-five-appendixes/appendix-1-public-advice-and>>.

¹³ The ATO reported that it resolved 26,690 objections in FY16. See: Australian Taxation Office, *Commissioner of Taxation Annual Report 2017-18* (2018) Appendix 1 <<https://www.transparency.gov.au/annual-reports/australian-taxation-office/2018/part-five-appendixes/appendix-1-public-advice-and>>.

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Financial years covered by this report

1.14. This report presents data from the following financial years:

- 30 June 2019 (FY19)
- 30 June 2020 (FY20)
- 30 June 2021 (FY21)

1.15. The IGTO had initially also sought data from the ATO relating to the 2016-17 (FY17) and 2017-18 (FY18) financial years. However, the ATO advised that due to data limitations relating to those earlier years, provision of the requested information would have required significant manual work and furthermore that the data integrity could not be assured. Further the ATO advise that as the ATO's data collection processes have matured, this has allowed more accurate, reliable and detailed breakdowns to be provided for FY19 onwards.

1.16. Where data is available for FY17 and FY18, this has been provided for comparative purposes with later years.

Chart scales

1.17. The datasets presented in this report relate to a broad spectrum of taxpayers within the tax and superannuation systems. They vary significantly in size as evidenced in Table 1.1. For example, there are **millions** of small businesses and individual taxpayers, compared to **thousands** of public and multinational entities. As a result, where charts are presented in relation to specific taxpayer groups, the scale of those charts (that is, the measure or quantification) can vary significantly.

1.18. Readers should be mindful about these variances in scale and note that the charts, even within the same chapter, may have differences in scaling which should be taken into account when comparing and contrasting between different charts.

Caveats on the data

1.19. The underlying data used in this report has been provided to the IGTO by the ATO. The IGTO has used the data to develop the charts and tables that are presented in this report. Additionally, where the IGTO has considered it helpful, we have also extrapolated the data to present ratios. The IGTO notes that these ratios are not necessarily used by the ATO. Where data has been extrapolated and interpreted by the IGTO, this has been clearly identified in the relevant tables.

1.20. The IGTO has relied upon the ATO to provide accurate and complete data in relation to its objections work. The IGTO has not independently verified the accuracy of the numbers provided by the ATO and reproduced throughout this report. The IGTO notes that in some circumstances, the ATO has advised the IGTO that accurate and complete data is not available and that the only data available relating to an IGTO request bore significant caveats relating to its availability and reliability. Where the IGTO has used caveated data in this report, the caveats have been noted.

- 1.21. Due to internal ATO changes, including organisational restructures, systems and processes changes, and changed work classifications, the data may not be directly comparable across all of the years presented. As such, the data should be taken as being indicative rather than definitive of the matters presented.
- 1.22. There are also some data limitations in certain years, namely FY17 and FY18, due to the ATO not having specifically captured the information at that point in time or that it would otherwise have required an undue resource impost for the ATO to manually construct the data.

Information unable to be provided by the ATO

- 1.23. Although this report contains a large amount of data and information that has been provided by the ATO, not all the data and information requested could be provided. The ATO reasons provided include:
- a. the data was not captured, or
 - b. where it had been captured it was not routinely reported and therefore would require significant manual work to collate and present the data.
- 1.24. A list of the information requested but not provided is set out in Table 1.3 below.

Table 1.3: Requested information that was unable to be provided by the ATO

Information/data requested	ATO reason - why it was unable to be provided
The number of objections received broken down by financial year to which they relate (e.g., an objection received in FY17 could have related to assessments from FY15 or FY16).	This data is not available in the ATO's existing reporting.
Data on the number of objections received where the period of amendment had lapsed.	This data is not available in the ATO's existing reporting.
The number of objections received, managed and finalised where the subject of the objection was: Single Touch Payroll Australian Business Numbers	No data available - not identifiable as a revenue product
Any other reporting that will provide insight into the tax law that was the subject of the objection – e.g., work-related expense deduction claims, trust distributions, Division 7A ...etc.	The ATO does not have any other such reporting.
The change in value as a result of the objection (i.e., whether assessments were varied down, up or remained unchanged)	This data is not available. The data recorded in the ATO's case management system is not used for reporting purposes, and is not sufficiently reliable to answer this query.
The number of cases where the time elapsed between the objection being allocated to an officer and when it is finalised is: Less than 3 months 3 to 6 months 6 to 9 months 9 to 12 months	This data is not available because the case allocation date is set automatically to the date that the objection is first received.

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Information/data requested	ATO reason - why it was unable to be provided
Greater than 12 months	
<p>The number of cases where the time elapsed between the ATO receiving all relevant information from the taxpayer and objection is finalised is:</p> <p>Less than 3 months</p> <p>3 to 6 months</p> <p>6 to 9 months</p> <p>9 to 12 months</p> <p>Greater than 12 months</p>	<p>This data is not available, as it can only be counted in cases where the case officer has added an Activity or Template to service request or case.</p>
<p>The number of cases in which the time elapsed between receipt of the objection and allocation to an officer is:</p> <p>Less than 14 days</p> <p>14 to 30 days</p> <p>1 to 3 months</p> <p>3 to 6 months</p> <p>6 to 9 months</p> <p>9 to 12 months</p> <p>Greater than 12 months</p>	<p>This data is not available because the case allocation date is set automatically to the date that the objection is first received.</p>
<p>The number of notices received by the ATO pursuant to section 14ZYA of the <i>Taxation Administration Act 1953</i> and the number of cases in which the Commissioner made a decision within 60 days of receiving that notice and those where he did not.</p>	<p>This data is not available.</p>

- 1.25. Data that was not provided during this phase of the review investigation may later be requested, or examined, by the IGTO through case sampling or other information gathering as part of the next phase of the investigation.

Objection clusters

- 1.26. A further caveat in relation to the data contained in this report relates to clusters of objections on certain topics. The ATO advises that these relate to a group of objections that were lodged around the same time (due to either word of mouth, proliferation through social media, or because they were being actively marketed by intermediaries). The objections typically turned on a specific issue or claims, or relate to a specific taxpayer group, and the resolution of the objection is dependent on broader outcomes (e.g. judicial decisions or legislative amendment).
- 1.27. The ATO has identified 6 different clusters that may skew the data being presented. The clusters are summarised in Table 1.4 below.

Table 1.4: Explanation of objection clusters

Cluster name	Description
Self-education Expense	<p>These objections related to claims by law enforcement officers of certain self-education expenses. The increase in case receipts as part of this cluster commenced in FY18 and continued throughout FY19.</p> <p>Although the catalyst for the increase in objections was unclear, the ATO observed that the objections were similarly worded and contended that at the time of undertaking the course, the officers had been advised by the ATO and/or their registered tax agents that the course was not deductible.</p>
Military Superannuation	<p>This cluster of approximately 400 objections concerned the assessability and nature of military pensions with an invalidity component. They were lodged following successful AAT challenges on the issue. The ATO appealed the AAT's decision to the Full Federal Court and the cases were held pending the outcome of the litigation in <i>Commissioner of Taxation v Douglas</i> [2020] FCAFC 220. The Full Federal Court ultimately found in favour of the taxpayers.</p>
GST Input Tax Credit	<p>These objections concerned the question of whether or not certain employers had reimbursed their employees when they paid certain expense allowances to those employees and, whether these payments were creditable acquisitions which entitled to the employers to input tax credits.</p>
Fuel Tax Credits	<p>This cluster of approximately 1,400 objections were lodged both during the litigation and after judgment was handed down in <i>Linfox Australia Pty Ltd v Commissioner of Taxation of the Commonwealth of Australia</i> [2019] FCAFC 131. They concerned a number of contentions relating to Fuel Tax Credit claims. Approximately 465 of these cases were found to be invalid or withdrawn. The remainder were actioned following the judgment being handed down.</p>
Working Holiday Maker	<p>These objections related to the tax rates imposed on working holiday makers and were held pending the outcome of litigation seeking to challenge the legislative changes. The cases were ultimately dealt with following the judgment in <i>Addy v Federal Commissioner of Taxation</i> [2020] FCAFC 135.</p>
Superannuation Guarantee	<p>A cluster of 98 cases received in November 2020 in relation to who bore liability to pay superannuation guarantee for certain personnel within the racing industry. All objections within this cluster were closed by 30 June 2021 as 'invalid' due to a lack of authority by the applicant to represent and act on behalf of the taxpayers.</p>

1. INTRODUCTION

- 1.28. The ATO has provided data in relation to these clusters to the IGTO. Where the clusters have the potential to materially skew the data, the IGTO will point these out in the report and provide details of the corresponding figures. The IGTO has determined that where figures in relation to a cluster impact the overall data by 10% or more, this will be taken to be a material impact and the IGTO will identify these in the report. For example, although 'Working Holiday Maker' was identified as a cluster by the ATO, it did not materially impact any aspects of the overall objection data in this report by 10% or more.

2

BROAD OVERVIEW AND KEY OBSERVATIONS

This chapter sets out key charts, tables and ratios that have been developed by the IGTO from underlying data provided by the ATO.

2. BROAD OVERVIEW AND KEY OBSERVATIONS

- 2.1. This report provides a significant amount of data and information that has been collated and presented on many different aspects of the ATO's objections work. This data and information (presented in Chapters 3 through to 8) is intended to provide in depth data and information for those readers seeking to gain insight into specific areas of objections work.
- 2.2. This chapter provides a broad overview drawn from the data presented in later chapters of the report and will also present some key statistics drawn from each of the later chapters. It is intended to provide readers with a snapshot of the main areas of interest.

Broad overview

- 2.3. Table 2.1 provides a high level snapshot of the opening balance, objection cases received and closing balance in each of FY19 to FY21. There is a discrepancy between the closing balance figure that has been provided by the ATO and the figure calculated by the IGTO. The ATO has provided the following explanation in relation to the figures not tabulating:¹⁴

The figures provided for objections received, finalised and stock on hand for a given financial year are provided at a point in time at the end of that financial year. These figures form the basis of those published in the ATO annual report and provide a snapshot, on that date, of the objections for that financial year. In retrospect the actual receipts and stock on hand is often actually higher by reason of:

- *cases that were received before the end of the financial year but not entered into the system until after the end of the financial year,*
- *activities that were reclassified as objections during a subsequent financial year*
- *objections that were re-opened during a subsequent financial year.*

Although these objections relate to earlier financial years, adjustments are not made retrospectively to the data for the year in which the objection relates, nor are they recorded as receipts in a subsequent year. The difference is however recognised in the stock on hand figure at the end of the year in which the adjustment occurs.

¹⁴ ATO explanation provided to the IGTO (29 July 2022).

2.4. Using figures relating to outcomes the IGTO has calculated a number of ratios to show the proportion of total objections that:

- resulted in an ATO decision being issued;
- were withdrawn or otherwise invalid; and
- were not finalised and carried forward into the next financial year.

2.5. In the main:

- In FY19 and FY21, the proportion of total objections (defined by the IGTO as the sum of stock on hand at 1 July (as advised by the ATO) and objections received in the FY) which resulted in a decision being issued steadily increased from 46.5% to 65%.
- The proportion of withdrawn and invalid objections in FY19 is noticeably higher than both FY20 and FY21. When the effect of these invalid or withdrawn objections are taken into account, the proportion of objections resulting in decisions being issued is similar for FY19 (71%) and FY20 (72.5%).
- The proportion of total objection which resulted in a decision being issued is the highest in FY21. This is because a much smaller proportion of objections were unfinished at the end of FY21 compared to FY19 and FY20.
- Objection decisions issued by client experience group for FY19 – FY21 are as follows:

Table 2.1: Objection decisions issued (Summary) by client experience groups

Decisions Issued	FY19	% of total decisions	FY20	% of total decisions	FY21	% of total decisions
Individuals	9,330	61.84%	8,972	58.75%	6,303	28.28%
Small Business	4,515	29.93%	4,615	30.22%	13,547	60.79%
Privately Owned and Wealthy Groups	989	6.55%	1,274	8.34%	1,827	8.19%
Public and Multinational Businesses	149	0.98%	225	1.4%	273	1.2%
Superfunds & NFPs	105	0.70%	183	1.19%	334	1.5%
Total Decisions Issued	15,088	100%	15,269	100%	22,284	100%

2. BROAD OVERVIEW AND KEY OBSERVATIONS

Table 2.2: Objection decisions issued as a % of total objections (Summary)

Decisions Issued, Other outcomes & Total Objections	FY19	% of total objections	FY20	% of total objections	FY21	% of total objections
Individuals	9,330	28.75%	8,972	31.96%	6,303	18.43%
Small Business	4,515	13.91%	4,615	16.44%	13,547	39.61%
Privately Owned and Wealthy Groups	989	3.05%	1,274	4.54%	1,827	5.34%
Public and Multinational Businesses	149	0.45%	225	0.08%	273	0.08%
Superfunds & NFPs	105	0.32%	183	0.07%	334	0.10%
<i>Other outcomes (No objection decision issued)</i>						
Not Finalised (ATO Data)	6,174	19.03%	6,422	22.88%	4,658	13.62%
Withdrawn	4,538	13.98%	4,060	14.46%	3,969	11.60%
Invalid	6,650	20.49%	2,961	10.55%	3,624	10.60%
Total Objections	32,450	100%	28,066	100%	34,202	100%

2.6. The ATO has advised there is no dependable ATO data to reliably quantify the amounts of taxable income, tax, interest and penalties in dispute and amounts allowed following objections, either overall or by client experience group. However, the ATO did provide reporting related to disputed debt figures as well as a stratification of quantum in dispute and quantum of tax allowed. These are presented later in this chapter, noting that some of the data is subject to caveats.

Overall

Table 2.3: Objection Data and key ratios (Overall)

Objection Data		FY19	FY20	FY21
Stock on Hand (as advised by ATO) – 1 July	A	4,681	6,174	6,422
Objections Received	B	27,016	21,892	27,780
Total Objections (A+B)	C	31,697	28,066	34,202
Outcomes				
Decisions Issued	D	15,088	15,269	22,284
Withdrawn	E	4,538	4,060	3,969
Invalid/Other	F	6,650	2,961	3,624
Sub-Total – Finalised Objections (D+E+F)	G	26,276	22,290	29,877
Closing Balance (Calculated by IGTO) (C-G)	H	5,421	5,776	4,325
Stock on Hand (as advised by ATO) – 30 June	H1	6,174	6,422	4,658
Key Ratios				
Decisions Issued as % of Total Objections	D/C	47.60%	54.40%	65.15%
Withdrawn/Invalid as % of Total Objections	(E+F)/C	35.30%	25.02%	22.20%
Closing Balance as % of Total Objections	H/C	17.10%	20.58%	12.65%
Decisions Issued as % of Total Objections excluding invalid and withdrawn objections	D/(C-E-F)	73.57%	72.55%	83.75%
Closing Balance as % of Total Objections excluding invalid and withdrawn objections	H/(C-E-F)	26.43%	27.45%	16.25%

- 2.7. The aggregate figures across all ATO client experience groups (Table 2.3) may not reflect the individual client experience groups and do not show the impact of clusters of objections which may be held pending the outcome of lead cases or legislative/policy changes. Tables 2.4 to 2.8 (below) provide a more detailed analysis of the Objections data and key ratios for each client experience group – namely, Individuals, Small Businesses, Privately Owned and Wealthy Groups, Public and Multinational Businesses and, Super Funds and NFPs.

Individuals and Small Business

2.8. Tables 2.4 and 2.5 set out the experience in relation to Individual taxpayers and small businesses. As the client experience groups with the largest number of taxpayers, there is a high degree of correlation between the snapshots for these client experience groups and the snapshot for the ATO as a whole. Of note:

- The rate of invalid or withdrawn objections for FY19 and FY20 are quite similar for Individuals, Small Businesses, and the ATO as a whole. In FY21, the withdrawn/invalid rate is noticeably higher for objections from individuals compared to the overall ATO figure and noticeably lower for objections from small businesses compared to the overall ATO figure. It should also be noted that the withdrawn/invalid rate for Small Business in FY21 is significantly lower than every other client experience group.
- After the effects of Withdrawn and Invalid objections are removed, between 75% and 80% of objections lodged by Individual taxpayers resulted in a decision being issued. The ATO has advised that this can, in part, be explained by the impact of the Military Superannuation and Working Holiday Maker objections clusters. In relation to small business, in FY19 and FY20, approximately 68% of objections resulted in a decision being issued (after withdrawals and invalid objections are removed). In FY21, this figure was approximately 91%, which aligns with a much lower rate of un-finalised objections compared to FY19 and FY20. This is likely a result of COVID-19 objections which were processed and actioned more quickly by the ATO due to their time sensitivity.
- Outcomes for Individual taxpayers were slightly affected by objections clusters in FY19, although these impacts did not exceed 10%.

Table 2.4: Objection data and key ratios (Individuals)

Objection Data		FY19	FY20	FY21
Stock on Hand (as advised by ATO) – 1 July	A	2,228	2,645	2,558
Objections Received	B	16,023	12,107	8,944
Total Objections (A+B)	C	18,251	14,752	11,502
Outcomes				
Decisions Issued	D	9,330	8,972	6,303
<i>* Objection Clusters (Decisions Issued)</i>	D1	918		
Withdrawn	E	2,411	2,241	1,937
Invalid/Other	F	3,865	1,352	1,187
<i>* Objection Clusters (Withdrawn/Invalid)</i>	F1	1,601		
Sub-Total – Finalised Objections (D+E+F)	G	15,606	12,565	9,427
Closing Balance (Calculated by IGTO) (C-G)	H	2,645	2,187	2,075
Stock on Hand (as advised by ATO) – 30 June	H1	2,645	2,558	2,069
Key Ratios				
Decisions Issued as % of Total Objections	D/C	51.12%	60.82%	54.80%
<i>* Objection Clusters Excluded</i>	(D-D1)/C	46.09%		
<i>* Objection Clusters Only</i>	D1/C	5.03%		
Withdrawn/Invalid as % of Total Objections	(E+F)/C	34.39%	24.36%	27.16%
<i>* Objection Clusters Excluded</i>	(E+F-F1)/C	25.62%		
<i>* Objection Clusters Only</i>	F1/C	8.77%		
Closing Balance as % of Total Objections	H/C	14.49%	14.83%	18.04%
Decisions Issued as % of Total Objections excluding invalid and withdrawn objections	D/(C-E-F)	77.91%	80.40%	75.23%
<i>* Objection Clusters Excluded</i>	(D-D1)/(C-E-F)	70.25%		
<i>* Objection Clusters Only</i>	D1/(C-E-F)	7.67%		
Closing Balance as % of Total Objections excluding invalid and withdrawn objections	H/(C-E-F)	22.09%	19.60%	24.77%

* Self-education Expense objection cluster

2. BROAD OVERVIEW AND KEY OBSERVATIONS

Table 2.5: Objection data and key ratios (Small Business)

Objection Data		FY19	FY20	FY21
Stock on Hand (as advised by ATO) – 1 July	A	1,911	2,078	2,400
Objections Received	B	7,810	7,010	15,587
Total Objections (A+B)	C	9,721	9,088	17,987
Outcomes				
Decisions Issued	D	4,515	4,615	13,547
Withdrawn	E	1,458	1,334	1,480
Invalid/Other	F	1,670	1,059	1,630
Sub-Total – Finalised Objections (D+E+F)	G	7,643	7,008	16,657
Closing Balance (Calculated by IGTO) (C-G)	H	2,078	2,080	1,330
Stock on Hand (as advised by ATO) – 30 June	H1	2,078	2,400	1,604
Key Ratios				
Decisions Issued as % of Total Objections	D/C	46.45%	50.78%	75.32%
Withdrawn/Invalid as % of Total Objections	(E+F)/C	32.18%	26.33%	17.29%
Closing Balance as % of Total Objections	H/C	21.38%	22.89%	7.39%
Decisions Issued as % of Total Objections excluding invalid and withdrawn objections	D/(C-E-F)	68.48%	68.93%	91.06%
Closing Balance as % of Total Objections excluding invalid and withdrawn objections	H/(C-E-F)	31.52%	31.07%	8.94%

Privately owned and wealthy groups

- 2.9. Privately owned and wealthy groups exhibit a similar experience to individuals with slightly lower rates of withdrawn and invalid objections in FY19 and FY20, and a higher rate in FY21 when compared with overall figures. When the effects of these cluster cases are removed, approximately 50%, 57% and 76% of objections resulted in decisions being issued in FY19, FY20 and FY21, respectively. In FY20, the rate of objection decisions issued was boosted by a cluster of objections that accounted for approximately 18% of the outcomes.
- 2.10. Similar to small businesses, privately owned and wealthy groups exhibited a high rate of decisions issued on objections in FY21. Once again, this is likely due to the impacts of objections to COVID-19 stimulus decisions.

Table 2.6: Objection data and key ratios (Privately Owned and Wealthy Groups)

Objection Data		FY19	FY20	FY21
Stock on Hand (as advised by ATO) – 1 July	A	834	1,005	914
Objections Received	B	2,119	1,913	2,244
Total Objections (A+B)	C	2,953	2,918	3,158
Outcomes				
Decisions Issued	D	989	1,274	1,827
<i>* Objection Clusters (Decisions Issued)</i>	D1		402	
Withdrawn	E	571	410	474
Invalid/Other	F	388	270	288
Sub-Total – Finalised Objections (D+E+F)	G	1,948	1,954	2,589
Closing Balance (Calculated by IGTO) (C-G)	H	1,005	964	569
Stock on Hand (as advised by ATO) – 30 June	H1	1,005	914	621
Key Ratios				
Decisions Issued as % of Total Objections	D/C	33.49%	43.66%	57.85%
<i>* Objection Clusters Excluded</i>	(D-D1)/C		29.88%	
<i>* Objection Clusters Only</i>	D1/C		13.78%	
Withdrawn/Invalid as % of Total Objections	(E+F)/C	32.48%	23.30%	24.13%
Closing Balance as % of Total Objections	H/C	34.03%	33.04%	18.02%
Decisions Issued as % of Total Objections excluding invalid and withdrawn objections	D/(C-E-F)	49.60%	56.93%	76.25%
<i>* Objection Clusters Excluded</i>	(D-D1)/(C-E-F)		38.96%	
<i>* Objection Clusters Only</i>	D1/(C-E-F)		17.96%	
Closing Balance as % of Total Objections excluding invalid and withdrawn objections	H/(C-E-F)	50.40%	43.07%	23.75%

*Fuel Tax Credit objection cluster

Public and multinational businesses

- 2.11. Public and multinational businesses, have the highest proportion of objections carried forward into the next financial year. Because of this, the rate of withdrawn or invalid objection outcomes, as well as decisions issued, are comparatively lower than other client experience groups.
- 2.12. Across all three FYs, less than 20% of total objections were withdrawn or invalid when the effects of objection clusters are removed. In each of FY19, FY20 and FY21, only 24%, 14% and 36% of objections resulted in a decision being issued when the effects of objection clusters are removed.

2. BROAD OVERVIEW AND KEY OBSERVATIONS

Table 2.7: Objection data and key ratios (Public and Multinational Businesses)

Objection data		FY19	FY20	FY21
Stock on Hand (as advised by ATO) – 1 July	A	296	297	345
Objections Received	B	315	343	317
Total Objections (A+B)	C	611	640	662
Outcomes				
Decisions Issued	D	149	225	273
<i>* Objection Clusters (Decisions Issued)</i>	D1		136	35
Withdrawn	E	52	32	43
Invalid/Other	F	113	25	107
<i>* Objection Clusters (Withdrawn/Invalid)</i>	F1	81		42
Sub-Total – Finalised Objections (D+E+F)	G	314	282	423
Closing Balance (Calculated by IGTO) (C-G)	H	297	358	239
Stock on Hand (as advised by ATO) – 30 June	H1	297	345	241
<i>* Objection Clusters (Stock on Hand)</i>	H2	74	78	
Key Ratios				
Decisions Issued as % of Total Objections	D/C	24.39%	35.16%	41.24%
<i>* Objection Clusters Excluded</i>	(D-D1)/C		13.91%	35.95%
<i>* Objection Clusters Only</i>	D1/C		21.25%	5.29%
Withdrawn/Invalid as % of Total Objections	(E+F)/C	27.00%	8.91%	22.66%
<i>* Objection Clusters Excluded</i>	(E+F-F1)/C	13.75%		16.31%
<i>* Objection Clusters Only</i>	F1/C	13.26%		6.34%
Closing Balance as % of Total Objections	H/C	48.61%	55.94%	36.10%
<i>* Objection Clusters Excluded</i>	(H-H2)/C	36.50%	43.75%	
<i>* Objection Clusters Only</i>	H2/C	12.11%	12.19%	
Decisions Issued as % of Total Objections excluding invalid and withdrawn objections	D/(C-E-F)	33.41%	38.59%	53.32%
<i>* Objection Clusters Excluded</i>	(D-D1)/ (C-E-F)		15.27%	46.48%
<i>* Objection Clusters Only</i>	D1/(C-E-F)		23.33%	6.84%
Closing Balance as % of Total Objections excluding invalid and withdrawn objections	H/(C-E-F)	66.59%	61.41%	46.68%
<i>* Objection Clusters Excluded</i>	(H-H2)/ (C-E-F)	50.00%	48.03%	
<i>* Objection Clusters Only</i>	H2/(C-E-F)	16.59%	13.38%	

*Fuel Tax Credit and GST ITC objection clusters

Super Funds and NFPs

- 2.13. The experience of Super Funds and NFPs differs markedly from other client experience groups by reason of the high rate of Withdrawn and Invalid objections. In particular, FY19 showed that 72% of objections were either withdrawn, or deemed invalid. A big contributor to this high ratio is the impact of an objection cluster, accounting for 35% of these outcomes.
- 2.14. A peculiarity within the group of Super Funds and NFPs is the lodgement of disputes purported to be objections but for which no objection process is available. The ATO explained that the high proportion of objections which are considered invalid/other primarily falls into the following categories:
- Informal reviews against ATO decisions to not include a fund on the super fund lookup system, which are not technically objections;
 - Superannuation guarantee objections lodged outside the 60 day period¹⁵; and
 - In FY21, there were more than 100 objections lodged on behalf of Not for Profits where the entity that lodged the objection did not have valid objection rights and/or authority to object on behalf of another entity.

Table 2.8: Objection data and key ratios (Super Funds and NFPs)

Objection Data		FY19	FY20	FY21
Stock on Hand (as advised by ATO) – 1 July	A	165	149	205
Objections Received	B	749	519	688
Total Objections (A+B)	C	914	668	893
Outcomes				
Decisions Issued	D	105	183	334
<i>* Objection Clusters (Decisions Issued)</i>	D1		67	54
Withdrawn	E	46	43	35
Invalid/Other	F	614	255	412
<i>* Objection Clusters (Withdrawn/Invalid)</i>	F1	321		25
Sub-Total – Finalised Objections (D+E+F)	G	765	481	781
Closing Balance (Calculated by IGTO) (C-G)	H	149	187	112
Stock on Hand (as advised by ATO) – 30 June	H1	149	205	123
Key Ratios				
Decisions Issued as % of Total Objections	D/C	11.49%	27.40%	37.40%
<i>* Objection Clusters Excluded</i>	(D-D1)/C	11.49%	17.37%	31.35%

¹⁵ The IGTO notes that this decision could qualify as disallowed, since the Commissioner has a discretion to allow an objection out of time.

2. BROAD OVERVIEW AND KEY OBSERVATIONS

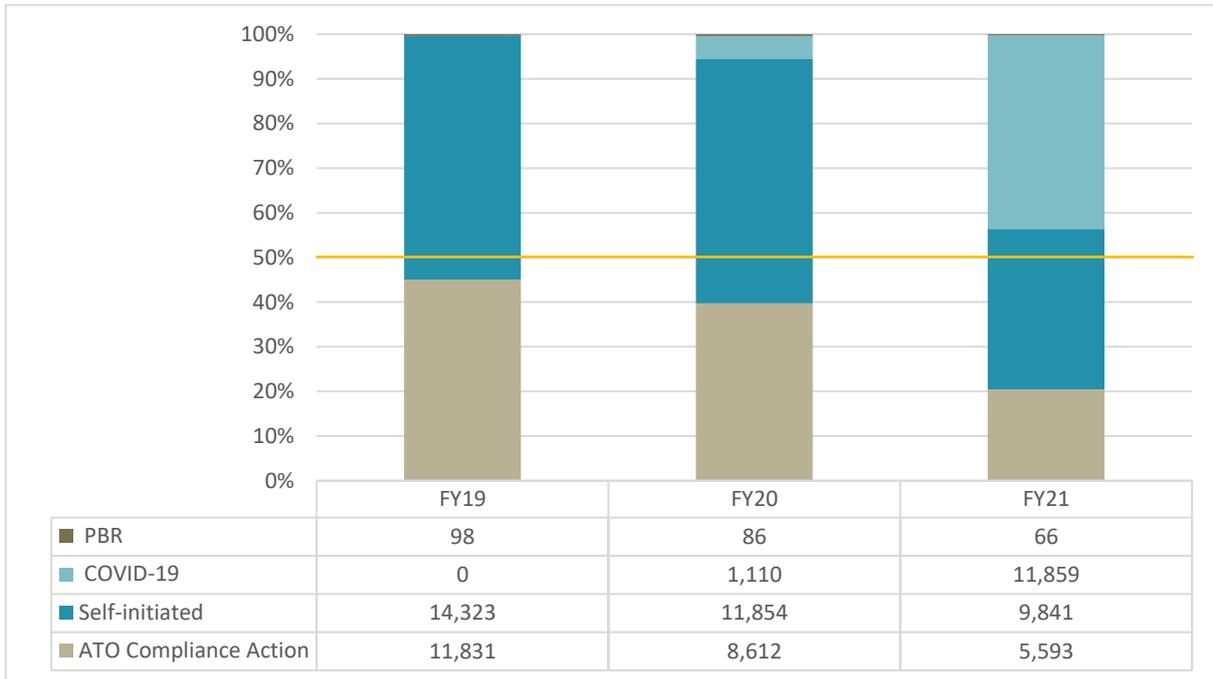
Objection Data		FY19	FY20	FY21
	* <i>Objection Clusters Only</i> D1/C	0.00%	10.03%	6.05%
Withdrawn/Invalid as % of Total Objections	(E+F)/C	72.21%	44.61%	50.06%
	* <i>Objection Clusters Excluded</i> (E+F-F1)/C	37.09%	44.61%	47.26%
	* <i>Objection Clusters Only</i> F1/C	35.12%	0.00%	2.80%
Closing Balance as % of Total Objections	H/C	16.30%	27.99%	12.54%
Decisions Issued as % of Total Objections excluding invalid and withdrawn objections	D/(C-E-F)	41.34%	49.46%	74.89%
	* <i>Objection Clusters Excluded</i> (D-D1)/(C-E-F)	41.34%	31.35%	62.78%
	* <i>Objection Clusters Only</i> D1/(C-E-F)	0.00%	18.11%	12.11%
Closing Balance as % of Total Objections excluding invalid and withdrawn objections	H/(C-E-F)	58.66%	50.54%	25.11%

*Fuel Tax Credit and GST ITC objection clusters

Breakdown of objections received

- 2.15. Generally, objections may be lodged with the ATO in one of three circumstances – in response to an adverse compliance action (i.e., audit) decision, a self-initiated objection (e.g., to amend a prior year return out of time) or in response to a private binding ruling with which the taxpayer disagrees.
- 2.16. In FY20 and, in particularly, FY21, a large body of objections against ATO determinations of a taxpayer's entitlement to receive certain COVID-19 economic support measures (such as JobKeeper or Boosting Cash Flow payments) were also received.
- 2.17. At an overall level across all client experience groups (Figure 2.1):
- In FY19 and FY20, the bulk of objections lodged were self-initiated, accounting for approximately 55% of objections in both years.
 - While a relatively, small number of COVID-19 objections were received in FY20, the majority were not lodged until FY21 and accounted for the largest cohort of objections received that year. This outcome is not surprising given that the COVID-19 economic stimulus measures were not enacted until March and April 2020 and therefore were only in effect in the final quarter of that year.
 - Across all three years, while private binding ruling objections were present, there were fewer than 100 such objections in each year.

Figure 2.1: Breakdown of total objections received



Note: Figures in this chart do not align with the “objections received” in Table 2.3 as the chart does not include the group of objections classified by the ATO as “Other”.

2.18. While Figure 2.1 provides a broad overview across all client experience groups, Figures 2.2 to 2.6 examine the make up of objections received in each of the client experience groups and accounts for facts such as objection clusters. It also shows more clearly the differences in underlying reasons for objecting. There are a number of key observations that can be made in relation to these charts:

- Across all FYs, self-initiated objections accounted for a greater proportion of objections for Individuals, Small Businesses, Privately Owned and Wealthy Groups and Public and Multinational Businesses. Super Funds and NFPs were the only group to show the reversed trend, with objections against ATO compliance action being greater than self-initiated objections.
- In FY21, Objections against COVID-19 decisions (which the ATO classifies as ATO Compliance Action objections) were the largest component of objections received from Small Businesses (approximately 89%), Privately Owned and Wealthy Groups, and Public and Multinational Businesses.
- Objection clusters materially affected all client experience groups, with the exception of Small Businesses. These impacts are most noticeable in FY19 for Individuals, FY20 for Privately Owned and Wealthy Groups, FY19 and FY20 for Public and Multinational Businesses and across all three FYs for Super Funds and NFPs.

2. BROAD OVERVIEW AND KEY OBSERVATIONS

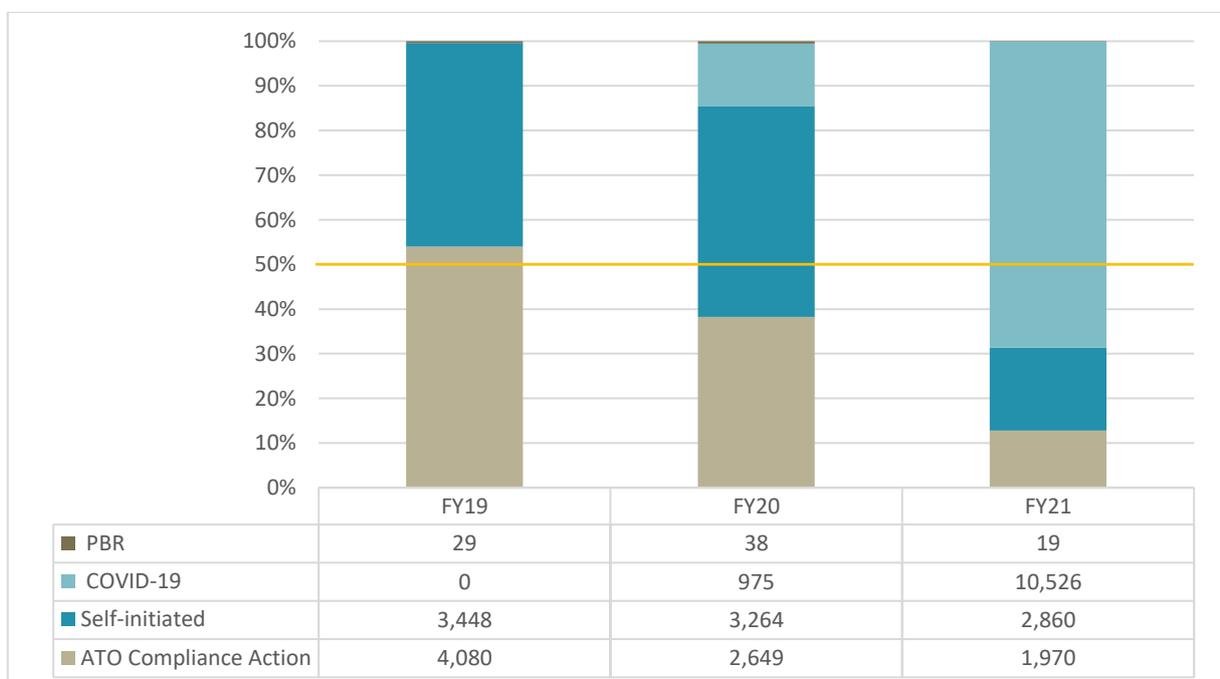
Figure 2.2: Breakdown of total objections received for Individuals



Note 1: Figures in this chart do not align with the “objections received” in Table 2.4 as the chart does not include the group of objections classified by the ATO as “Other”.

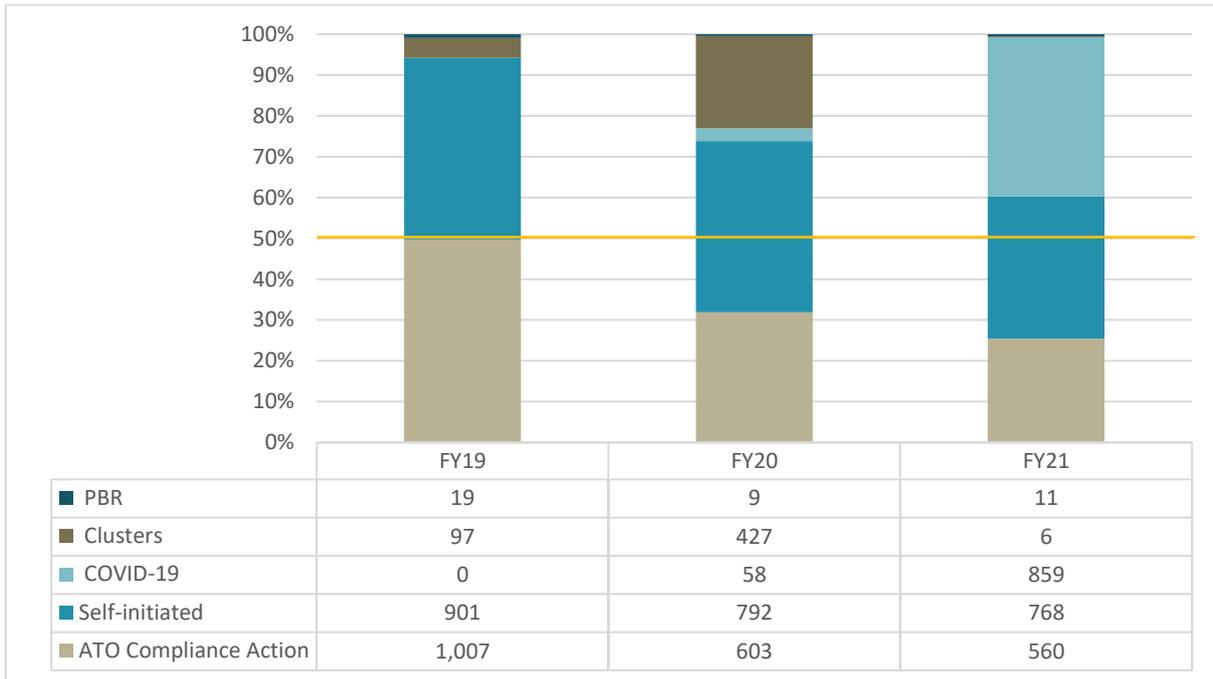
Note 2: Clusters included where it was materially significant.

Figure 2.3: Breakdown of total objections received for Small Business



Note 1: Figures in this chart do not align with the “objections received” in Table 2.5 as the chart does not include the group of objections classified by the ATO as “Other”.

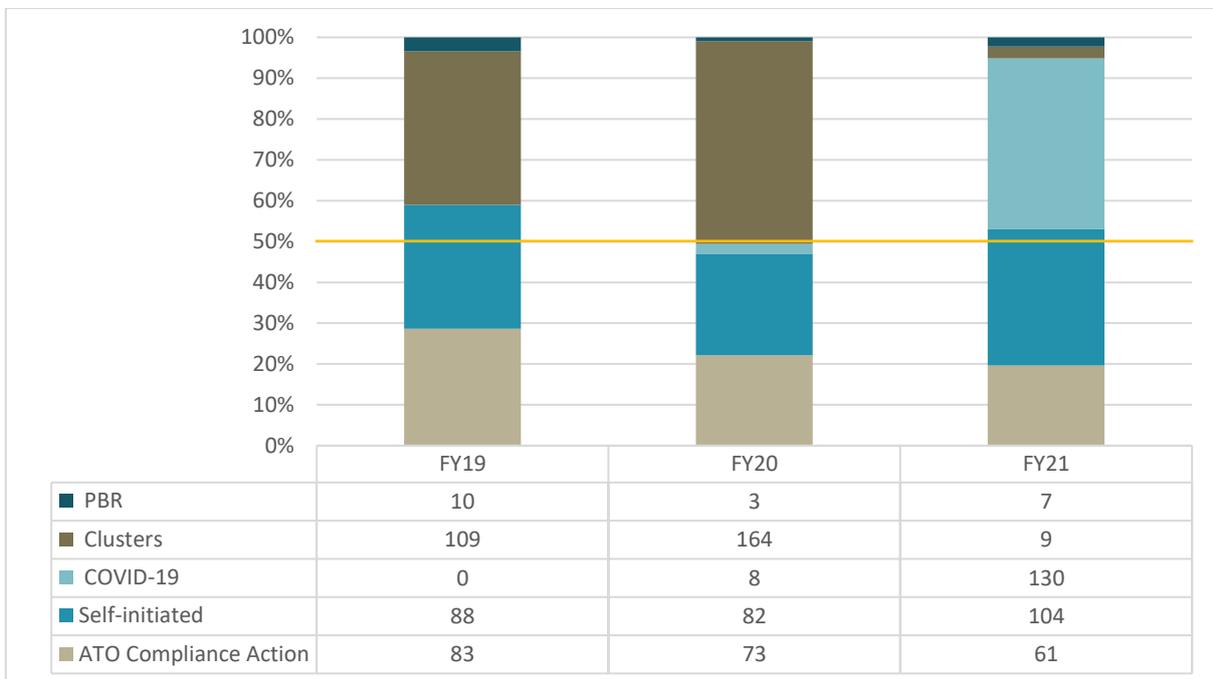
Figure 2.4: Breakdown of total objections received for Privately Owned and Wealthy Groups



Note 1: Figures in this chart do not align with the “objections received” in Table 2.6 as the chart does not include the group of objections classified by the ATO as “Other”.

Note 2: Clusters included where it was materially significant.

Figure 2.5: Breakdown of total objections received for Public and Multinational Businesses

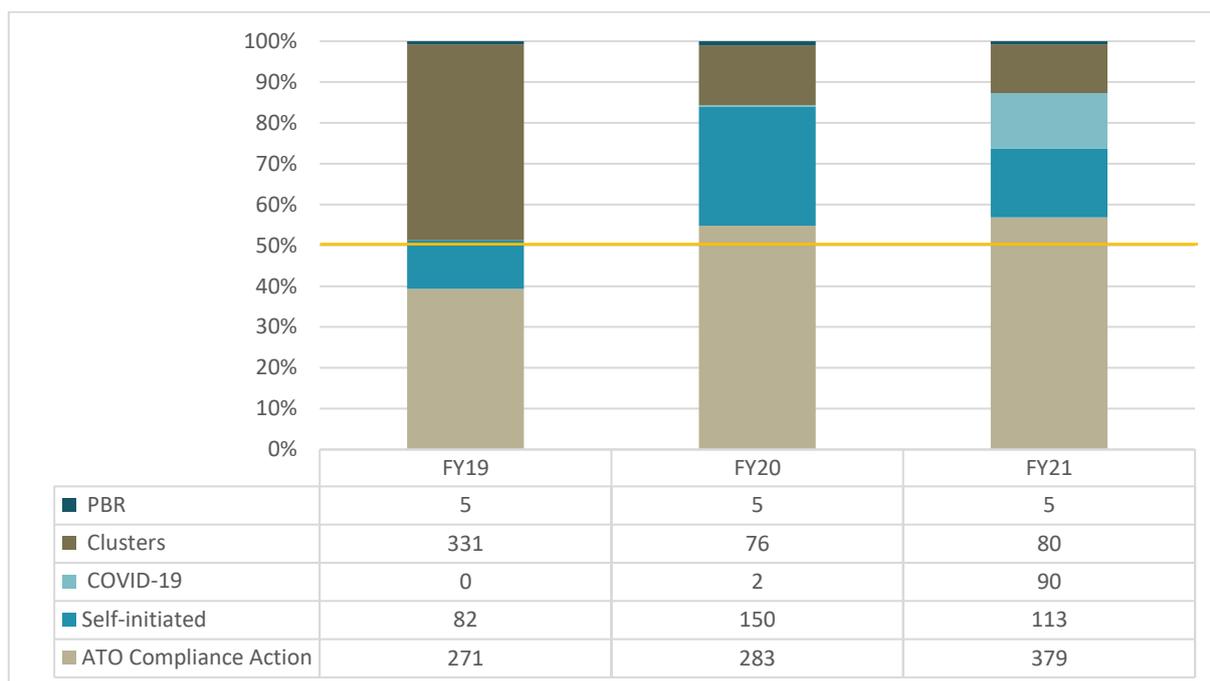


Note 1: Figures in this chart do not align with the “objections received” in Table 2.7 as the chart does not include the group of objections classified by the ATO as “Other”.

Note 2: Clusters included where it was materially significant.

2. BROAD OVERVIEW AND KEY OBSERVATIONS

Figure 2.6: Breakdown of total objections received for Super Funds and NFPs



Note 1: Figures in this chart do not align with the “objections received” in Table 2.8 as the chart does not include the group of objections classified by the ATO as “Other”.

Note 2: Clusters included where it was materially significant.

Amounts of tax in dispute through objections

2.19. The IGTO believes that the quantum in dispute is an important consideration when examining taxation disputes. Whilst some disputes may relate to non-monetary matters (for example, whether a person is entitled to hold an Australian Business Number), by and large most objections lodged with the ATO contain some dispute about the amount of tax assessed - the correctness of taxable income (income earned and deductions that may be claimed) and the correctness of the liability of tax to be paid.

2.20. In the IGTO’s view, understanding the monetary value in dispute assists with risk assessment and good governance of tax collection. That is by providing a lens through which to assess and quantify the impact of certain areas of dispute on the tax system (although not necessarily the only lens),¹⁶ whether sufficient or proportionate resources are being deployed to manage those disputes and opportunities to consider alternative means to resolve the dispute.

¹⁶ Cases with small quantum in dispute can, sometimes, have broader system impacts. See for example: *Commissioner of Taxation v Anstis* (2010) 241 CLR 433; *Morris v Commissioner of Taxation* [2002] FCA 616.

2.21. The IGTO acknowledges that the ATO does not use quantum in dispute in this manner and has a dispute prioritisation framework which considers, *inter alia*:¹⁷

- The drivers of the dispute, potential reputational risk with the community or Government;
- Impacts on the taxpayer experience;
- Risk of litigation and challenges to the ATO precedential view;
- Risk of asset dissipation;
- Time dependencies; and
- The complexity of tax issues needing to be resolved.

2.22. As part of this phase of the investigation, the IGTO requested information from the ATO about the quantum of tax in dispute through objections. The ATO has informed the IGTO that it does not routinely report on quantum in dispute at objection and did not have any pre-existing data reports that could be provided without requiring manual compilation of the data.

2.23. The ATO instead provided the IGTO with disputed debt data which provides an indicative level of amounts in dispute at a particular point in time. Disputed debts are those on the ATO's accounts that have a "Disputed Accounting Treatment" (DAT) applied. The ATO has provided the number of accounts and the quantum of debts with a DAT applied as at 30 June in each of FY17 to FY21 (inclusive), by revenue type and client experience group. The data provided by the ATO is set out in Tables 2.9 and 2.10 below.

Table 2.9: Disputed debt by revenue type, FY17 to FY21

	Activity Statement		Income Tax		SGC		FBT		Other	
	Value	Accounts	Value	Accounts	Value	Accounts	Value	Accounts	Value	Accounts
30-Jun-17	\$584.4m	1,654	\$7,340.6m	3,446	\$46.8m	305	\$1.1m	12	\$5.6m	18
30-Jun-18	\$804.1m	1,819	\$8,638.6m	3,258	\$68.3m	395	\$2.6m	12	\$150.5m	16
30-Jun-19	\$867.7m	2,148	\$9,988.0m	3,607	\$63.4m	326	\$3.1m	13	\$420.4m	27
30-Jun-20	\$467.3m	245	\$9,436.0m	4,670	\$79.0m	628	\$3.0m	21	\$412.8m	54
30-Jun-21	\$571.0m	214	\$11,005.2m	1,682	\$76.4m	578	\$5.2m	9	\$364.2m	166

Note: "Other" includes all other revenue types.

¹⁷ Australian Taxation Office, *Objections & Review Prioritisation Model* [Internal ATO document].

2. BROAD OVERVIEW AND KEY OBSERVATIONS

Table 2.10: Disputed debt by client experience group, FY17 to FY21

	Small business		Individuals		Privately owned and wealthy groups		Public and Multi-national businesses		Super Funds and NFPs	
	Value	Accounts	Value	Accounts	Value	Accounts	Value	Accounts	Value	Accounts
30-Jun-17	\$1,820.3m	3,306	\$254.5m	1,583	\$1,161.3m	417	\$4,674.7m	62	\$68.1m	73
30-Jun-18	\$972.0m	2,952	\$158.0m	1,638	\$2,968.3m	777	\$5,489.0m	86	\$77.8m	52
30-Jun-19	\$1,373.1m	3,220	\$228.9m	1,857	\$3,384.0m	913	\$6,332.4m	85	\$24.2m	46
30-Jun-20	\$1,155.6m	2,476	\$211.0m	2,290	\$4,009.4m	729	\$4,989.6m	89	\$32.4m	34
30-Jun-21	\$1,275.8m	1,317	\$196.9m	593	\$4,236.3m	597	\$6,243.4m	87	\$69.7m	55

2.24. Although the data provides a brief snapshot of balances of tax in dispute and the relevant number of accounts, it doesn't allow for the drawing of any other meaningful observations. This is due to a number of caveats that attach to this data:

- the data contains debts relating to disputes both at the objection stage and the appeals stage and is therefore overstating the amount of tax in dispute at the objection stage;
- there is a risk that the same debt in dispute could be counted across multiple years if the objection remains on foot at the end of more than one FY, or if it progresses from an objection in one FY and moves to an AAT, Federal Court or High Court appeal in a subsequent FY;
- where a debt is the subject of insolvency action, notwithstanding any dispute, it is not included as a disputed debt;
- the data is captured at a point in time (i.e., 30 June) and therefore does not provide a complete picture of the total value of amounts of tax in dispute over the course of the year, particularly those cases where a dispute is commenced and resolved within a financial year.

2.25. The ATO's enterprise case management system, Siebel, contains a template for officers to record outcomes of objections including fields for the original tax, interest and penalty that was assessed, the amounts in dispute and amounts allowed. Although a report can be extracted from these fields, the ATO has advised the IGTO that these fields are not used for reporting as they are manually entered by officers and the ATO has low confidence in the integrity of the data and its reliability. The ATO has provided a number of reasons for this:

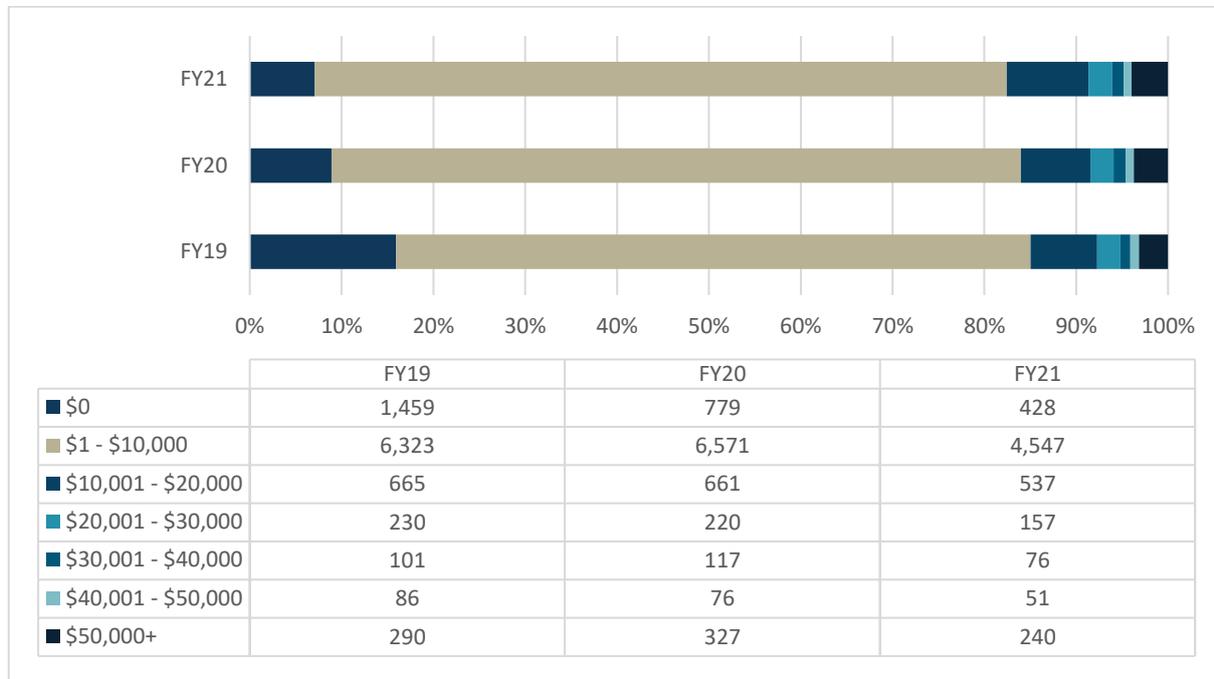
- The objection outcomes template is not required to be completed for all objection matters and, in some cases, is not able to be completed for certain objection matters. For example:
 - Objections against private binding rulings, or those that are withdrawn or deemed invalid, do not require actioning officers to include any financial information (notwithstanding that a withdrawn objection, or an invalid objection, might stipulate the amount in dispute); and

- Certain objections relate to non-financial matters or disputes – for example, disputes involving reinstatement of Australian Business Numbers or Self-Managed Superannuation Fund registrations.
 - There may be complexities in determining the amount in dispute or where there are alternative (multiple) assessments issued in respect of a single amount of income (ie to different/alternate taxpayers) with only one assessment intended to be collected.
 - Where a taxpayer self-initiates their objection, they may either not stipulate an amount in dispute or include an amount that is inaccurate.
 - Outcomes templates may include financial data from all periods in dispute, rather than the particular periods in question – for example, a taxpayer may choose to dispute several years' of assessments on one objection.
 - The outcomes templates are manually completed and therefore subject to calculation, input or transposition, and completion issues. The ATO has advised that it does not have any third party quality assurance of the data as these templates are not used for internal or external reporting purposes. To illustrate the potential for error, the ATO indicated that its manual review of the data identified an overstatement of tax allowed by approximately \$363 million in one case which resulted in significant over-inflation of figures that year. Whilst it notes that there may not be other errors of this magnitude, there are nonetheless errors which are not easily identifiable.
- 2.26. For the reasons listed above, the ATO has cautioned against the use of this data to draw conclusions. Accordingly, the IGTO has sought to present the data in a way that minimises the risk of errors and outliers. Rather than presenting the total figures of tax in dispute and the quantum of tax allowed that were recorded in the outcome templates, the IGTO has chosen to break down the data into stratification bands presented in the charts below.
- 2.27. Figures 2.7 to 2.16 below analyse the ATO objection decisions issued (that is, Item D in Tables 2.3 to 2.8 above) by the amounts in dispute and the amounts allowed. When considering these charts, the reader should also be aware of the following:
- Objections outcomes templates are not completed for withdrawn and invalid objections.
 - The total number of completed outcomes templates is similar to, but slightly less than, the total number of objection where a decision was issued (i.e. the figures shown in the charts below will not add up exactly to the 'decisions issued' figures shown above at Tables 2.3 to 2.8). The ATO has explained that this is because:
 - objections outcomes templates are not completed for objections against private rulings;
 - objections which are not completed on the ATO's Siebel case management system (a small number of cases) will not contain an outcomes template; and

2. BROAD OVERVIEW AND KEY OBSERVATIONS

- outcomes template entries which contain a negative amount have been manually excluded from the data.¹⁸

Figure 2.7: Quantum of tax in dispute – Individuals



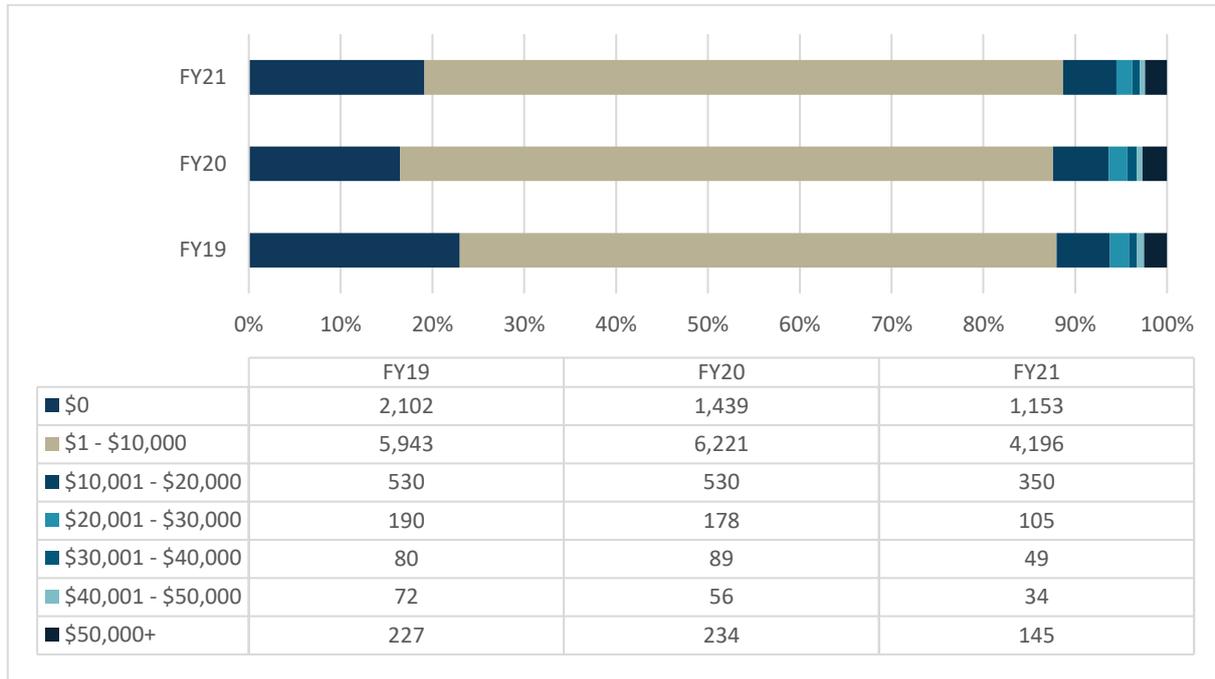
Note: The chart above only includes objection cases where the ATO issued a decision. That is, objections which were invalid or withdrawn are excluded.

Additional data related to Figure 2.7

Objections where quantum in dispute > \$50,000 (Individuals)	FY19	FY20	FY21
\$50,001 - \$60,000	54	58	36
\$60,001 - \$70,000	31	43	15
\$70,001 - \$80,000	23	34	33
\$80,001 - \$90,000	20	26	17
\$90,001 - \$100,000	19	17	20
\$100,000+	143	149	119

¹⁸ Negative entries can occur where the amount of tax in dispute and the amount of tax allowed move in opposite directions. For example, where the taxpayer lodges an objection to decrease an amount in their tax assessment, but the objection decision results in an increase.

Figure 2.8: Quantum of tax allowed – Individuals



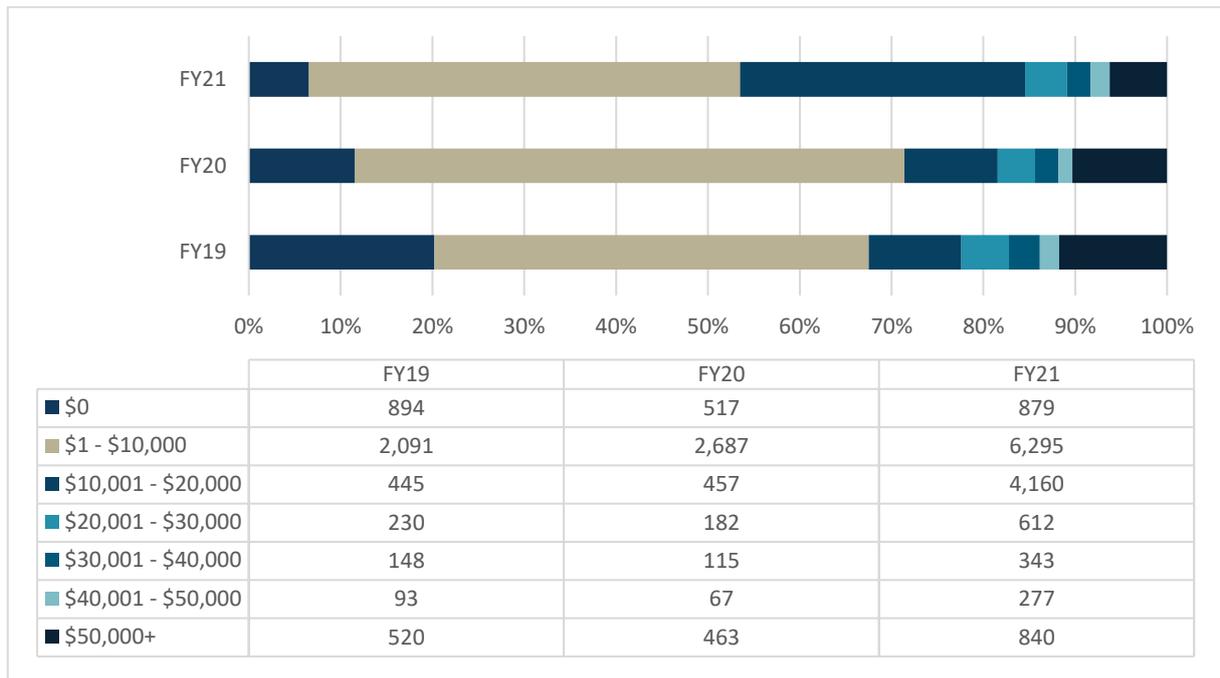
Note: The chart above only includes objection cases where the ATO issued a decision. That is, objections which were invalid or withdrawn are excluded.

Additional data related to Figure 2.8

Objections where quantum of tax allowed > \$50,000 (Individuals)	FY19	FY20	FY21
\$50,001 - \$60,000	46	44	24
\$60,001 - \$70,000	27	33	9
\$70,001 - \$80,000	22	26	22
\$80,001 - \$90,000	14	20	10
\$90,001 - \$100,000	14	10	14
\$100,000+	104	101	66

2. BROAD OVERVIEW AND KEY OBSERVATIONS

Figure 2.9: Quantum of tax in dispute – Small Business

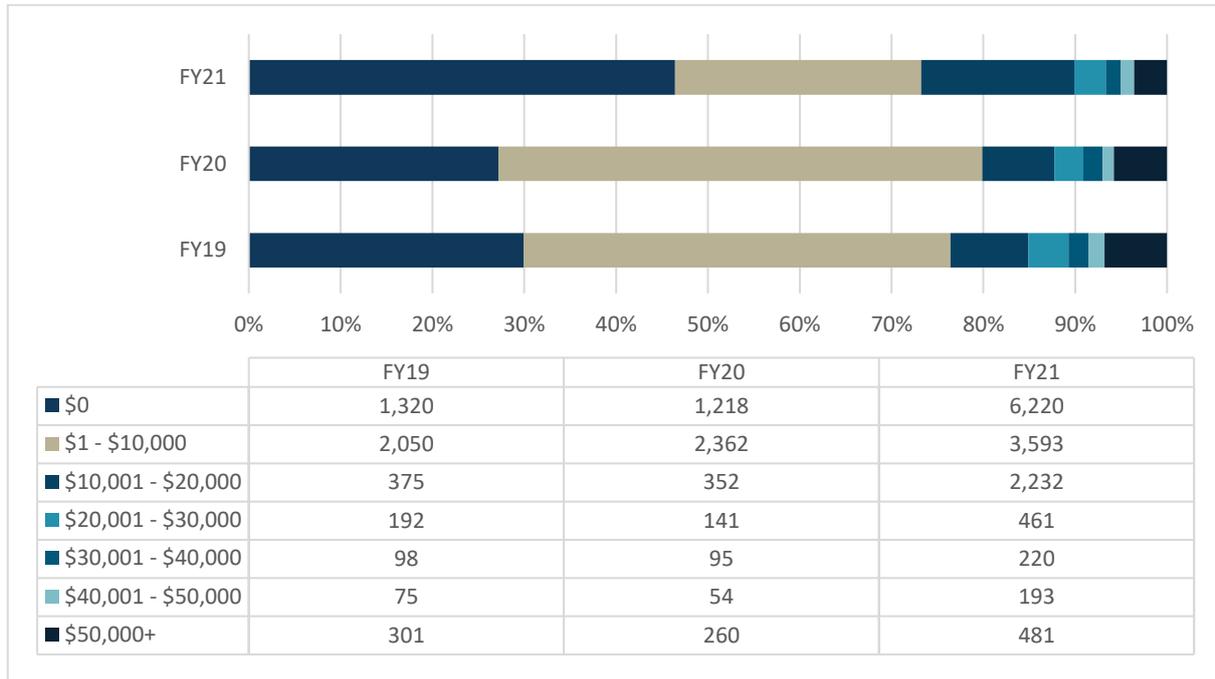


Note: The chart above only includes objection cases where the ATO issued a decision. That is, objections which were invalid or withdrawn are excluded.

Additional data related to Figure 2.9

Objections where quantum in dispute > \$50,000 (Small business)	FY19	FY20	FY21
\$50,001 - \$60,000	70	62	139
\$60,001 - \$70,000	48	46	101
\$70,001 - \$80,000	47	36	87
\$80,001 - \$90,000	37	35	63
\$90,001 - \$100,000	30	29	175
\$100,000+	288	255	275

Figure 2.10: Quantum of tax allowed – Small Business



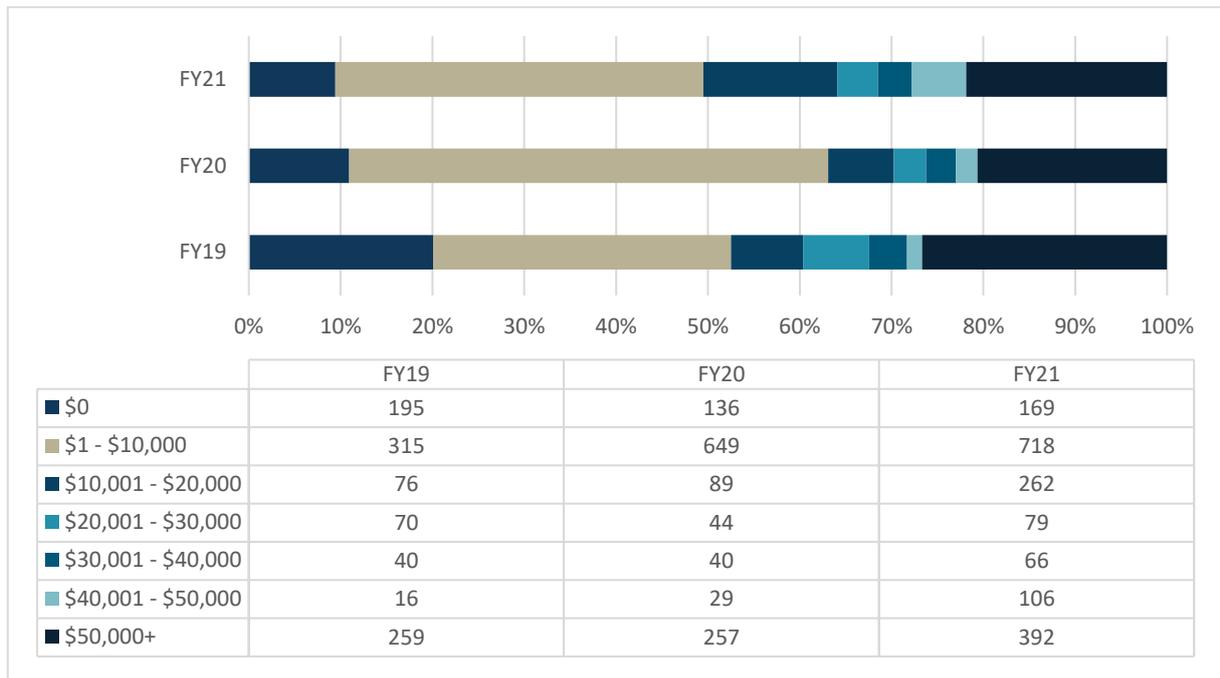
Note: The chart above only includes objection cases where the ATO issued a decision. That is, objections which were invalid or withdrawn are excluded.

Additional data related to Figure 2.10

Objections where quantum of tax allowed > \$50,000 (Small business)	FY19	FY20	FY21
\$50,001 - \$60,000	60	35	95
\$60,001 - \$70,000	29	27	66
\$70,001 - \$80,000	28	14	64
\$80,001 - \$90,000	25	24	38
\$90,001 - \$100,000	21	21	106
\$100,000+	138	139	112

2. BROAD OVERVIEW AND KEY OBSERVATIONS

Figure 2.11: Quantum of tax in dispute – Privately owned and wealthy groups

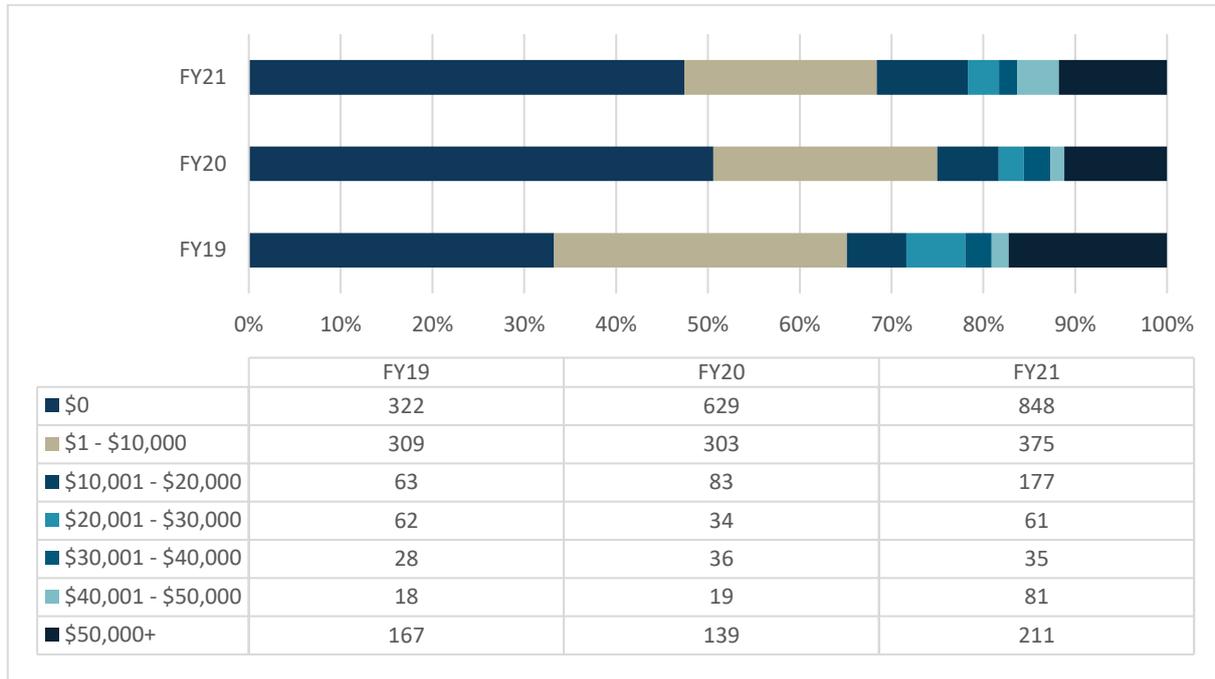


Note: The chart above only includes objection cases where the ATO issued a decision. That is, objections which were invalid or withdrawn are excluded.

Additional data related to Figure 2.11

Objections where quantum in dispute > \$50,000 (Privately owned and wealthy groups)	FY19	FY20	FY21
\$50,001 - \$60,000	21	12	32
\$60,001 - \$70,000	8	16	21
\$70,001 - \$80,000	12	11	29
\$80,001 - \$90,000	14	6	23
\$90,001 - \$100,000	7	10	60
\$100,000+	197	202	227

Figure 2.12: Quantum of tax allowed – Privately owned and wealthy groups



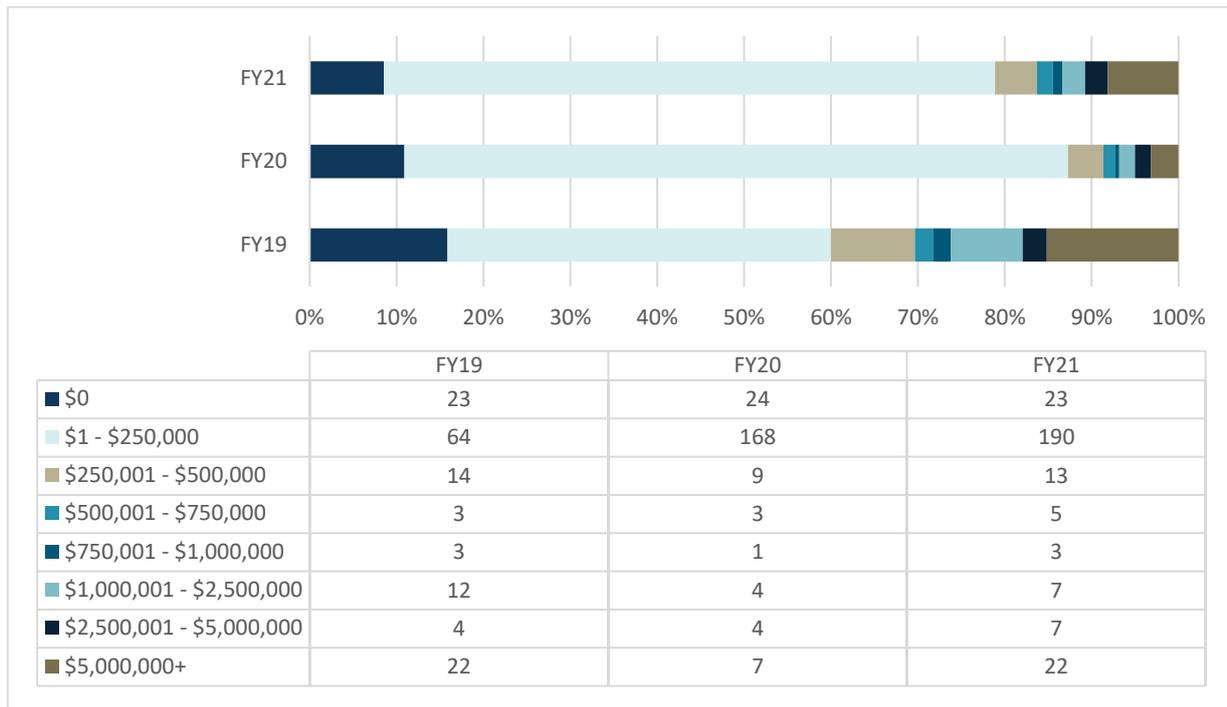
Note: The chart above only includes objection cases where the ATO issued a decision. That is, objections which were invalid or withdrawn are excluded.

Additional data related to Figure 2.12

Objections where quantum of tax allowed > \$50,000 (Privately owned and wealthy groups)	FY19	FY20	FY21
\$50,001 - \$60,000	17	11	17
\$60,001 - \$70,000	7	13	15
\$70,001 - \$80,000	14	8	17
\$80,001 - \$90,000	11	6	13
\$90,001 - \$100,000	4	6	41
\$100,000+	114	95	108

2. BROAD OVERVIEW AND KEY OBSERVATIONS

Figure 2.13: Quantum of tax in dispute – Public and Multinational Businesses



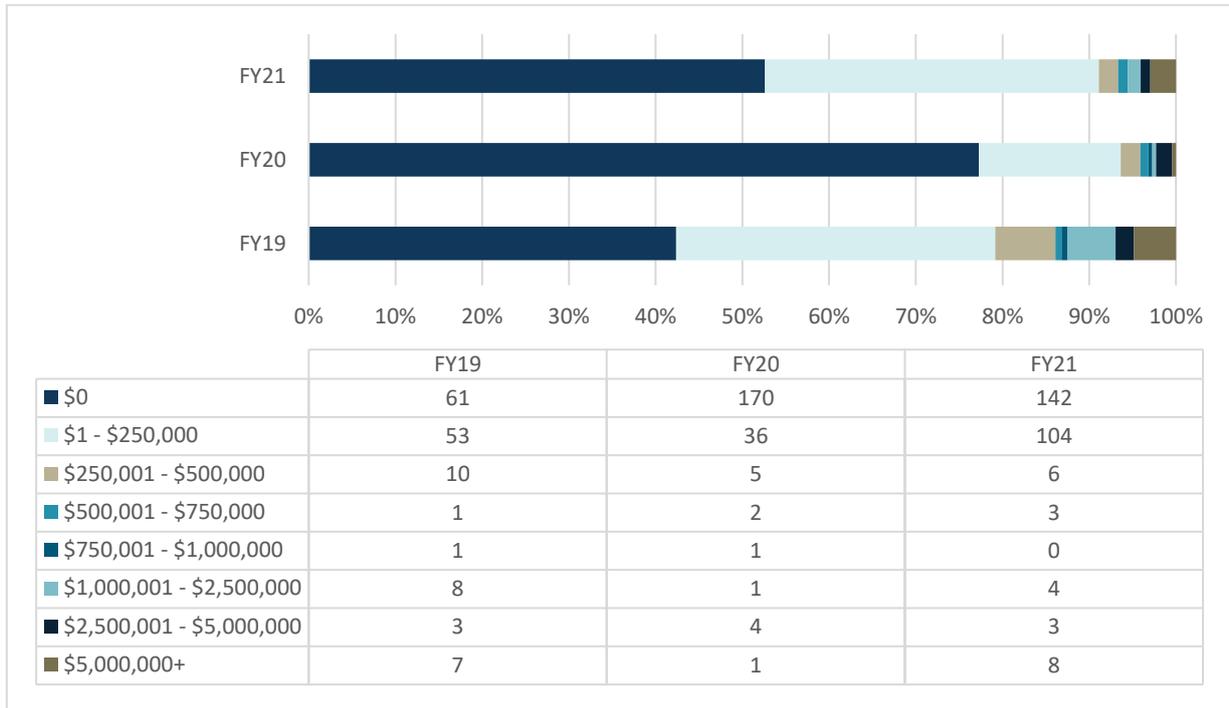
Note 1: The chart above only includes objection cases where the ATO issued a decision. That is, objections which were invalid or withdrawn are excluded.

Note 2: The breakdown for Figure 2.13 above uses different quantum bands from earlier charts in this section. As objections from Public and Multinational Business taxpayers typically involve a higher quantum compared to other client experience groups, different quantum bands were used to provide the reader with a more illustrative breakdown.

Additional data related to Figure 2.13

Objections where quantum in dispute > \$5,000,000 (Public and Multinational Businesses)	FY19	FY20	FY21
\$5,000,001 - \$7,500,000	0	1	4
\$7,500,001 - \$10,000,000	3	0	3
\$10,000,000+	19	6	15

Figure 2.14: Quantum of tax allowed – Public and Multinational Businesses



Note 1: The chart above only includes objection cases where the ATO issued a decision. That is, objections which were invalid or withdrawn are excluded.

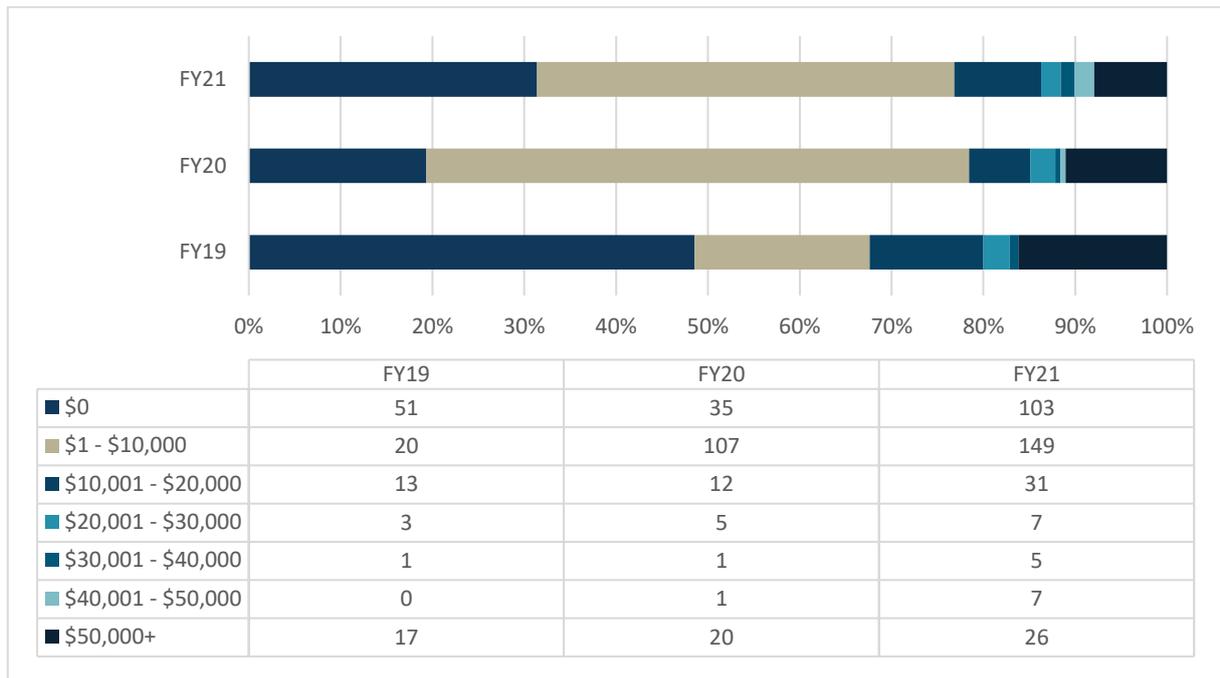
Note 2: The breakdown for Figure 2.14 above uses different quantum bands to earlier charts in this section. As objections from Public and Multinational Business taxpayers typically involve a higher quantum compared to other client experience groups, different quantum bands were used to provide the reader with a more illustrative breakdown.

Additional data related to Figure 2.14

Objections where quantum of tax allowed > \$5,000,000 (Public and Multinational Businesses)	FY19	FY20	FY21
\$5,000,001 - \$7,500,000	0	0	1
\$7,500,001 - \$10,000,000	1	1	2
\$10,000,000+	6	0	5

2. BROAD OVERVIEW AND KEY OBSERVATIONS

Figure 2.15: Quantum of tax in dispute – Super Funds and NFPs

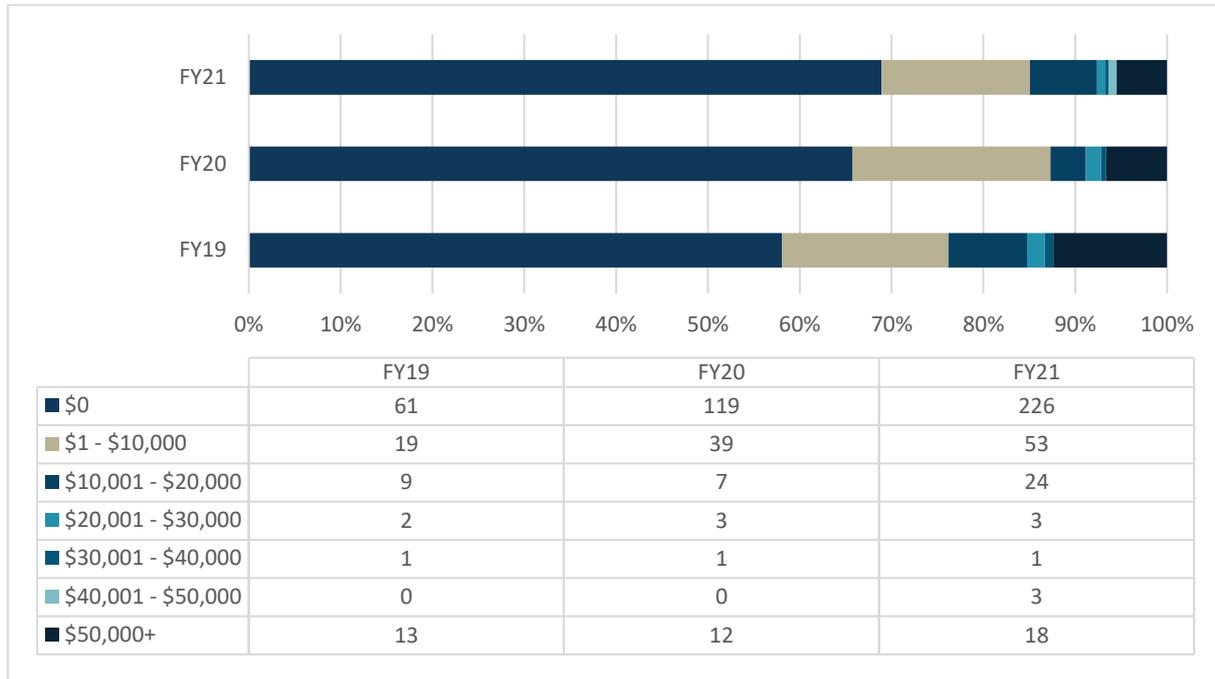


Note: The chart above only includes objection cases where the ATO issued a decision. That is, objections which were invalid or withdrawn are excluded.

Additional data related to Figure 2.15

Objections where quantum in dispute > \$50,000 (Super Funds and NFPs)	FY19	FY20	FY21
\$50,001 - \$60,000	0	1	1
\$60,001 - \$70,000	1	0	1
\$70,001 - \$80,000	1	2	5
\$80,001 - \$90,000	0	2	3
\$90,001 - \$100,000	2	0	1
\$100,000+	13	15	15

Figure 2.16: Quantum of tax allowed – Super Funds and NFPs



Note: The chart above only includes objection cases where the ATO issued a decision. That is, objections which were invalid or withdrawn are excluded.

Additional data related to Figure 2.16

Objections where quantum of tax allowed > \$50,000 (Super Funds and NFPs)	FY19	FY20	FY21
\$50,001 - \$60,000	0	1	1
\$60,001 - \$70,000	1	0	1
\$70,001 - \$80,000	0	0	4
\$80,001 - \$90,000	0	2	1
\$90,001 - \$100,000	2	0	1
\$100,000+	10	9	10

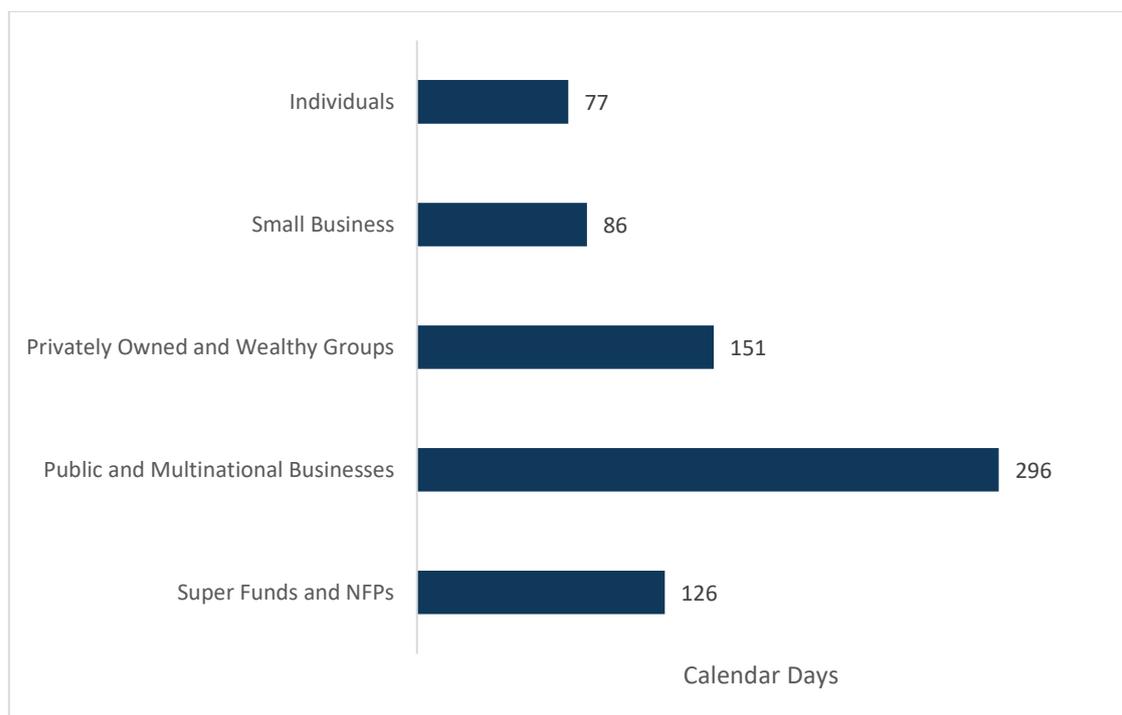
- 2.28. Notwithstanding the above efforts to present the quantum of tax data in a useful manner, the IGTO nonetheless recognises that the data may not be sufficiently accurate and reliable to draw any useful conclusions. Readers should also exercise caution when considering these numbers for the reasons presented above.
- 2.29. The ATO has advised the IGTO that, in FY22 the ATO commenced a project – “Connecting Actions to Transactions” – which aims to link the ATO’s case management system with financial data in its accounting system to enable better reporting. As at the date of this report, this project was not sufficiently advanced to yield any updated reporting in relation to the quantum of tax in dispute.

2. BROAD OVERVIEW AND KEY OBSERVATIONS

Objections Timeframes

- 2.30. The ATO does not currently have a service standard for the amount of time taken to commence¹⁹ or finalise²⁰ (action) objections that are received. Instead, the ATO will discuss with a taxpayer how long the objection may take to resolve.²¹
- 2.31. Figure 2.17 sets out the three-year average number of calendar days across all client experience groups. The three-year average was taken to account for cases received in one FY but not resolved until later FYs.
- 2.32. The average number of days presented in Figure 2.17 may reflect the complexity of issues disputed across different client experience groups - with Individual and Small Business objections requiring less than 90 days, on average, Privately Owned and Wealthy Groups (151 days on average) and Public and Multinational Businesses 296 days on average). These timeframes may reasonably be expected to reflect the complexity of the issues in dispute in each market segment.
- 2.33. The ATO has advised that the average cycle time of Super Funds and NFPs (126 days) is skewed by a cluster of objections from FY21 that had an average of 1,300 day cycle time.

Figure 2.17: Average duration of objections from receipt to finalisation (FY19-FY21)



¹⁹ It is not clear whether the ATO has ever adopted a service standard for allocating and actioning objections received.

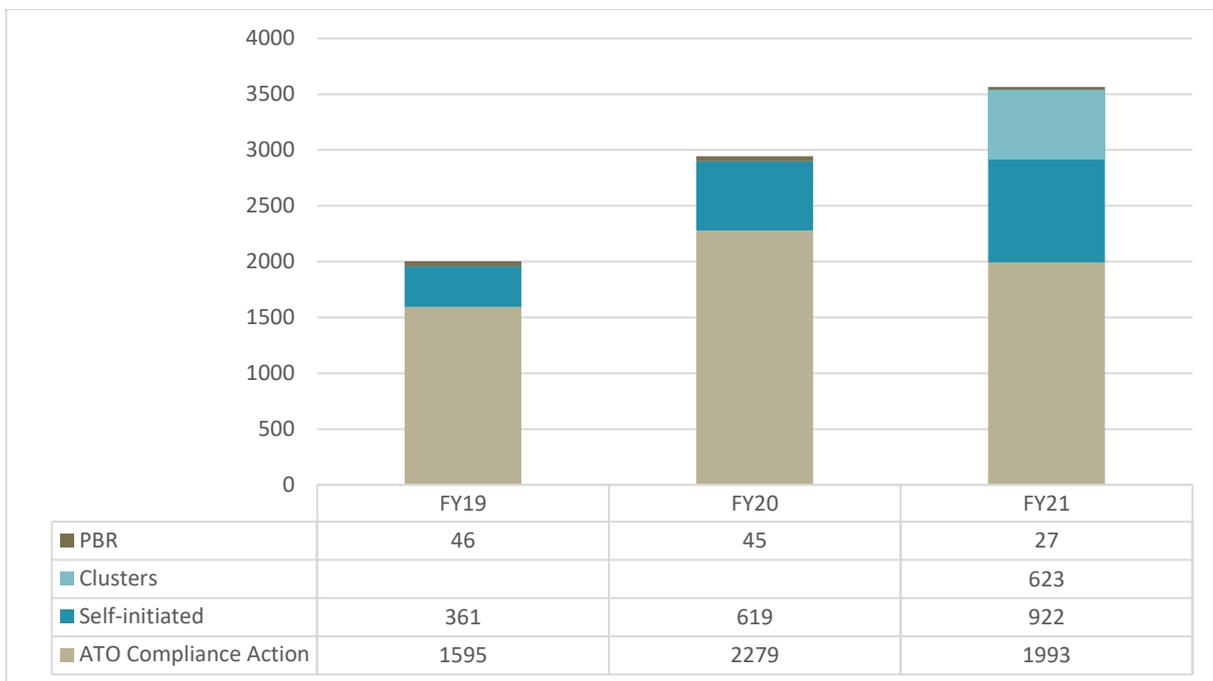
²⁰ The ATO previously had a service standard of finalising objections within 56 days of receiving all relevant information. This service standard has not existed since around 2016. See: Commissioner of Taxation, *Annual Report 2015-16* (2016) p 40.

²¹ ATO, *How we deal with your objection* (18 May 2022) <<https://www.ato.gov.au/General/Dispute-or-object-to-an-ATO-decision/Object-to-an-ATO-decision/How-we-deal-with-your-objection/>>.

- 2.34. Overall, 89% of objections finalised in FY19 to FY21 were finalised by the ATO within 6 months of receipt. The following charts help the reader to understand the composition of the remaining 11% of objections that took longer than 6 months to finalise.
- 2.35. Figure 2.18 provides an overview of objections finalised that took longer than six months to finalise across all three financial years. The chart indicates that the majority of these objections are objections lodged in response to ATO compliance action. In FY19 and FY20, almost 80% of objections taking longer than 6 months were responses to objections to ATO compliance action. This figure is reduced to approximately 55% in FY21.

Finalised Objections which took longer than 6 months to finalise

Figure 2.18: Number and breakdown of objections requiring > 6 months to finalise



- 2.36. With very little exception, across all three FYs and client experience groups, resolution of objections relating to ATO compliance action appears to take longest with the largest number of cases requiring more than six months. The only exception to this overall trend is in relation to Public and Multinational Businesses and only in relation to FY21, where objections within a particular cluster accounted for the largest cohort of cases taking more than 6 months.
- 2.37. The ATO has explained that in its view, the reason compliance action objections take longer could be attributed to a number of reasons, including provisions of new or additional information, multi-issue audits, penalty disputes, related cases in litigation and, for international tax disputes, the Mutual Agreement Processes with foreign revenue authorities. These factors may be explored in phase 2 of this review investigation. This will include an examination of the information available - requested and provided to finalise the objection.

2. BROAD OVERVIEW AND KEY OBSERVATIONS

Figure 2.19: Number and breakdown of objections requiring > 6 months to finalise (Individuals)

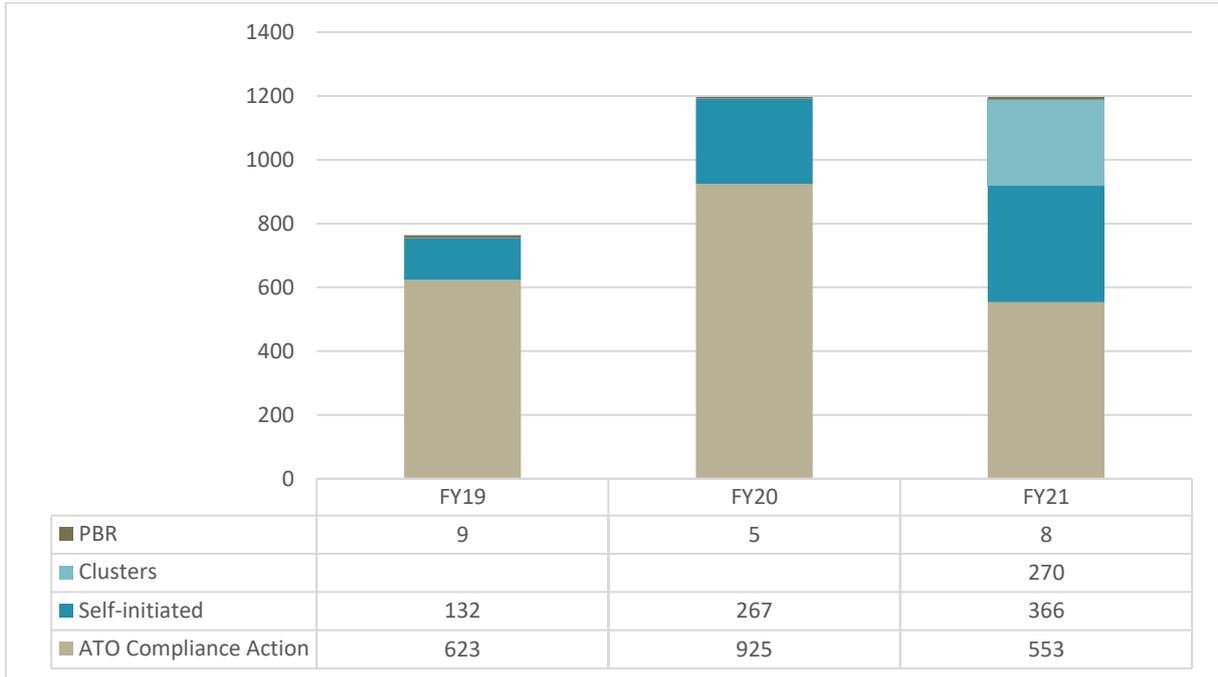


Figure 2.20: Number and breakdown of objections requiring > 6 months to finalise (Small Business)

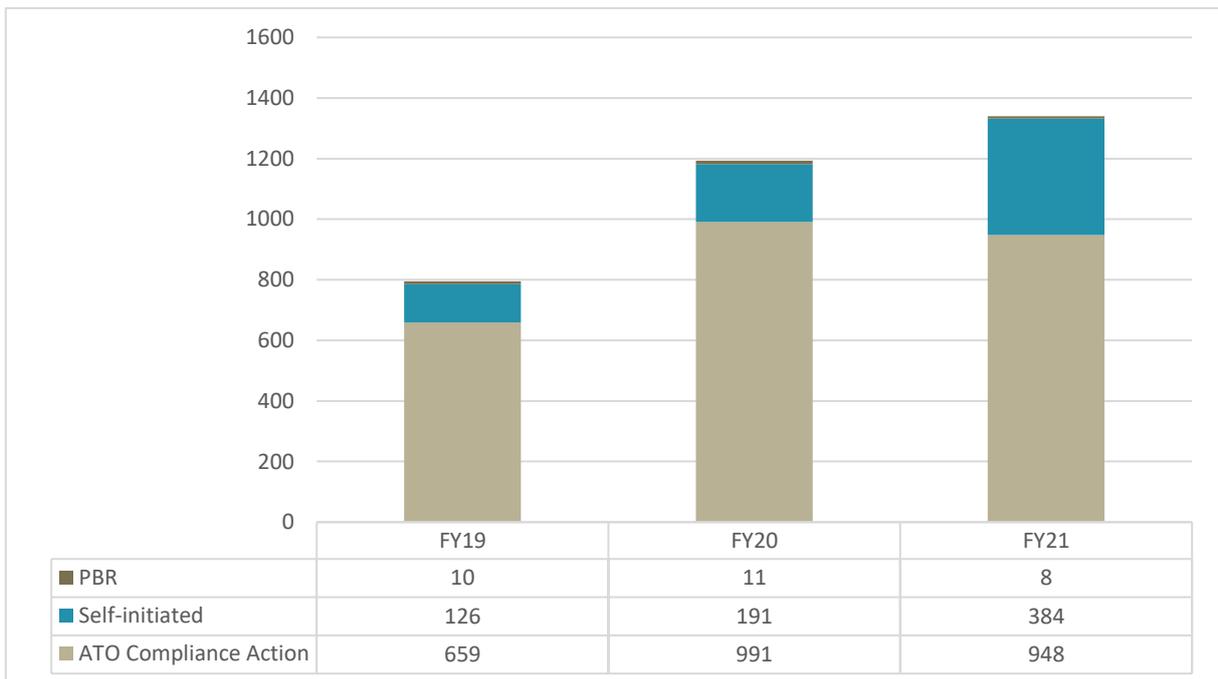


Figure 2.21: Number and breakdown of objections requiring > 6 months to finalise (Privately Owned and Wealthy Groups)

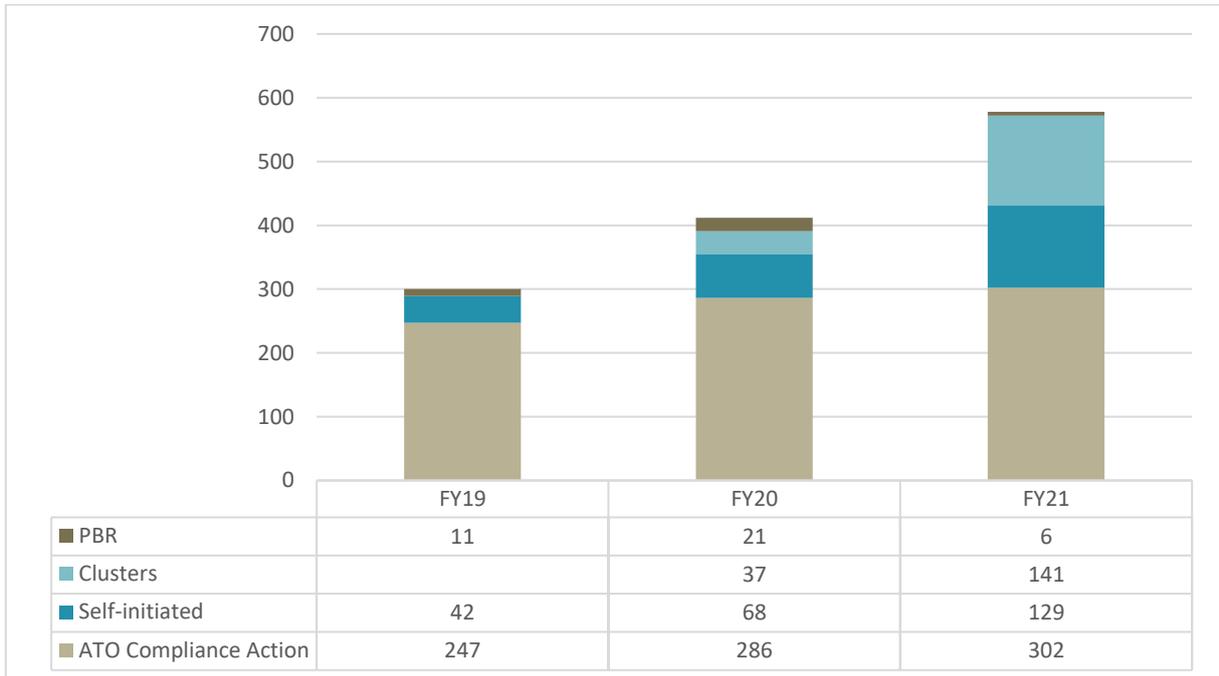
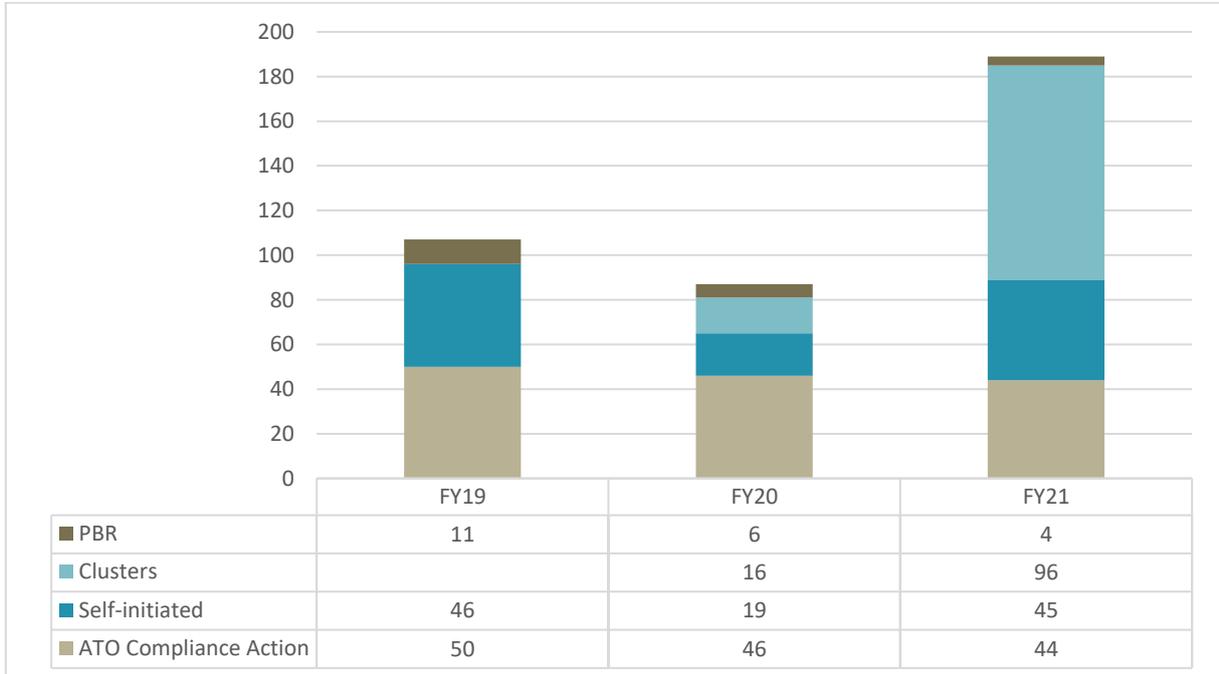
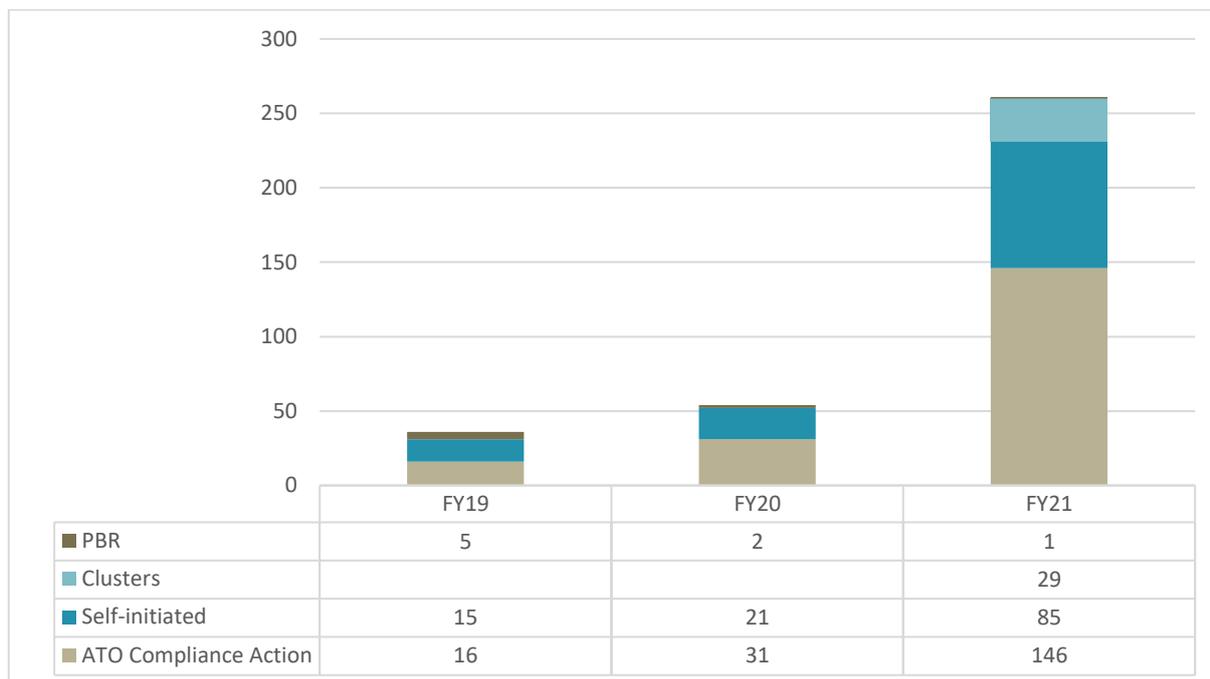


Figure 2.22: Number and breakdown of objections requiring > 6 months to finalise (Public and Multinational Business)



2. BROAD OVERVIEW AND KEY OBSERVATIONS

Figure 2.23: Number and breakdown of objections requiring > 6 months to finalise (Super Funds and NFPs)



Objection outcomes

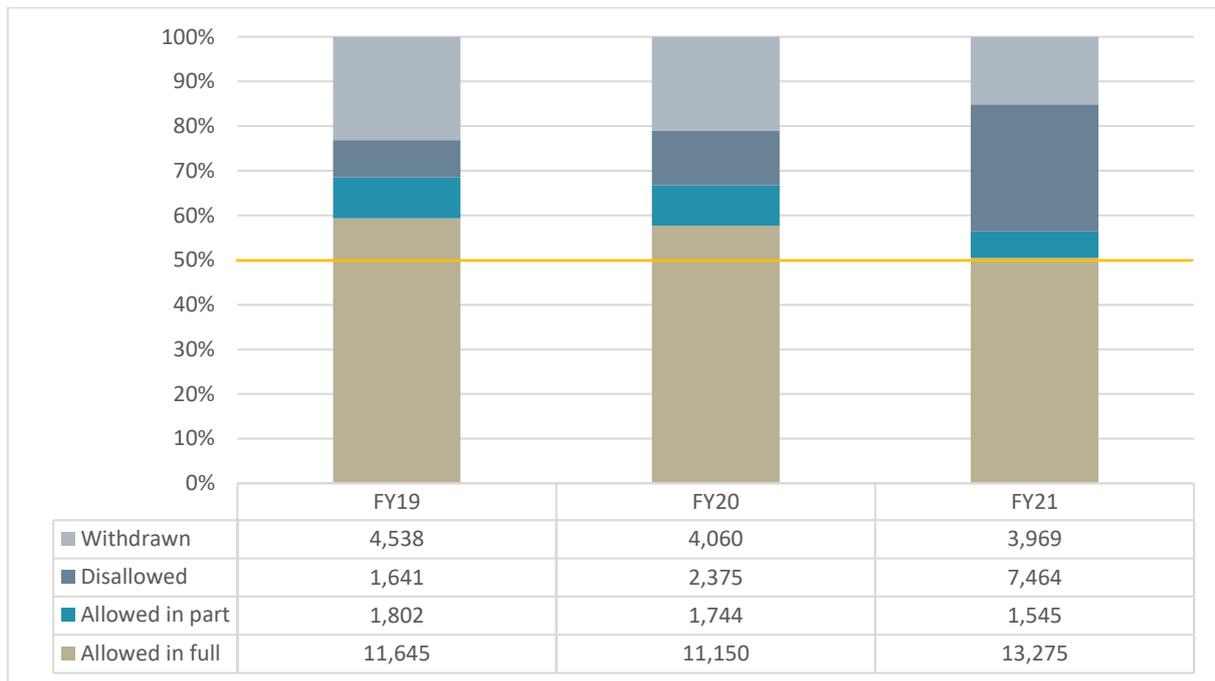
- 2.38. A valid objection may be finalised as being allowed in full, allowed in part, disallowed or withdrawn. Figure 2.24 sets out the outcomes recorded in each of FY19, FY20 and FY21 when all Invalid objections have been removed.
- 2.39. Overall, across all FYs, the outcome for a majority of objection decisions was *allowed in full*. However this result is not repeated when the data is analysed by client experience groups (see Figures 2.25 – 2.29).
- 2.40. In each of FY19 and FY20, the next most frequent outcome was that the objection was withdrawn. There may be a number of reasons why an objection is withdrawn, including:
- an informal indication from the ATO that an objection to a private binding ruling will be disallowed – failure to lodge a return in accordance with a private ruling may attract an administrative penalty for lack of reasonable care or lack of a reasonably arguable position²²;
 - an ATO request for further information or evidence that may be unavailable or expensive to comply with or to preserve their rights to lodge a fresh objection once they have gathered further necessary information;

²² *Taxation Administration Act 1953*, Sch 1, Div 284. Prior to the 2004-05 financial year, disregarding a private ruling attracted its own administrative penalty. See *Taxation Administration Act 1953*, Sch 1, sub-section 284-10(e) [now repealed].

- c. the time and/or expense involved in the objection process may make it uneconomical to pursue;
- d. a simple reconsideration (change of mind) by the taxpayer or their adviser as a result of the objection process and discussions (to date).

2.41. In FY21, the quantum of disallowed objections surpassed the quantum of withdrawn objections to become the second most likely outcome after allowed in full. This result may be reflective of the high number of COVID-19 objections on eligibility that were ultimately disallowed.

Figure 2.24: Total outcomes for all valid Objections



2.42. Figures 2.25 to 2.29 set out details of the outcomes of objections by client experience groups. Individuals and Small Businesses objections were largely allowed in full with approximately 50% to 60% in each FY achieving this outcome. In the case of Individuals, the second highest cohort of outcomes were Withdrawn and the same could also be observed in relation to Small Business with the exception of FY21 where disallowed outcomes were the second highest group, possibly reflecting the outcomes of COVID-19 related objections.

2. BROAD OVERVIEW AND KEY OBSERVATIONS

Figure 2.25: Total outcomes for Individuals

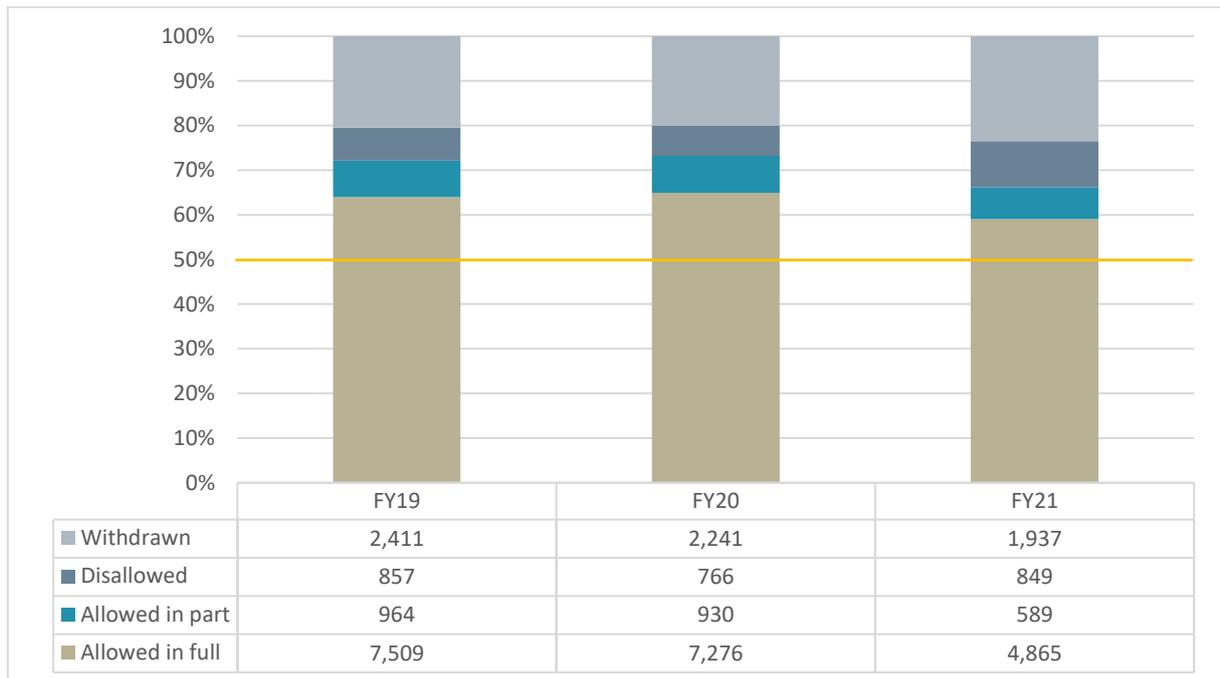
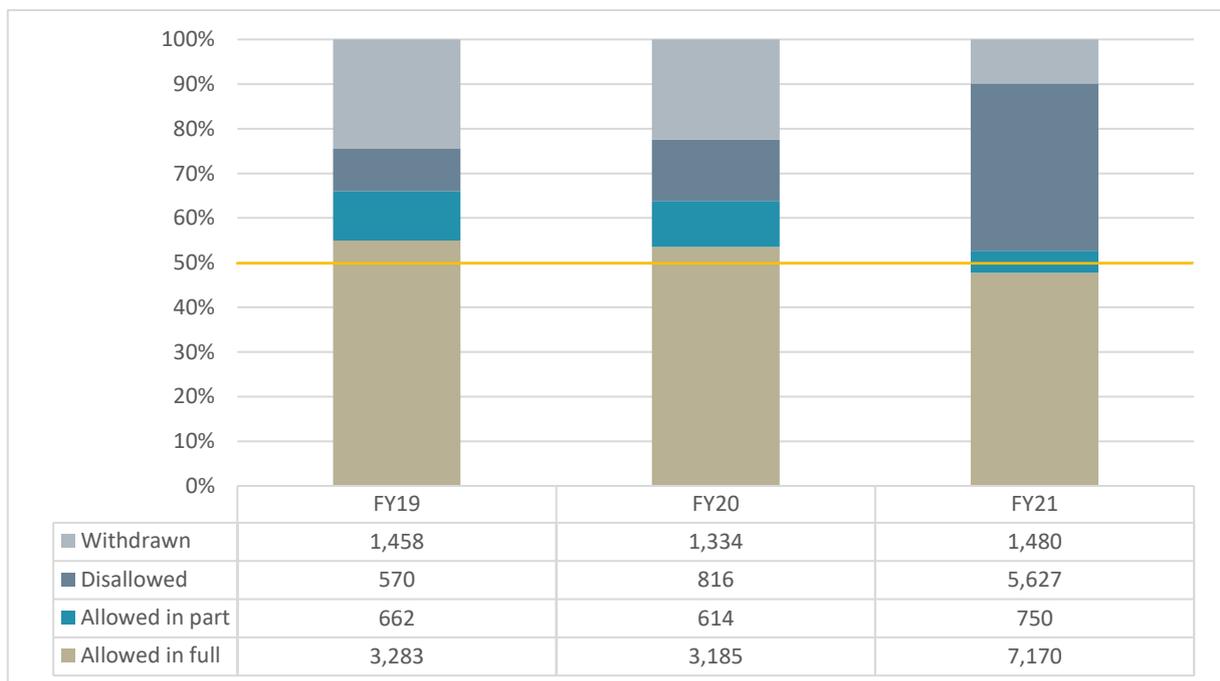
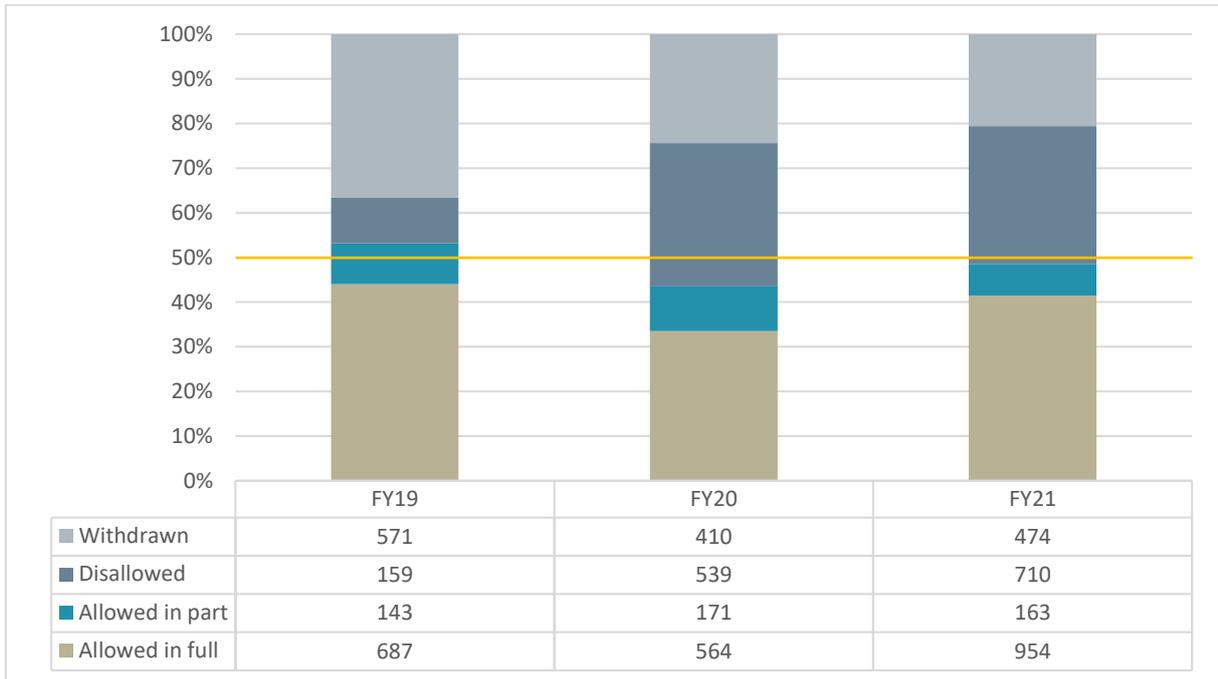


Figure 2.26: Total outcomes for Small Business



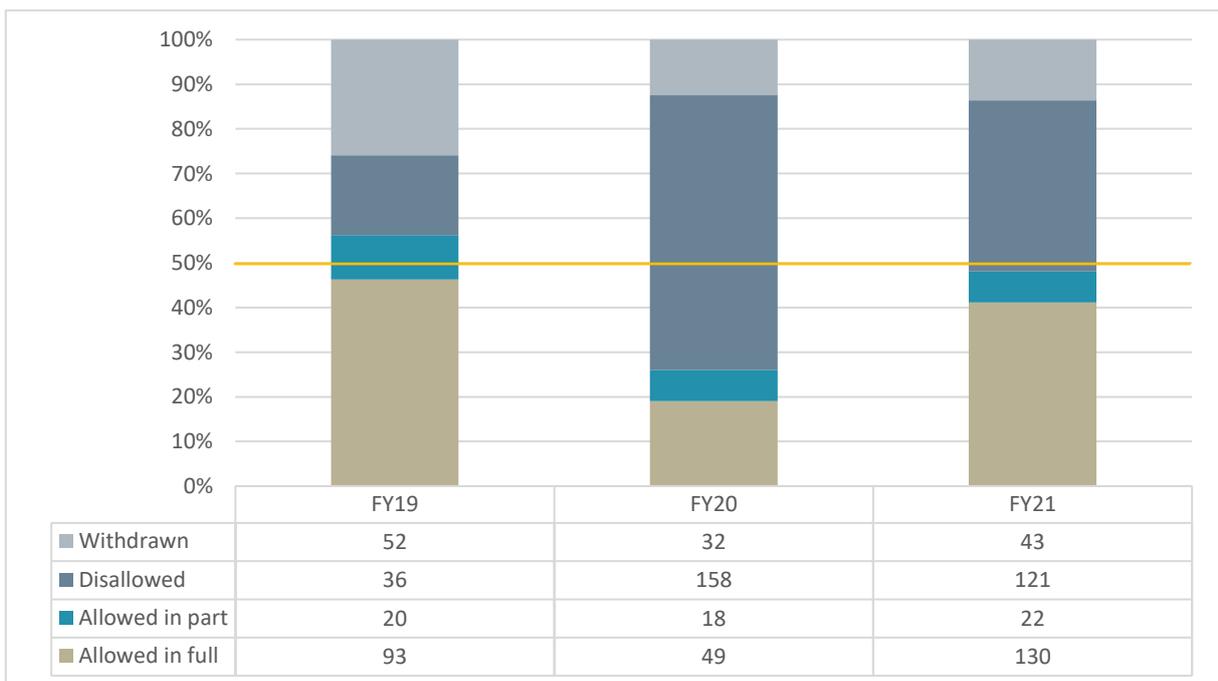
- 2.43. In the case of Privately Owned and Wealthy Groups (Figure 2.17), approximately 50% of outcomes were either disallowed or withdrawals. The withdrawal rate in FY19 was particularly pronounced, as were the rates of disallowances in both FY20 and FY21.

Figure 2.27: Total outcomes for Privately Owned and Wealthy Groups



2.44. In relation to Public and Multinational Businesses, approximately 40% of objections are allowed in full in both FY19 and 21. In FY20 a significantly lower proportion of objections were allowed in full, which corresponds to a significant increase in the proportion of cases disallowed. The ATO has advised that this can be attributed to the impact of a cluster of objections regarding Fuel Tax Credits.

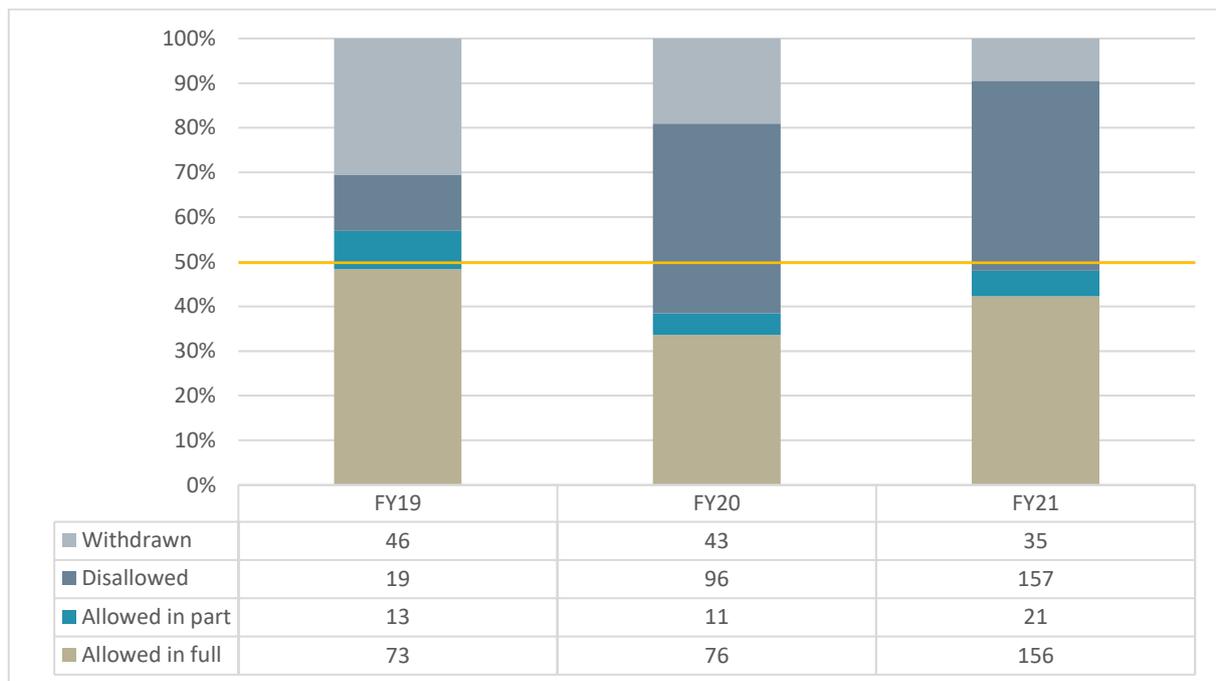
Figure 2.28: Total outcomes for Public and Multinational Businesses



2. BROAD OVERVIEW AND KEY OBSERVATIONS

2.45. With the exception of FY19, Super Funds and NFPs showed that the largest group of outcomes were disallowed objections followed by objections allowed in full. The rate of withdrawal in this group is relatively low with less than 10% in FY21. It is worthwhile noting that the high occurrence of Invalid objections within this group (as shown in earlier charts) has been removed for the purposes of assessing outcomes.

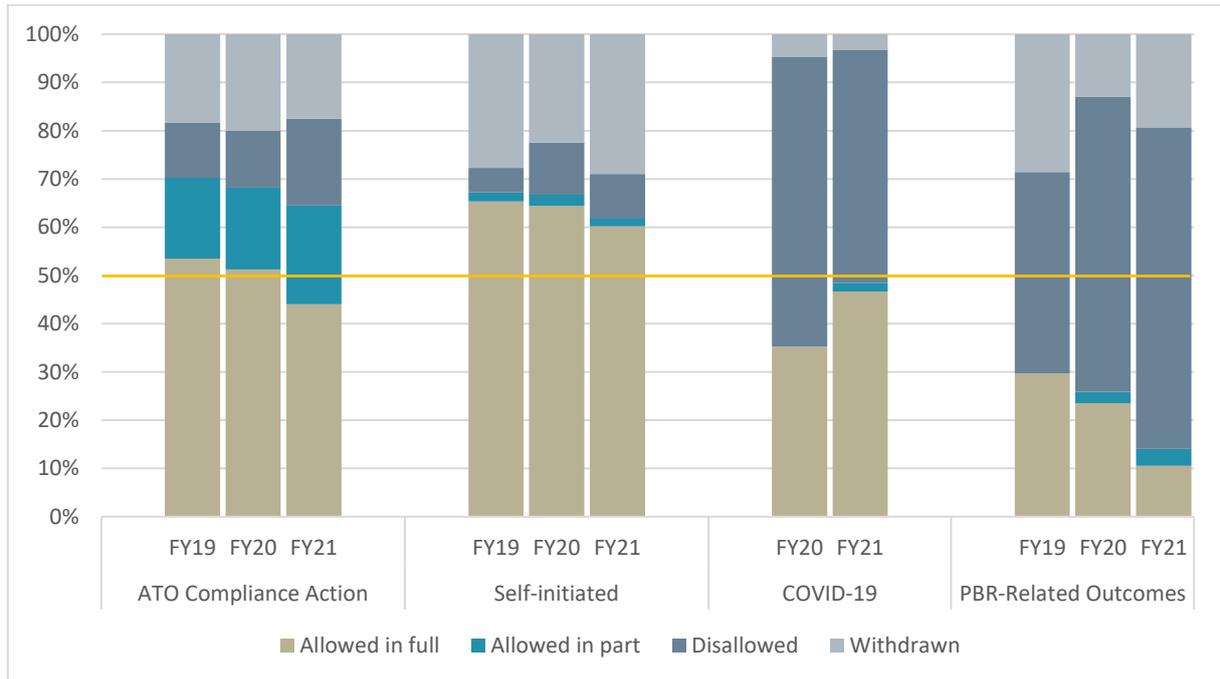
Figure 2.29: Total outcomes for Super Funds and NFPs



2.46. Another view of objection outcomes, segmented by the underlying reason for objections (i.e., ATO compliance action, self-initiated, COVID-19 and PBRs) is presented in Figure 2.30. In the main:

- The rate of ATO compliance action objections allowed in full has declined between FY19 and FY21. In FY21, the proportion of these cases that were allowed in full is approximately 45% compared with 50% in the earlier years.
- The majority of self-initiated objections are allowed in full and the proportion of these have remained relatively consistent across all three years although there is a high occurrence of cases being withdrawn.
- In FY20, the majority of COVID-19 objections were disallowed while in FY21, there appeared to be an even split between those cases allowed in full and those that were disallowed.
- In relation to PBRs, across all three financial years, the most frequent outcome was disallowed, with a low of rate of cases being allowed in full when compared with other objection types. In all other years and for all other client experience groups, PBR objections have more often than not been disallowed or were withdrawn.

Figure 2.30: Breakdown of outcomes for valid Objections (Overall)



2.47. Figures 2.31 to 2.35 provide a breakdown of objection outcomes by type of objection and client experience group:

- Across all client experience groups, successful (allowed in full) objections against ATO compliance actions is declining, year on year.
- Individuals and Small Business taxpayers had a high level of success in relation to self-initiated objections, with approximately 60% to 70% of such objections being allowed in full. These figures are higher than those observed in relation to other client experience groups.
- Individuals and Small Business taxpayers had generally lower levels of success in having COVID-19 objections being allowed in full, with less than 50% being granted in both FY20 and FY21. In contrast, Privately Owned and Wealthy Groups, Public and Multinational Businesses, and Super Funds and NFPs all had higher rates of success in relation to COVID-19 objections, particularly in FY21.
- Individual taxpayers were the only group to have a higher rate of objections allowed in relation to PBR-related objections, with more than 50% being allowed in full in FY20.

2. BROAD OVERVIEW AND KEY OBSERVATIONS

Figure 2.31: Breakdown of outcomes for Individuals

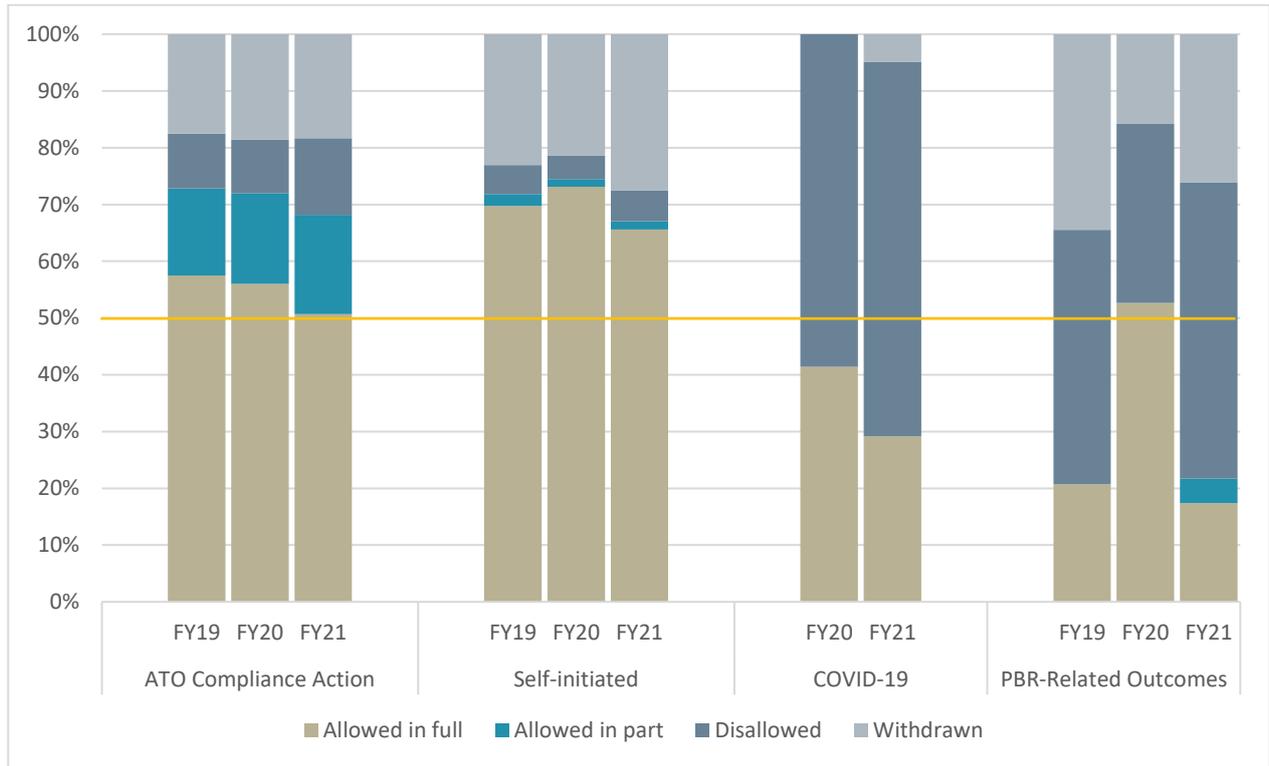


Figure 2.32: Breakdown of outcomes for Small Business

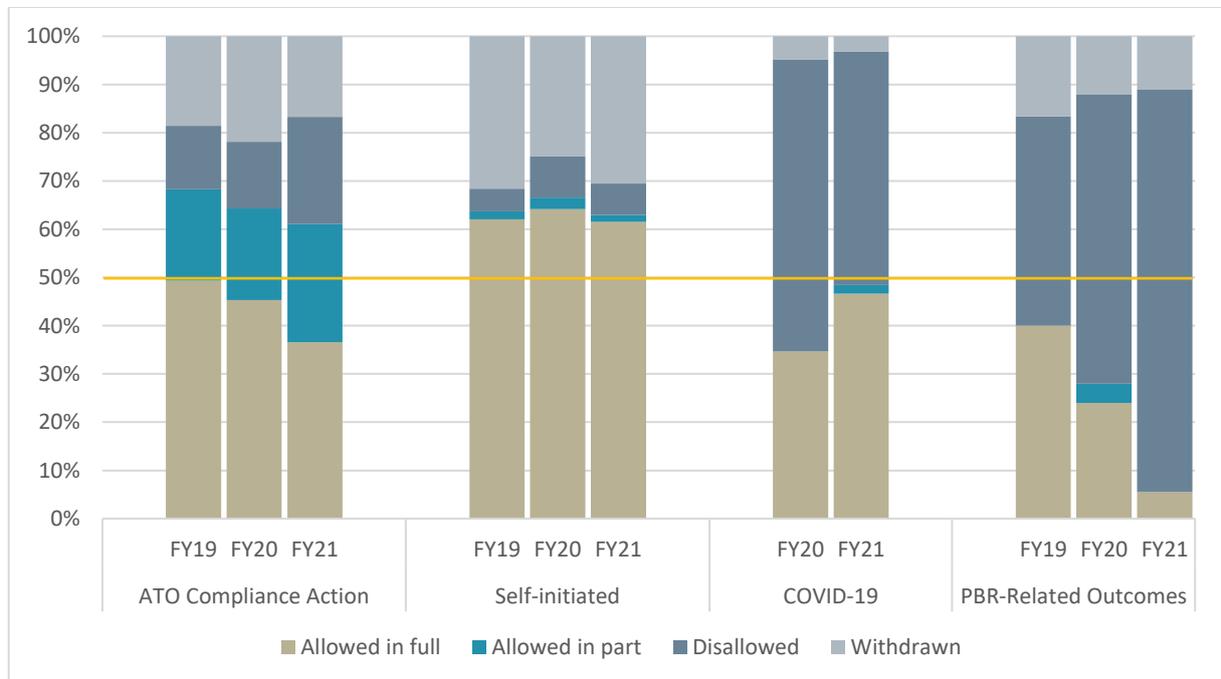


Figure 2.33: Breakdown of outcomes for Privately Owned and Wealthy Groups

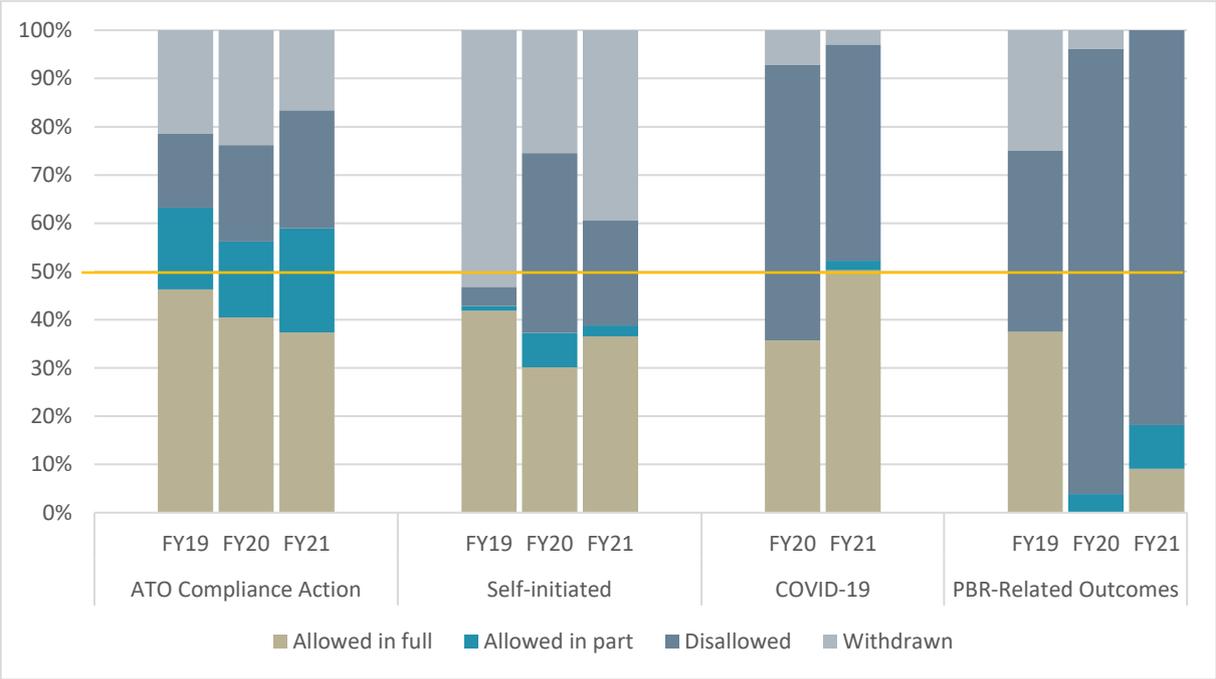
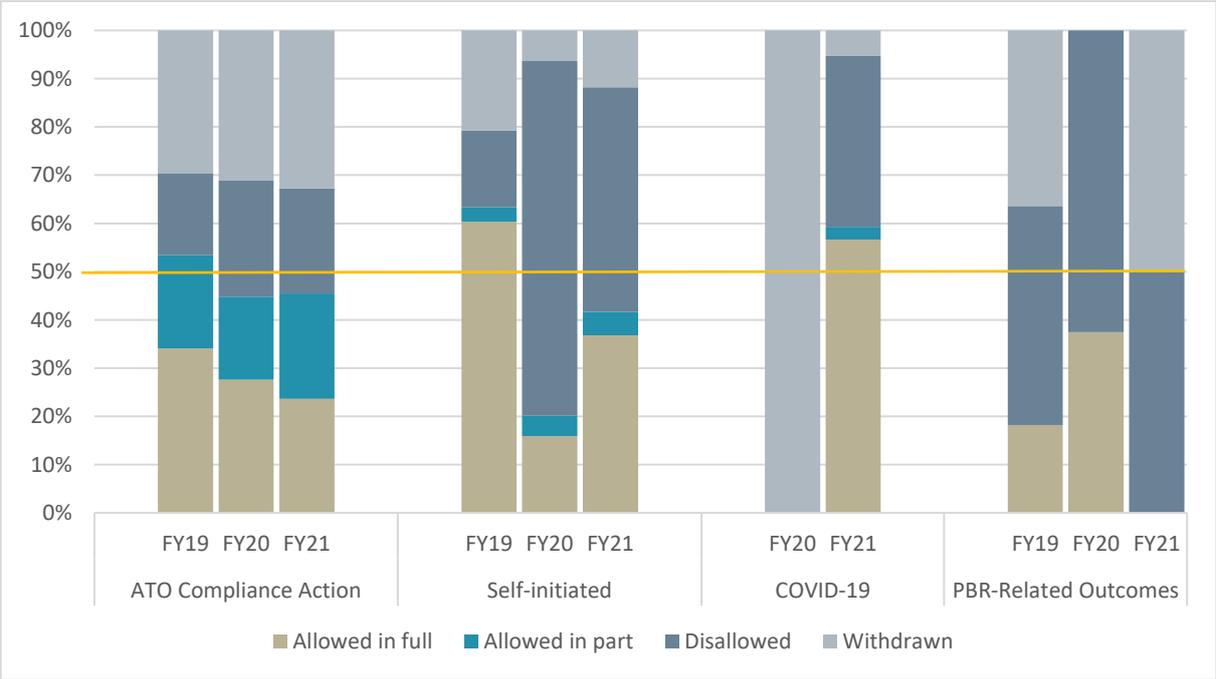
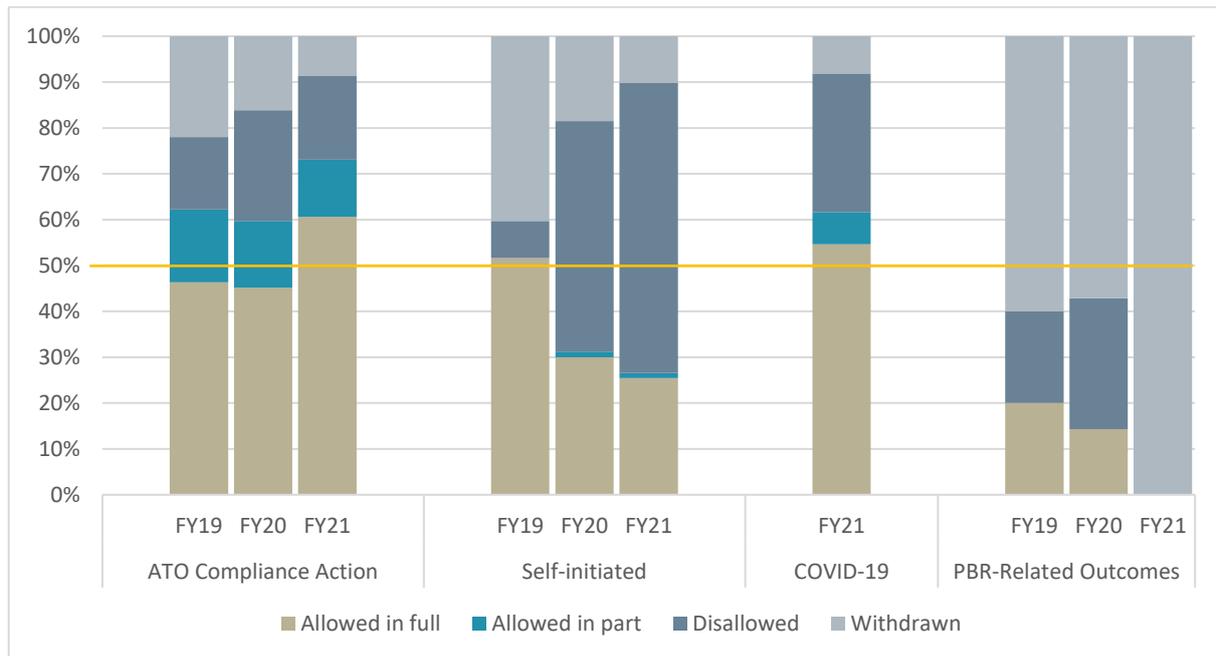


Figure 2.34: Breakdown of outcomes for Public and Multinational Businesses



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Figure 2.35: Breakdown of outcomes for Super Funds and NFPs



Taxpayer Representation in Objections

- 2.48. The ATO has previously reported that over 70% of Individuals and 90% of businesses are represented by a registered tax practitioner (i.e., a Tax Agent or BAS Agent registered under the *Tax Agent Services Act 2009*).²³ Given the passage of time, this figure may have changed. In its Annual Report 2020-21, the ATO reported that 68.9% of income tax returns were lodged by a tax agent whilst 31.1% were self-prepared.²⁴
- 2.49. The proportion of objections lodged by a registered tax agent do not align with the rates of lodgement and representation reported elsewhere.
- In FY19 and FY20, approximately 50% of objections were lodged by registered tax agents.
 - In FY21, this figure increased and approached 60%, likely due to the increase in COVID-19 objections and the increased need/requirement for professional assistance to deal with a new and complex area of tax law which had significant financial implications in difficult economic times.
- 2.50. The lower level of representation in objections when considered against tax lodgement requires further explanation. Some possible reasons include:
- certain tax practices provide lodgement services only and would not otherwise assist with tax disputes;

²³ ATO, *Compliance in Focus 2013-14: Tax Professionals* (2013).

²⁴ Commissioner of Taxation, *Annual Report 2020-21* (2021) p 183.

- d. some corporate and business taxpayers and groups may rely on in-house expertise to manage the objection;
- e. the ATO's system only records representation where it is lodged by a registered tax or BAS agent and not where a taxpayer is assisted by a solicitor or barrister, who as a matter of legal practice is not required to be a registered tax agents to provide legal advice and assistance.

Figure 2.36: Objections lodged by a registered tax agent vs Taxpayer/Other

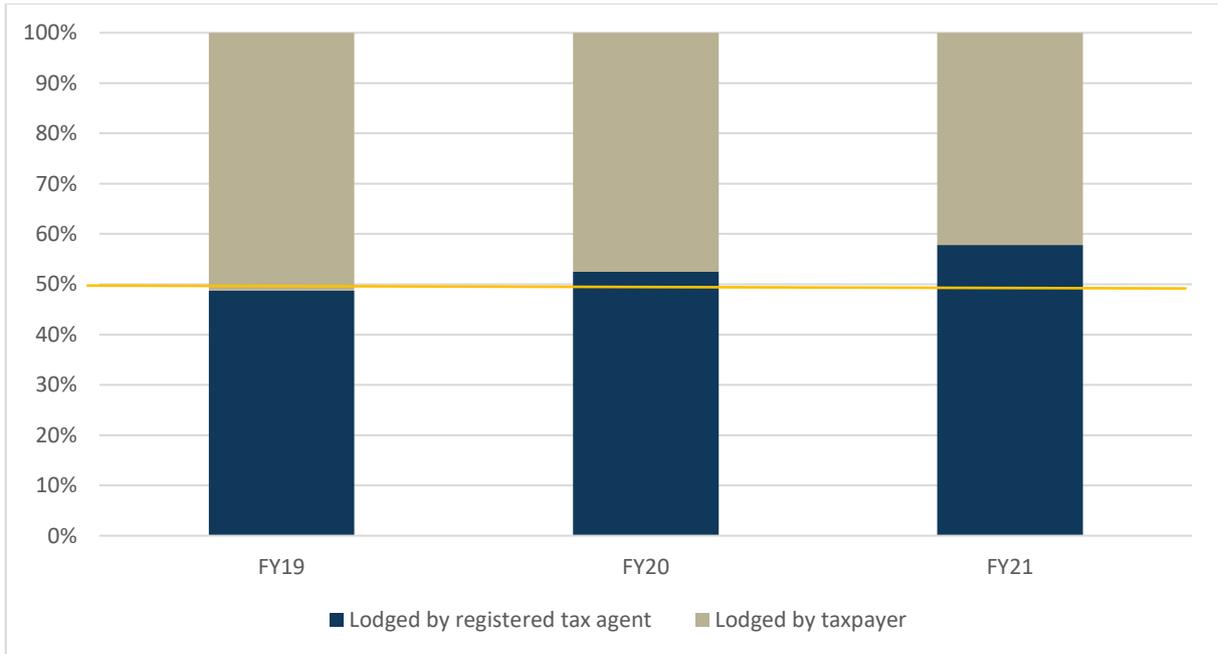
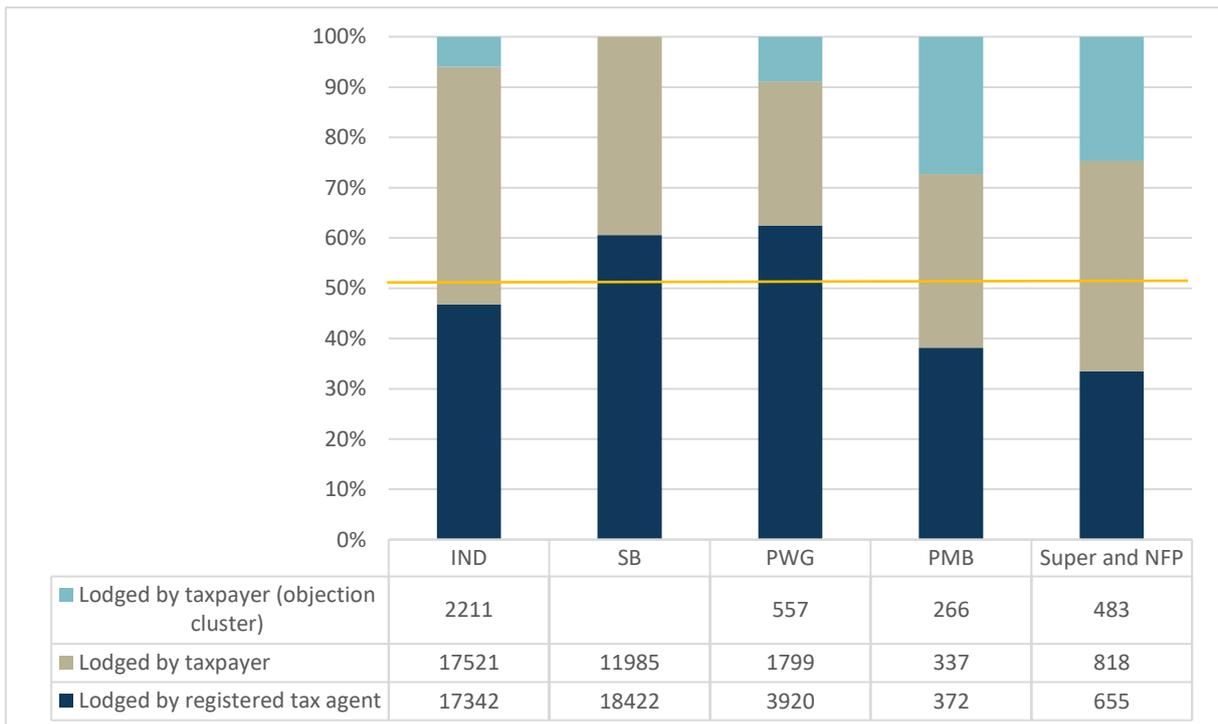


Figure 2.37: Objections lodged by a registered tax agent vs Taxpayer/Other (Comparison of client experience groups)



	IND	SB	PWG	PMB	Super and NFP
Lodged by taxpayer (objection cluster)	2211		557	266	483
Lodged by taxpayer	17521	11985	1799	337	818
Lodged by registered tax agent	17342	18422	3920	372	655

2. BROAD OVERVIEW AND KEY OBSERVATIONS

- 2.51. The impacts on timeframes and outcomes where an objection is lodged by an agent versus those that are self-prepared are unclear and likely require further field work as part of the second phase of the investigation.

Observations and areas for further investigation

- 2.52. The data presented above provides a snapshot of receipts, timing and outcomes as they relate to a broad range of objections lodged by all taxpayer segments. A number of observations may be made in relation to the data:

- The ATO appeared to have processed and actioned a higher volume of objection cases in FY21 compared with prior years, as indicated by the influx of objections received in FY21, and its overall closing balance at the end of FY21 was lower than in the prior two years. There was also a reduction in the number of withdrawn or invalid objections, meaning that more objection cases proceed to be finalised with a decision issued. Much of the underlying cause for the influx was COVID-19 objections lodged by small businesses. Due to the time limits associated with the availability of these support measures, it was appropriate that the ATO deal with these objections in a timely manner – although, many of these were ultimately disallowed. Further examination of the management of objections in FY21 is warranted both in relation to the ATO’s redeployment of resources to manage the influx as well as any underlying causes for the increased rate of disallowances of COVID-19 objections.
- A large proportion of objections received each year are self-initiated objections and in each of the FYs under examination, they exceeded objections lodged against ATO compliance action. In FY21, COVID-19 objections (which are classified by the ATO as objections against compliance action), were the largest cohort of objections:
 - It is worth noting that without an objection, the Commissioner may only amend an assessment within specified time limits²⁵ (generally 2 years for an individual, small business entity and medium business entity taxpayer and otherwise 4 years) and this limitation prevents a taxpayer from requesting an amendment outside these time limits.
 - Accordingly the taxpayer must lodge an objection against the original assessment, the Commissioner must exercise his discretion for the objection to be received out of time (generally 60 days of the original assessment) and the self initiated amendment can be made.
 - A successful objection which results in the issue of an amended assessment will restart the time limitations which apply to the Commissioner.

²⁵ *Income Tax Assessment Act, 1936*, section 170. There are circumstances where the period for amendment may be extended. For example, where the Commissioner forms the opinion that there has been fraud or evasion – see *Income Tax Assessment Act 1936*, s 170(1) Item 5.

2. BROAD OVERVIEW AND KEY OBSERVATIONS

- When the effects of COVID-19 objections are removed, across all client experience groups, self-initiated objections outstrip objections against ATO compliance action with the exception of Super Funds and NFPs.
 - Objections lodged by Individual taxpayers and Small Businesses, on average, require less time to finalise when compared with those lodged by Privately Owned and Wealthy Groups, and Public and Multinational Businesses.
 - Approximately 20% of valid objections (i.e., those not declared invalid or managed through another process) are withdrawn without a decision being issued. In FY19 and FY20, approximately 20% were withdrawn. In FY21, 15% were withdrawn. Although the taxpayer is within their rights to withdraw any objections they lodge with the ATO, it is important to acknowledge that a withdrawn objection nonetheless has a resource impact on the ATO to manage the objection up until the point it is withdrawn. Similarly, there may also be costs for the taxpayer in managing the objection. Further consideration of the underlying causes for withdrawn objections may assist to reduce the incidence of these withdrawn objections. Consideration of the rate of withdrawn objections that are later re-lodged will also be insightful to determine underlying causes and opportunities for improvement.
 - The ATO's system differentiates between those objections that are lodged by registered tax agents and those that are not. The latter category is designated as a "self-prepared" objection. Approximately 50% of objections in FY19 and FY20 were lodged by registered tax agents. There is no ATO data to determine how the remainder is comprised - for example, that the taxpayer in fact prepared and lodged their objection, the objection was lodged by in-house tax teams or it was prepared and lodged by a legal practitioner (such as a solicitor or barrister). In FY21, the proportion of objections lodged by registered tax agents increased to 58%, likely reflecting the increased use of registered tax agents to assist with COVID-19 objections.
- 2.53. The ATO does not routinely report on the quantum of tax in dispute at objections and the quantum of tax allowed in successful objections. As noted earlier, while the ATO's enterprise case management system includes fields to record the outcomes of objections, including original tax, interest and penalties that are the subject of objections and the variances that are made once an objection is finalised, it has advised the IGTO that these fields are not used in reporting. Furthermore, it has indicated that as the fields require manual entry of figures, data confidence is low and it did not believe that producing a report based on these figures was sufficiently reliable for a public report.
- 2.54. Based upon these observations, there are a number of areas which the IGTO will look to pursue in the second phase of the investigation:
- the reasons for the high proportion of self-initiated objections, and their resource impacts on the overall administration of objections work and compliance costs for taxpayers;

2. BROAD OVERVIEW AND KEY OBSERVATIONS

- the underlying causes for objections being withdrawn prior to a decision being issued, and the impacts that these have on the ATO's resources to manage continuing objections and the related compliance costs for taxpayers;
- the composition of tax professionals that are assisting taxpayers with objections and the comparative timeliness and outcomes of objections that are prepared and lodged by the taxpayer without assistance and those that are lodged with the assistance of a professional; and
- whether reporting by the ATO of the quantum of tax in dispute would assist to improve its administration of objections overall.

2.55. These issues will be considered alongside matters that have already been raised with the IGTO in stakeholder submissions to this investigation.

Invitation for any further or supplementary submissions

2.56. The IGTO has received a number of submissions from stakeholders prior to the publication of this interim report. These submissions have not had the benefit of some of the insights and data represented in this report. The IGTO invites stakeholders to lodge any further submissions if there are any additional areas they wish to raise, having now considered the interim report.

2.57. The IGTO is welcomes any further submissions by **4 November 2022**. Further submissions may be lodged by telephone (02 8239 2111) or be sent by:

Post to: Inspector-General of Taxation and Taxation Ombudsman

GPO Box 551

Sydney NSW 2001

Fax: (02) 8088 7815

Email to: objections@igt.gov.au

3

ATO RESOURCING OF THE OBJECTIONS FUNCTION

This chapter provides key statistics, charts and tables about the ATO's human resources in objections

3. ATO RESOURCING OF THE OBJECTIONS FUNCTION

Introduction

- 3.1. This chapter presents Tables and Charts relating to the ATO's human resourcing of the objection functions. It presents data showing the levels of Full-Time Equivalent (FTE) employees between FY17 and FY21 (inclusive), both at an aggregate level and split by the officers' classification levels (to denote the level of seniority of the officers).
- 3.2. Broadly, the FTE levels in objections have remained relatively stable across all five FYs. Significant drops in staffing were observed in the final quarter of FY20 and early FY21, due to the ATO's deployment of junior objections officers to assist other areas of the ATO in implementing the Government's COVID-19 economic response measures.

Glossary of Terms

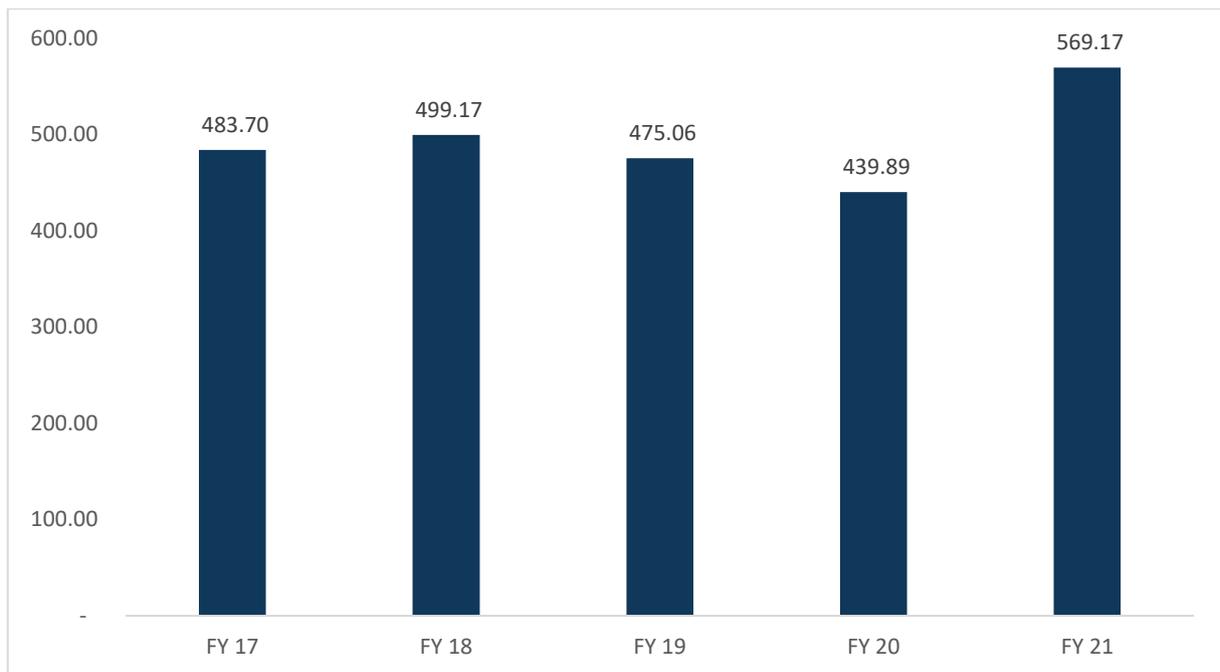
- 3.3. A glossary of terms used throughout this Chapter is included for reference and interpretation purposes

Abbreviation or term	Definition
APS1 - 6	Australian Public Service 1 to 6. A classification of employees based upon seniority within the ATO hierarchy. APS1 is the most junior classification up to APS6 being the most senior within the APS classification. The APS classification sits below the EL classification.
EL1 - 2	Executive Levels 1 and 2. EL officers rank above APS classifications, with EL1 being the junior and EL2 being the senior classification. The EL classification sits below the SES classification.
FTE	Full-time Equivalent. A measure of the number of full-time employees employed by the ATO. Part-time employees are converted to FTE for this measure. For example, two part time employees who work 50% of the usual full-time hours are counted as 1 FTE.
SES	Senior Executive Service. The SES classification is the most senior cohort of employees within the Commonwealth public service. There are three bands within the SES classification (from lowest to highest, SES Band 1, Band 2 and Band 3). The SES Band sits below the Commissioner of Taxation and Second Commissioners of Taxation who are statutory appointees.

The number of FTE officers involved in managing objections as a primary duty as at 30 June

- 3.4. Figure 3.1 shows the aggregate level of FTE employees in the objections area across five financial years (FY17 to FY21). The levels of staffing in Objections was relatively consistent across FY17 to FY20, with reductions in FY20 being largely attributable to redeployment of officers across the ATO to assist with implementation of the Government’s COVID-19 economic support measures.
- 3.5. In each of April, May and June 2020, the ATO’s objection area redeployed 13.17, 163.93 and 150.5 officers to assist with COVID-19 economic response measures. The majority of staff were returned to objections by the end of FY20, although a small number (32.36) still remained on deployment to other work areas of the ATO.
- 3.6. In FY21, the ATO’s objection area experienced a temporary increase of 100 FTE officers, when compared with earlier years.

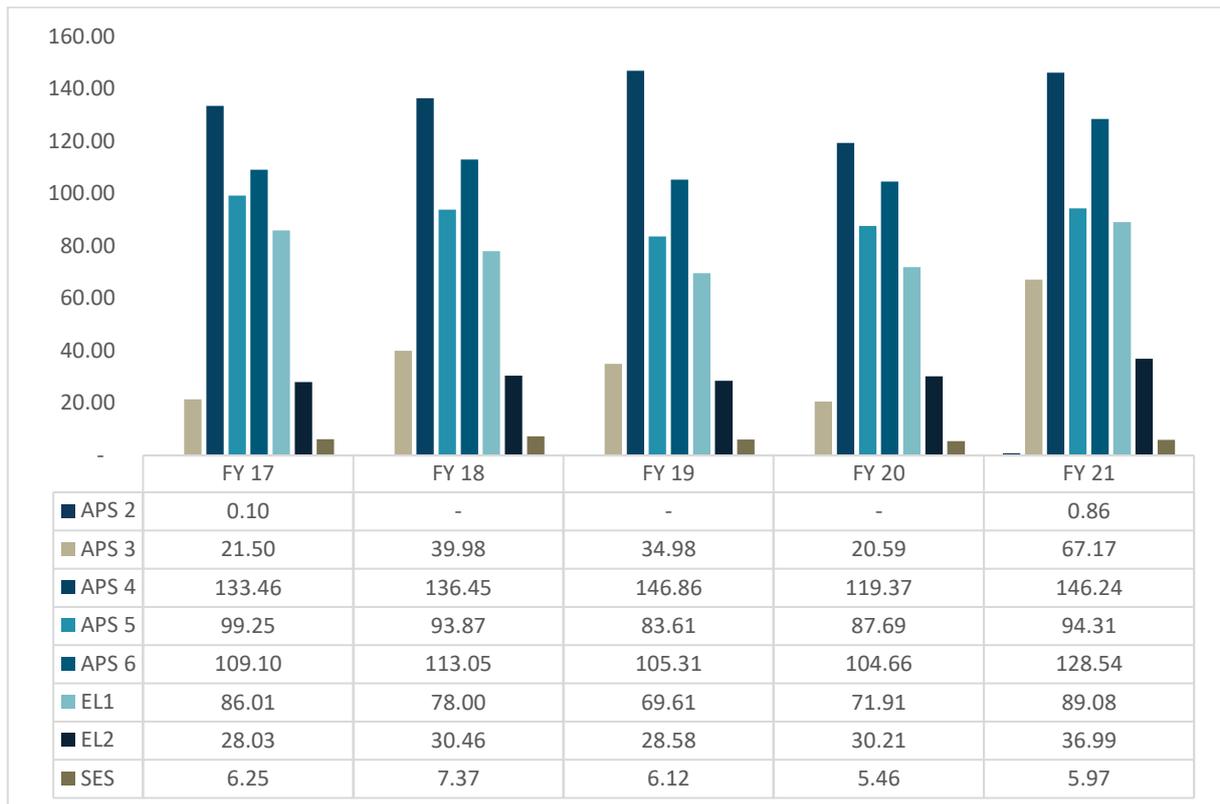
Figure 3.1: Total FTE as at 30 June – FY17 to FY21



3. ATO RESOURCING OF THE OBJECTIONS FUNCTION

3.7. Figure 3.2 presents the number of FTEs in each FY, stratified by the employment classification of the employees. The distribution of officers for FY17 to FY20 remained generally consistent with the majority of officers (approximately 70%) being at the APS4, APS5 and AP6 classification level. There was a slight decrease in FY21 with 65% of officers being at these classification levels.

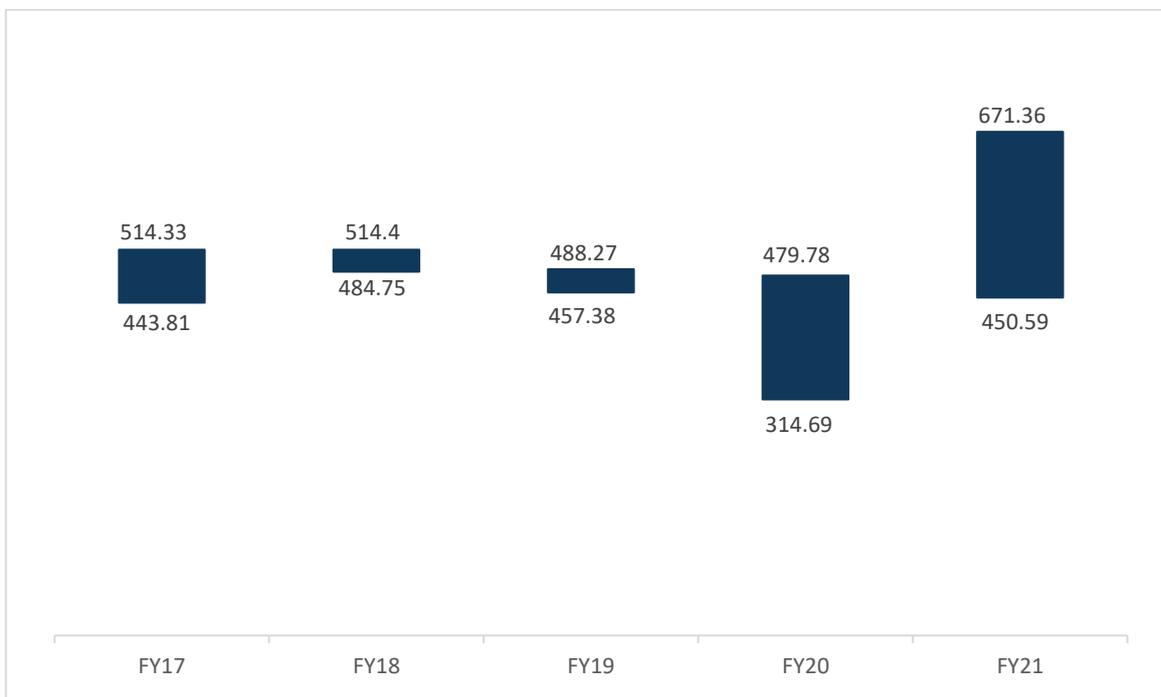
Figure 3.2: FTE by Classification as at 30 June, FY17 to FY21



The minimum and maximum number of FTE officers involved in managing objections as a primary duty

3.8. Figure 3.3 presents the lowest and highest levels of officers in the objections area in each of the five financial years. Unsurprisingly, FY20 experienced one of the largest variances in staffing levels which, as noted earlier, is largely attributable to the redeployment of employees to other work areas of the ATO. FY21 experienced the largest changes in staffing levels. The ATO has advised that this is due to it implementing a workforce management approach to allow it to respond to the Government's Coronavirus economic Response Package resulting in a temporary increase in FTE within Objections and Review.

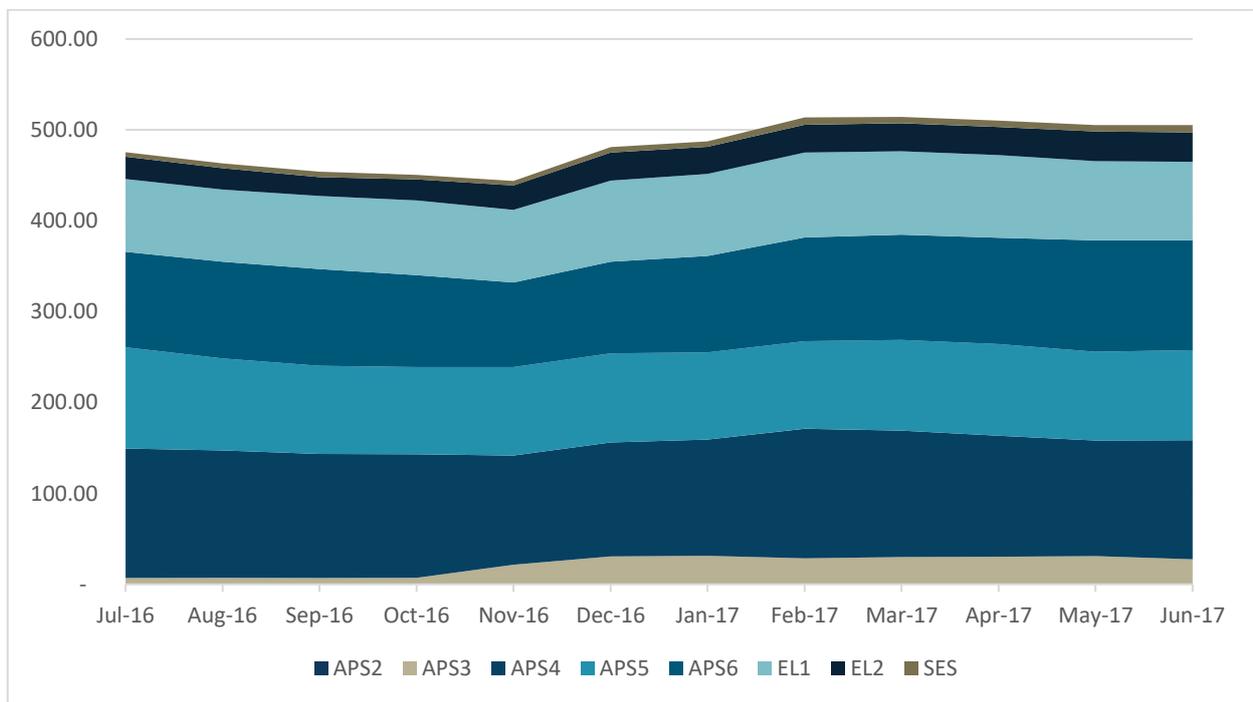
Figure 3.3: Minimum and Maximum FTE levels, FY17 to FY21



The change in FTE officers involved in managing objections as a primary duty

3.9. Figures 3.4 to 3.8 presents further insight into the changing levels of staffing in each of the five financial years, by their employment classification. Save for the periods of redeployment, there have not been significant shifts in the staffing levels of across FY17 to FY20. In FY21, two periods of significant staffing increases are observed. In October 2020, there was a spiked increase in officers at the APS3 level, and in February 2021 a similar spike is observed in relation to officers at the APS4 level.

Figure 3.4: Change in FTE throughout FY17



3. ATO RESOURCING OF THE OBJECTIONS FUNCTION

Figure 3.5: Change in FTE throughout FY18

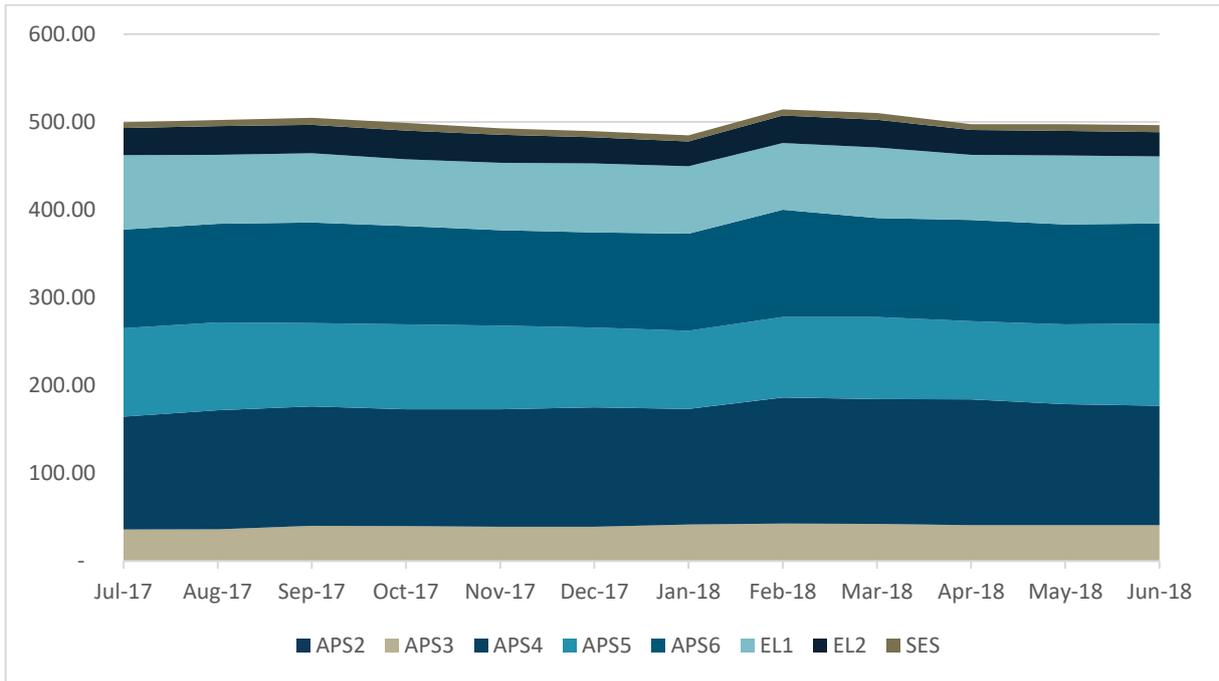
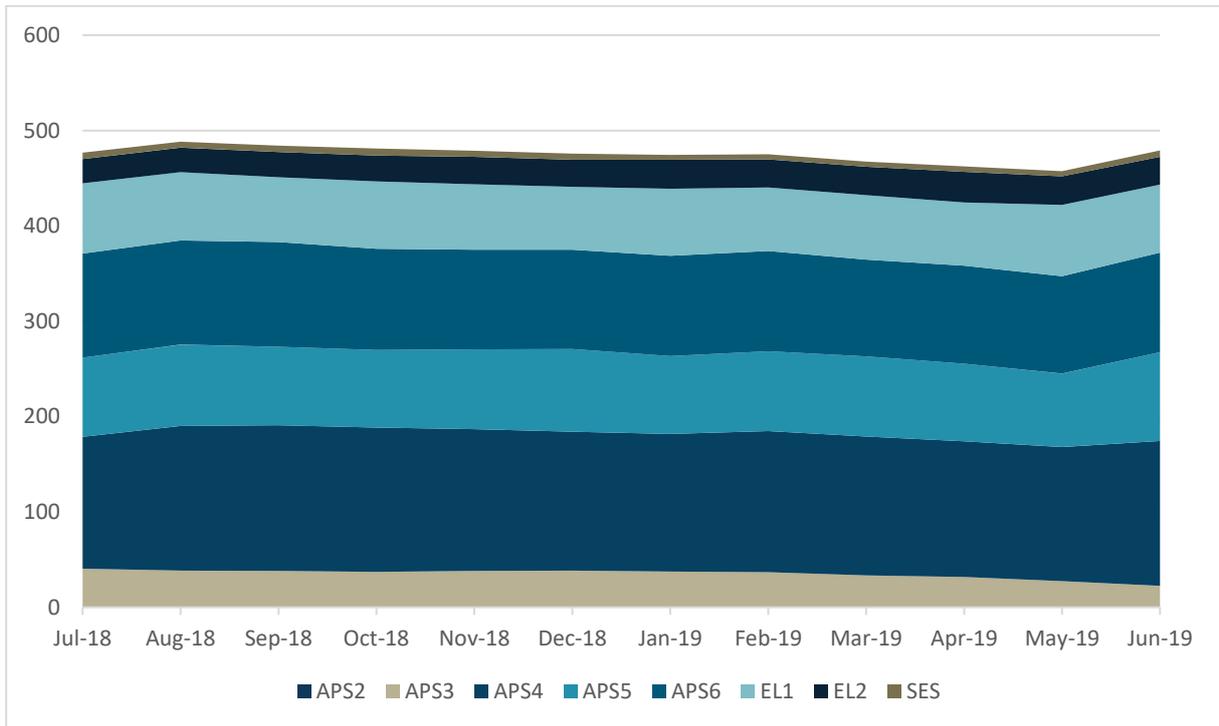


Figure 3.6: Change in FTE throughout FY19



3. ATO RESOURCING OF THE OBJECTIONS FUNCTION

Figure 3.7: Change in FTE throughout FY20

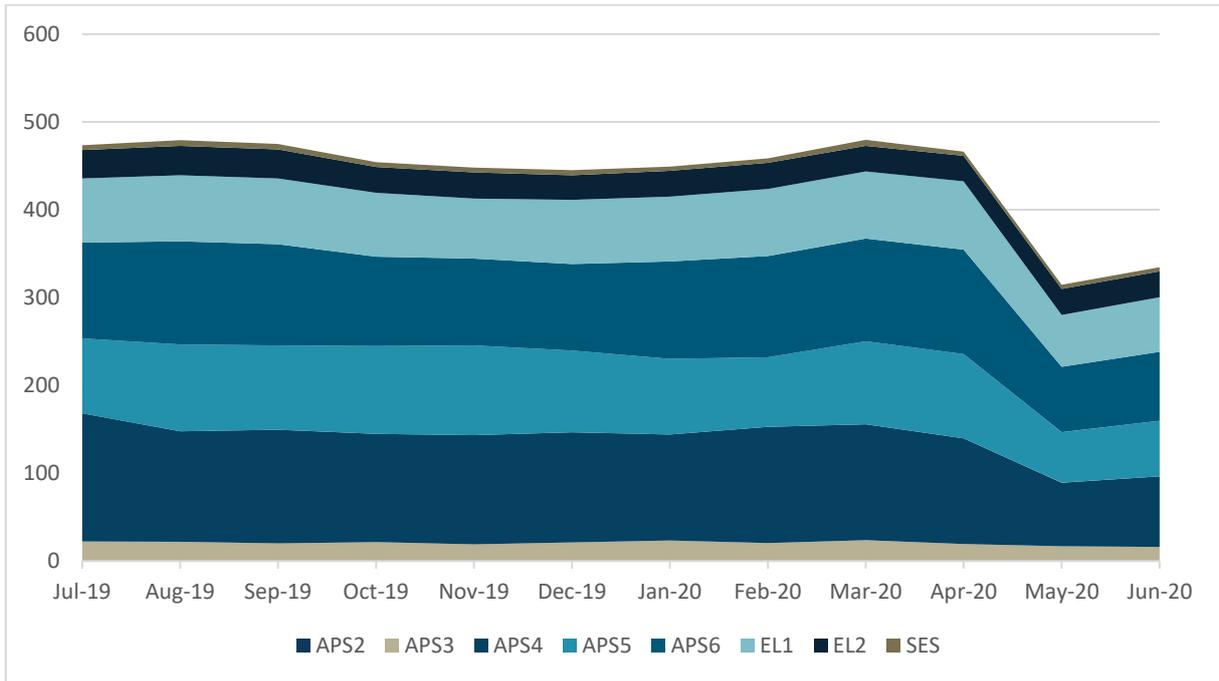
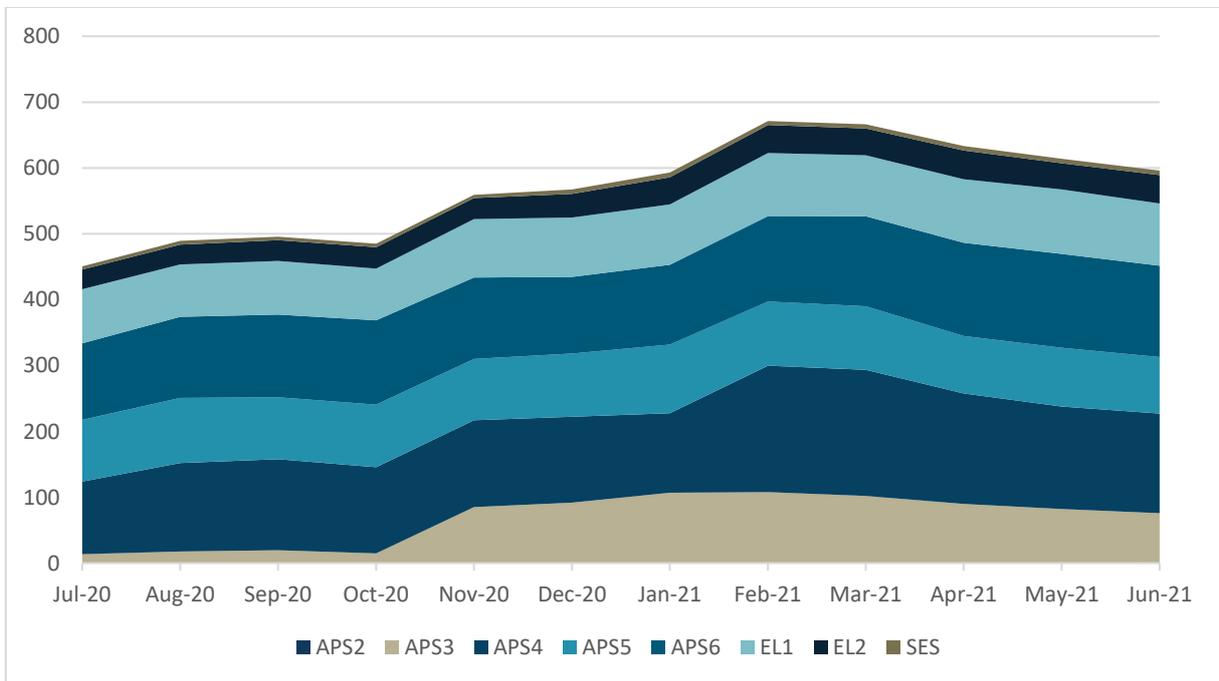


Figure 3.8: Change in FTE throughout FY21



4

QUANTITY OF OBJECTIONS

This chapter provides data in relation to the quantity of objections received, managed and finalised segmented by client experience groups, source of objection and whether or not the taxpayer was represented by a registered tax agent.

4. QUANTITY OF OBJECTIONS

Introduction

- 4.1. This chapter presents Tables and Charts which help the reader to understand movements in the overall quantities of objections between FY19 and FY21. A significant increase in objection numbers can be observed between FY20 and FY21. When the data is broken down further by Client Experience Groups, we see that the increase between FY20 and FY21 is clearly attributable to a sharp increase in objections from the Small Business Client Experience Group (Small Business). As the data in Chapter 4 will demonstrate, this sharp increase in Small Business objections was comprised almost entirely of objections which related to COVID-19 economic response measures.
- 4.2. Tables and Charts which show the number of objections that the ATO has on hand at the end of each month provides another perspective on how the ATO's overall caseload is impacted over time by variance in the quantity of objections it receives. As there is a limit to the number of objections that the ATO can manage at any one time, which is linked to the overall resourcing of the function (see Chapter 8), movements in the quantity of objections received will visibly affect the number of unallocated cases.
- 4.3. The data in this chapter will also help the reader to understand broadly why objections are being lodged. While objections can be lodged against decisions made by the ATO as part of compliance action that it undertakes (for example, an amended assessment following an audit), taxpayers can also lodge self-initiated objections in order to amend an assessment that is out of time. As self-initiated objections do not typically involve a dispute between the ATO and the taxpayer, they are less resource intensive and can often be finalised quickly (see Chapter 6).
- 4.4. The final group of Tables and Charts in the chapter will break down the total number of objections received by the ATO in each financial year to show the proportion of taxpayers who receive assistance from registered tax agents to lodge their objection, compared to those who do not, which includes taxpayers who are self-represented and those who receive assistance from legal practitioners.

Glossary of Terms

4.5. A glossary of terms used throughout this Chapter is included for reference and interpretation purposes

Abbreviation or term	Definition
ATO compliance decisions	Decisions made by the ATO in activities which amend the taxpayer's original assessment or results in a default assessment.
ATO private binding rulings	Binding advice from the ATO that sets out how a tax law applies to a taxpayer in relation to a specific scheme or circumstance.
Client Experience	Broadly, the ATO divides taxpayers into client experience groups. All taxpayers are allocated to a primary client experience population for reporting purposes. The client experience allocation is based on definitions and hierarchical approach. It is also subject to the information the ATO has for a particular taxpayer.
Client Experience - Individuals (IND)	Individual clients who have no: <ul style="list-style-type: none"> ▪ business or personal services income; or ▪ links to an active micro entity, excluding a link type of "member of an SMSF" if they receive passive income it is from investments or distributions only.
Client Experience - Private and Wealthy Groups (PWG)	The ATO views privately owned and wealthy groups as: <ul style="list-style-type: none"> ▪ companies and their associated subsidiaries (often referred to as economic groups) with an annual turnover greater than \$10 million, that are not public groups or foreign owned; or ▪ resident individuals who, together with their business associates, control net wealth over \$5 million.
Client Experience - Public and Multinational Businesses (PMB)	Includes Australian public companies, listed and unlisted; widely held Australian partnerships, superannuation funds and managed investment trusts; and majority foreign owned entities.
Client Experience - Small Business (SB)	A business with less than \$10 million aggregated turnover in the previous financial year. Prior to 2016-17, the threshold was \$2 million. This group may include individual taxpayers by reason of their association with another entity – for example, director of a company, or a partner in a partnership.
Client Experience – Super Funds and Not for Profits (NFPs)	Superannuation funds, including Self-Managed Superannuation Funds, and Not for Profits.
Fuel Tax Credits cluster	Taxpayer-initiated objections lodged following the decision in <i>Linfox Australia Pty Ltd v Commissioner of Taxation of the Commonwealth of Australia</i> [2019] FCAFC 131.
GST Input Tax Credit cluster	Taxpayer-initiated objections attempting to claim input tax credits for meal entertainment and expenses connected to employee allowances.
Military Superannuation cluster	Taxpayer-initiated objections received from former personnel of the Australian Defence Force in early 2020.
Self-education Expense cluster	Taxpayer-initiated objections received from members of law enforcement to claim self-education expenses.
Objections Finalised	Based on the date on which the objection case was recorded on ATO systems as 'finalised' or 'closed'

4. QUANTITY OF OBJECTIONS

Abbreviation or term	Definition
Objections Managed during a [financial year]	Includes all objections that were worked on by a case officer during the financial year regardless of the date of receipt or finalisation. (Note: this includes cases received in previous years and cases not yet finalised at the end of the current year. However, it does not include objections that were received by the ATO but had not been allocated to a case officer to work on before the end of the year)
Objections Received	Based on the date that the objection was received by Review and Dispute Resolutions. (Note: A period of time may elapse between the date when an objection is received by the ATO and when it was received by Review and Dispute Resolutions)
Registered tax agent	A tax agent registered under the <i>Tax Agent Services Act 2009</i>
Self-initiated by taxpayers	An objection lodged by a taxpayer that was not against an ATO compliance decision – for example, a self-amendment to a return that is out of time. It also includes objections to assessments that the taxpayer lodged in accordance with the view in a private ruling that they are seeking to challenge, as well as debt recovery and some superannuation activities.
Superannuation Guarantee cluster	A cluster of objections relating to liability to pay superannuation guarantee for certain personnel within the racing industry.
Tax practitioner	A registered tax practitioner as defined in the <i>Tax Agent Services Act 2009</i> who provides advice or represents a taxpayer in dealing with the ATO.
Working Holiday Maker cluster	Objections that were on hold pending the outcome of the outcome of <i>Addy v Federal Commissioner of Taxation</i> [2020] FCAFC 135.

The total number of objections managed, received and finalised

4.6. Figures 4.1 and 4.2 show a noticeable variance in the total number of objections managed, received and finalised by the ATO in FY19, FY20 and FY21. The ATO has advised that this can be attributed in part to the wider environment in which the ATO operates, including the impact of natural disasters and COVID-19. By contrast, the figures for FY17 and FY18 are comparatively steady. As the two largest client experience groups, Individual and Small Business taxpayers account for most of the objections shown in the Figures 4.1 and 4.2. Accordingly, variance in the overall figures can be traced back to variance within these two client experience groups (see Figures 4.3 to 4.6 below). Broadly speaking, the higher quantities of objections in FY19 are primarily attributable to higher quantities of objections received from individuals, while the higher quantities of objections in FY21 are primarily attributable to higher quantities of objections received from small business taxpayers.

Figure 4.1: Objections Received and Finalised - FY17 to FY21

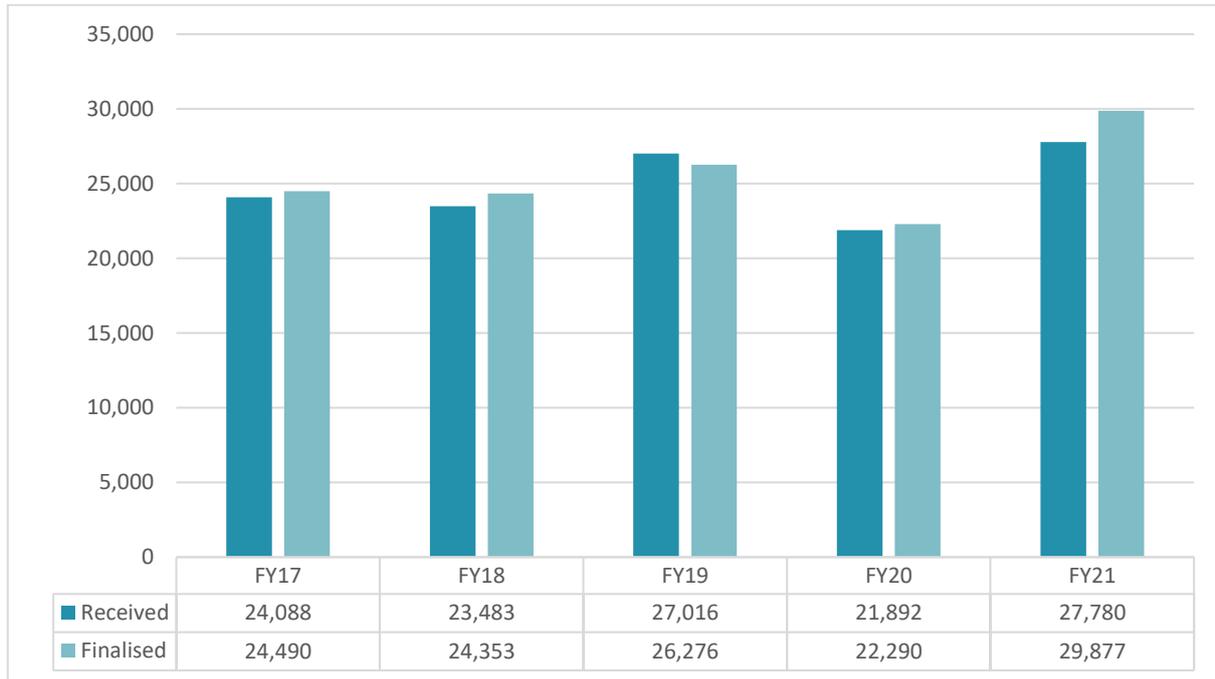
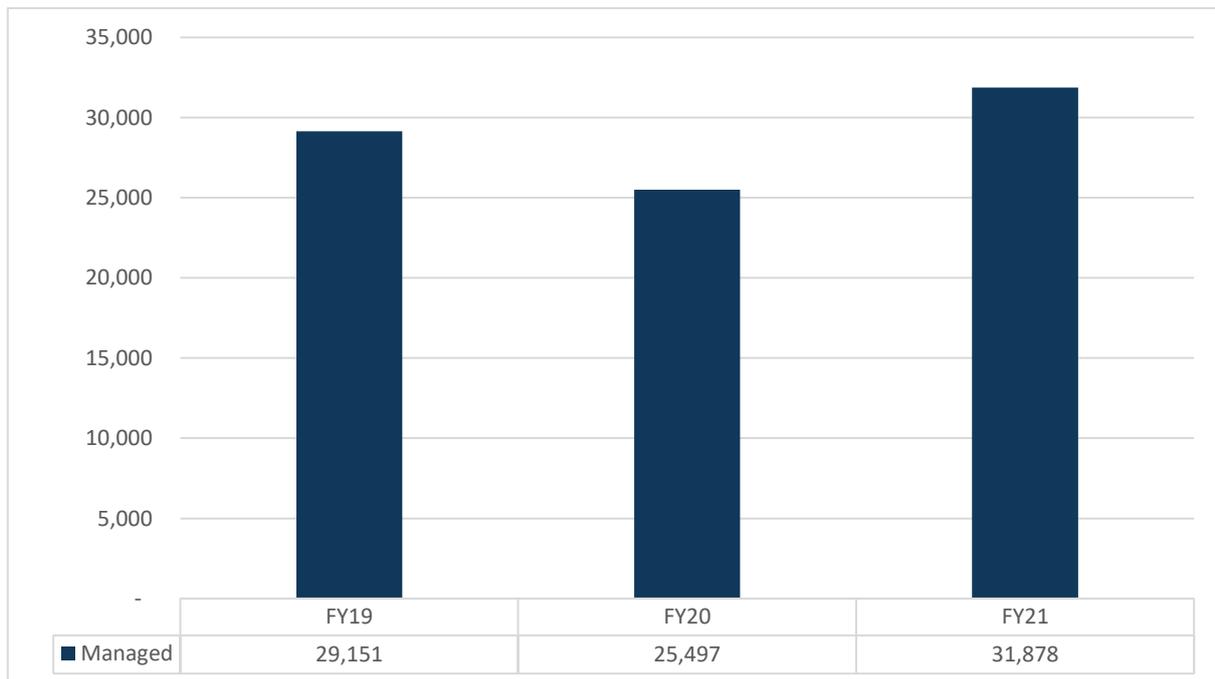


Figure 4.2: Objections Managed



Individuals

4.7. Figure 4.3 presents a decline in the total number of objections from individuals that were received, managed, and finalised by the ATO between FY19 and FY21. The decline is not as pronounced as the figures may initially suggest because FY19 case numbers are higher than typical. 2,244 objections (around 14%) received in that financial year were received from members of law enforcement as part of a cluster of cases regarding self-education expenses.

4. QUANTITY OF OBJECTIONS

However, even if the cases in this cluster are excluded (not shown), there would still be an observable decline in the quantity of objections from individuals between FY19 and FY21.

Self-education Expense cluster	Received	Managed	Finalised
FY19	2244	2530	2524

Figure 4.3: Objections Received and Finalised - Individuals

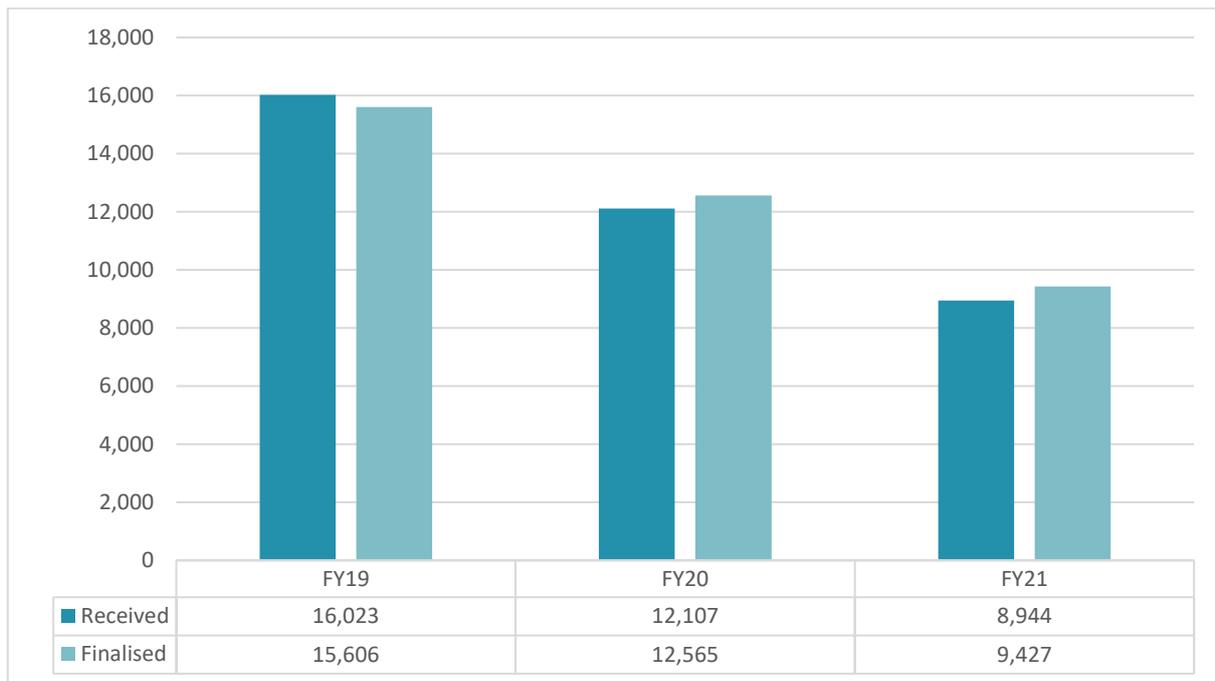
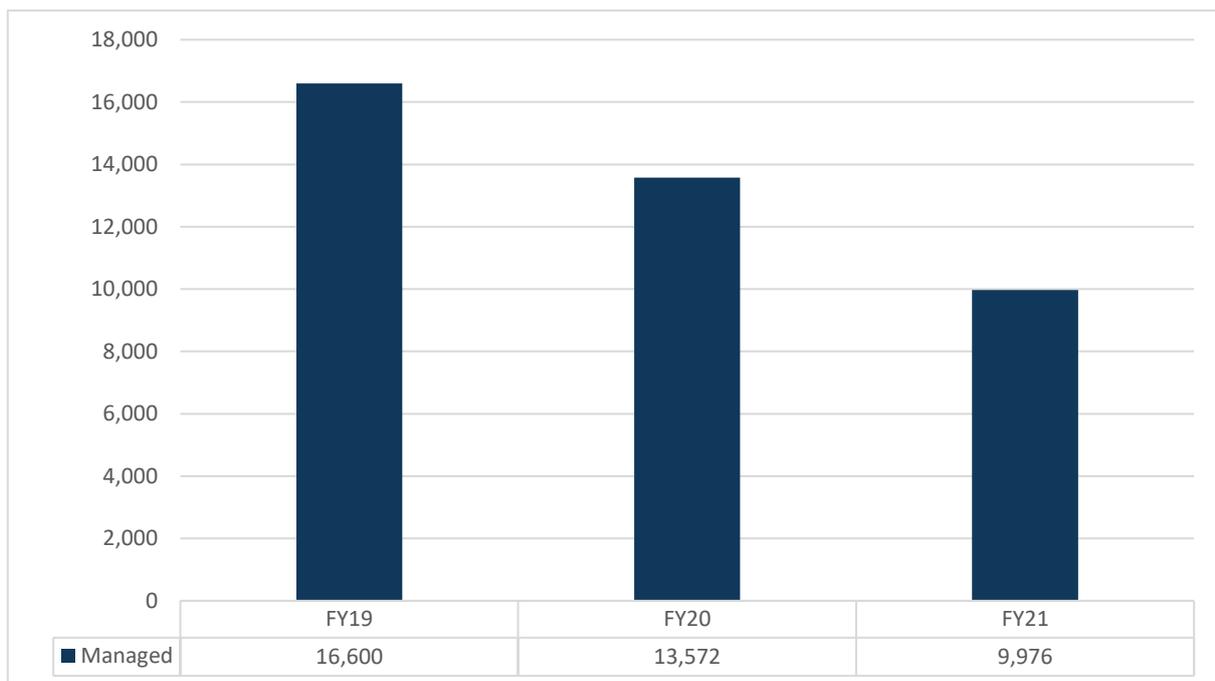


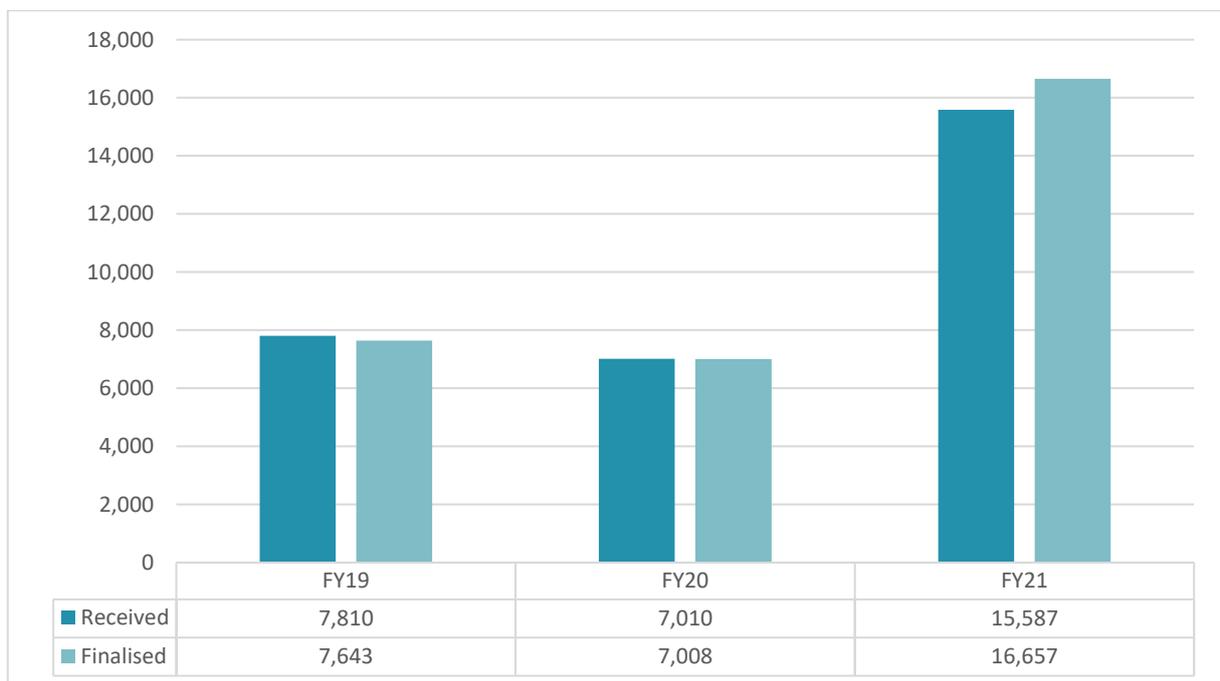
Figure 4.4: Objections Managed - Individuals



Small Business

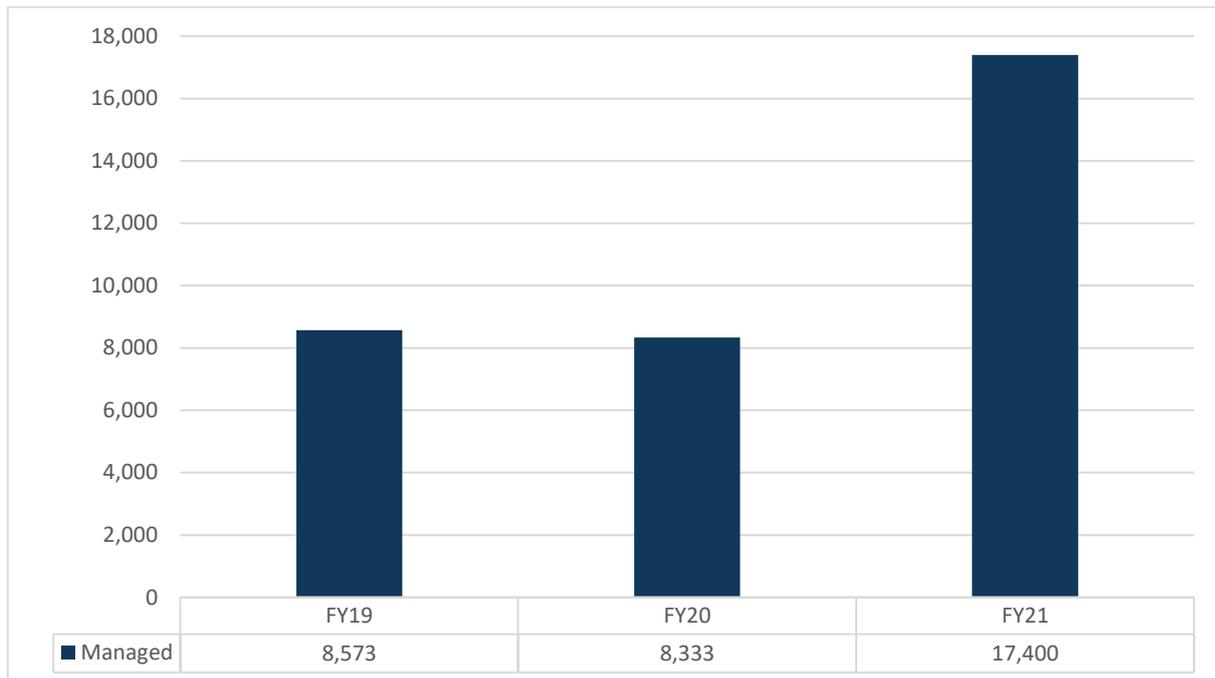
4.8. Figures 4.5 and 4.6 show a sharp spike in the total number of objections from small businesses that were received, managed, and finalised by the ATO in FY21. Unsurprisingly, this sharp increase is attributable to the COVID-19 pandemic and the Government's economic response measures. As the data in Chapter 5 will demonstrate, around 68% of objections (10,526) received from small business taxpayers in FY21 were objections against Job keeper and Cash Flow Boost decisions. Where the quantity of objections from small business taxpayers that are objections against COVID-19 response measures are excluded (not shown), the figures will show a decline, similar to what was observed for individuals in Figures 4.3 and 4.4 above.

Figure 4.5: Objections Received and Finalised – Small Business



4. QUANTITY OF OBJECTIONS

Figure 4.6: Objections Managed – Small Business



Privately Owned and Wealthy Groups

- 4.9. There was a moderate spike in relation to the quantity of objections from Privately Owned and Wealthy Groups that were received, managed, and finalised by the ATO in FY21 – refer Figures 4.7 and 4.8. While the increase is not as pronounced as the one observed for Small Business, it is similarly composed of objections against ATO decisions regarding COVID-19 response measures, primarily Cash Flow Boost. As the data in Chapter 4 will demonstrate, around 32% of objections (710) received from Privately Owned and Wealthy Groups in FY21 were objections against Cash Flow Boost decisions.
- 4.10. The quantity of objections from Privately Owned and Wealthy Groups are also materially skewed by a cluster of 427 objections lodged in FY20 (around 22%) after the decision in *Linfox Australia Pty Ltd v Commissioner of Taxation of the Commonwealth of Australia* [2019] FCAFC 131, relating to Fuel Tax Credits. But for the receipt of these objections, we would have observed a similar drop in objections between FY19 and FY20 from Privately Owned and Wealthy Groups, as we have observed in Super Funds and NFPs and within the ATO as a whole.

Fuel Tax Credit Cluster	Received	Managed	Finalised
FY20	427	418	406

Figure 4.7: Objections Received and Finalised – Privately Owned and Wealth Groups

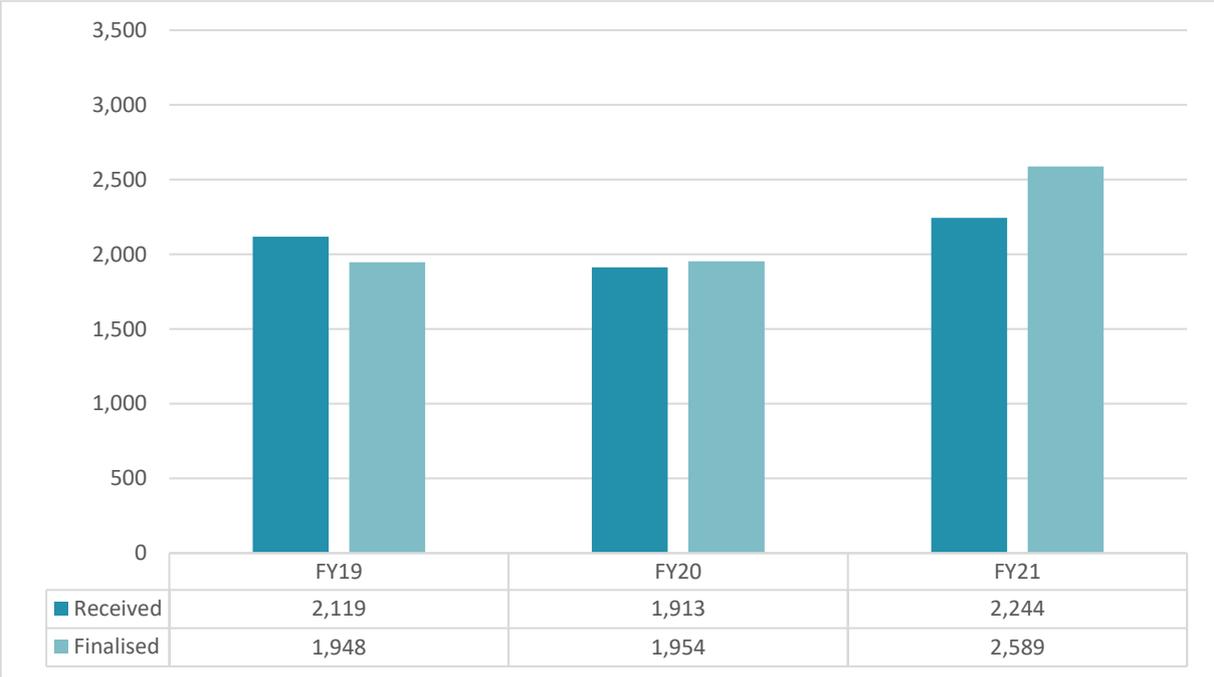
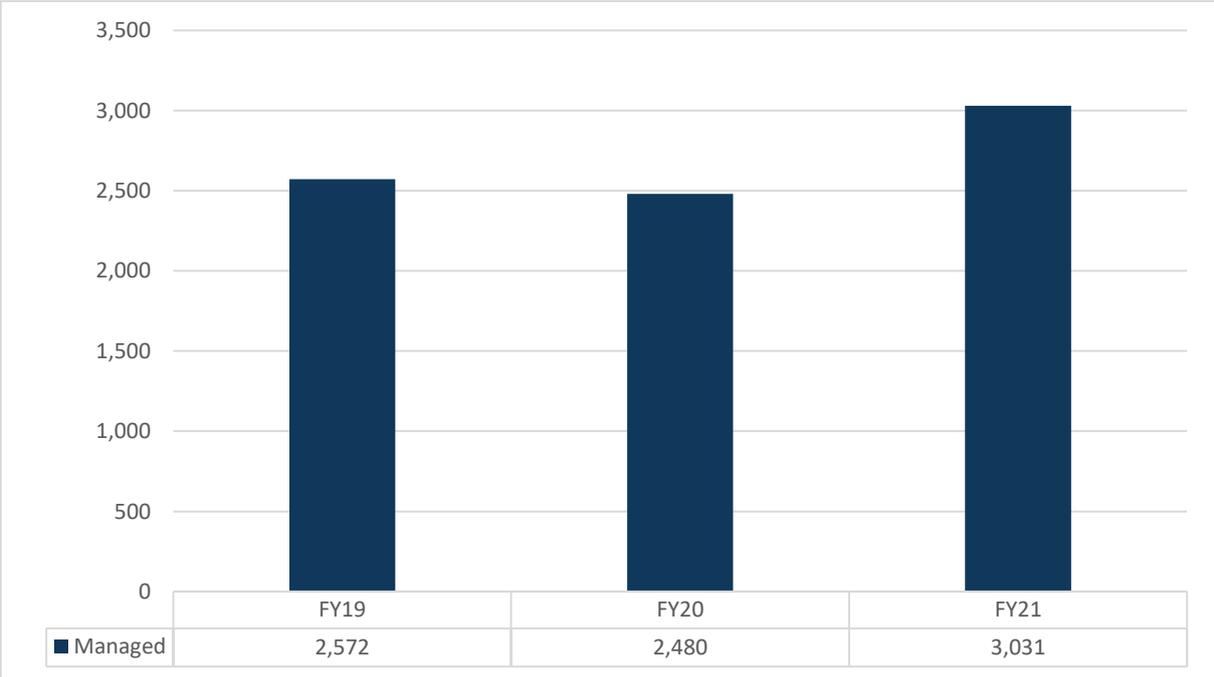


Figure 4.8: Objections Managed – Privately Owned and Wealth Groups



4. QUANTITY OF OBJECTIONS

Public and Multinational Businesses

- 4.11. As the client experience group with the smallest number of taxpayers, charts and tables which show objections lodged from Public and Multinational Business are particularly sensitive to clusters of cases. In FY19 and FY20, 29% and 45% of objections received from Public and Multinational Businesses relate to Fuel Tax Credits following the decision in *Linfox Australia Pty Ltd v Commissioner of Taxation of the Commonwealth of Australia* [2019] FCAFC 131.

Fuel Tax Credit Cluster	Received	Managed	Finalised
FY19	90	91	81
FY20	155	149	143

- 4.12. As the data in Chapter 5 will demonstrate, a similar proportion of total objections from Public and Multinational Businesses in FY21 relate to COVID-19 response measures (100 Job keeper and 30 Cash Flow Boost). Excluding objections that relate to Fuel Tax Credits or COVID-19 response measures (not shown), we observe that the quantity of objections received from Public and Multinational Businesses have remained relatively consistent.
- 4.13. The ATO has advised that a portion of cases managed and finalised in FY21 relate to a cluster of objections lodged by one adviser for several clients in FY18 and FY19 (the GST ITC cluster) regarding meal entertainment and expenses connected to employee allowances. This group of objections was finalised after the ATO had formed a view for one of the taxpayers in October 2020. The existence of this cluster overrepresents the number of objections managed and finalised in FY21. If these objections were treated as a single case (instead of 82 different ones), then we see that the quantity of objections managed and finalised for Public and Multinational Businesses has also remained relatively consistent.

GST ITC Cluster	Received	Managed	Finalised
FY21	5	82	80

Figure 4.9: Objections Received and Finalised – Public and Multinational Businesses

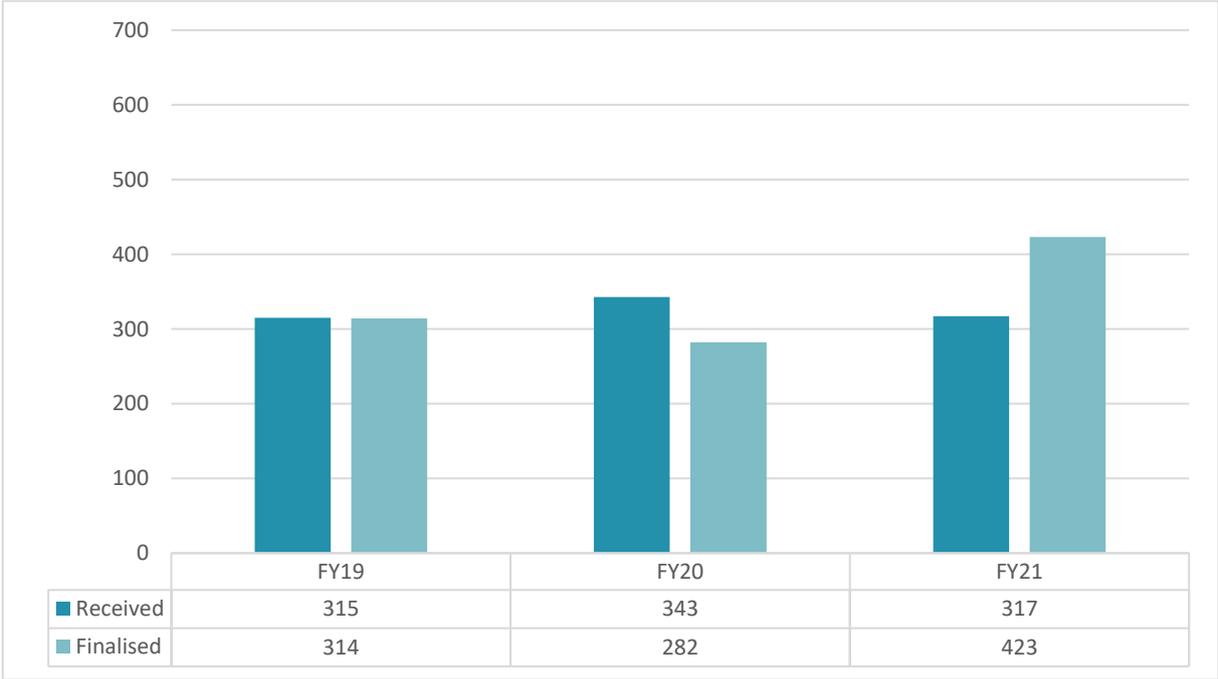
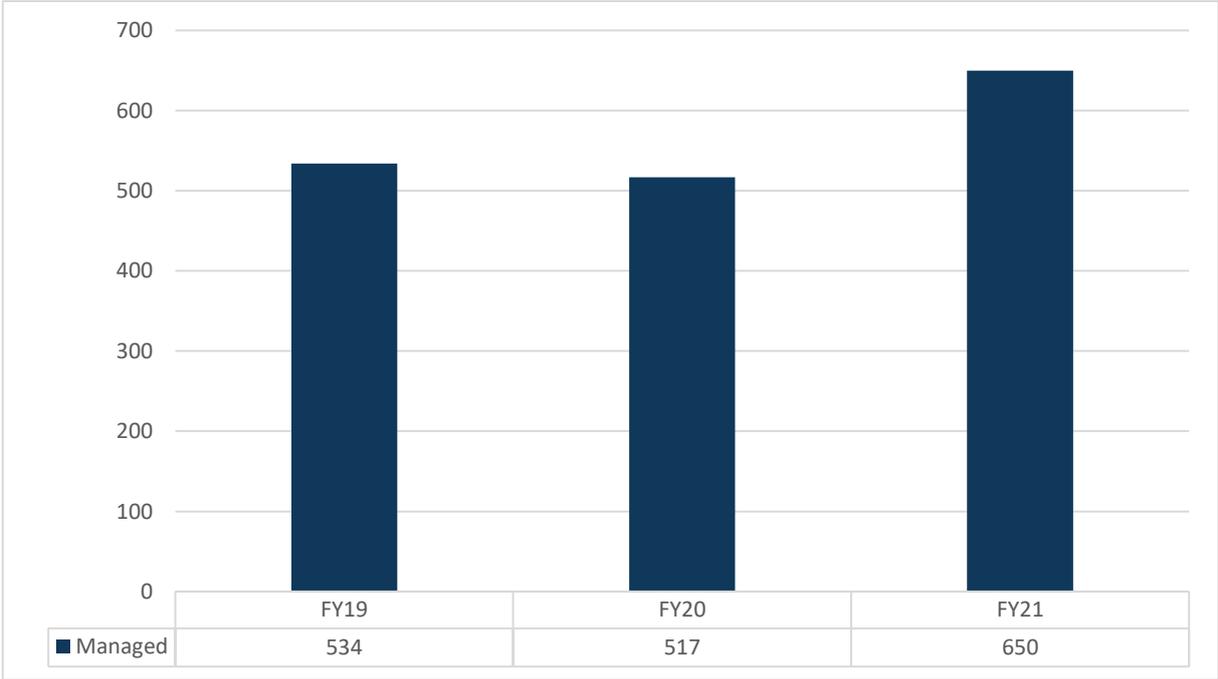


Figure 4.10: Objections Managed – Public and Multinational Businesses



4. QUANTITY OF OBJECTIONS

Super Funds and NFPs

- 4.14. Similar to Public and Multinational Businesses, due to the low number of taxpayers and objections within these client experience groups, the charts and tables shown below are skewed by the Fuel Tax Credit, GST ITC and Superannuation Guarantee clusters of cases. The amount of Fuel Tax Credit cases in FY19, expressed as a proportion of total cases, is quite significant, with 44% of all received cases belonging to the cluster.

Fuel Tax Credit Cluster	Received	Managed	Finalised
FY19	326	324	321
FY20	66	67	67

GST ITC Cluster	Received	Managed	Finalised
FY21	53	81	79

- 4.15. While some of the objections received in FY21 relate to COVID-19 response measures (there are 90 in total), the proportion is smaller for these client experience groups compared to the others.

Figure 4.11: Objections Received and Finalised – Super Funds and NFPs

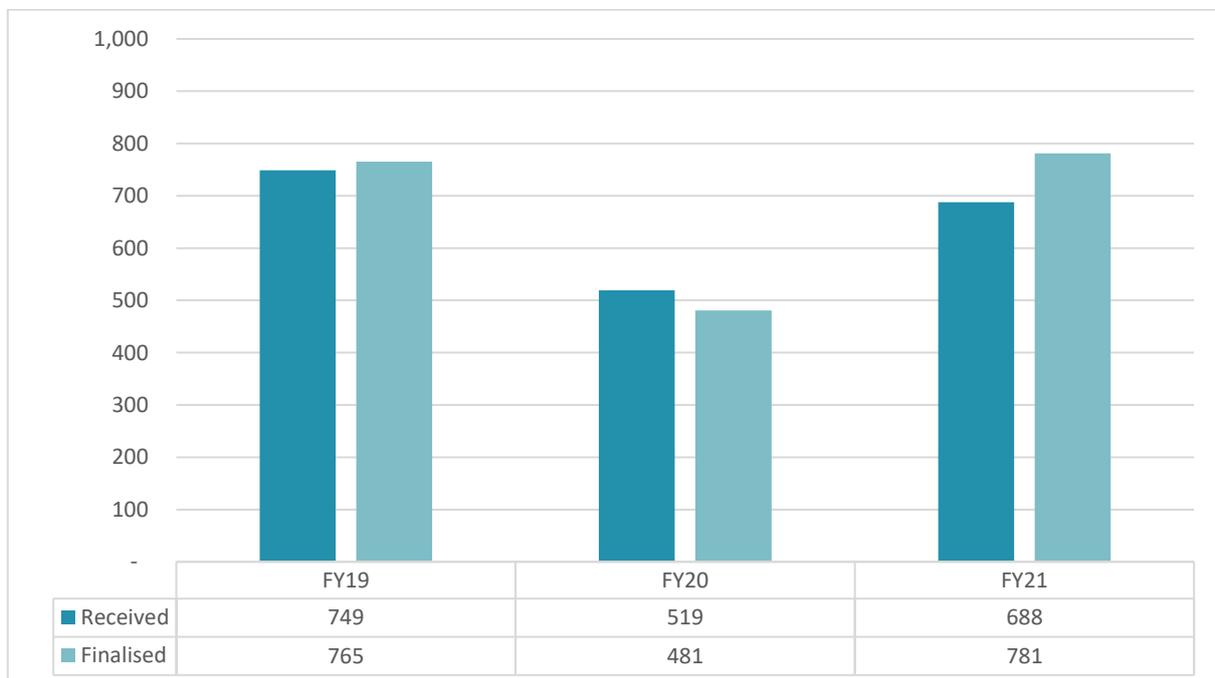
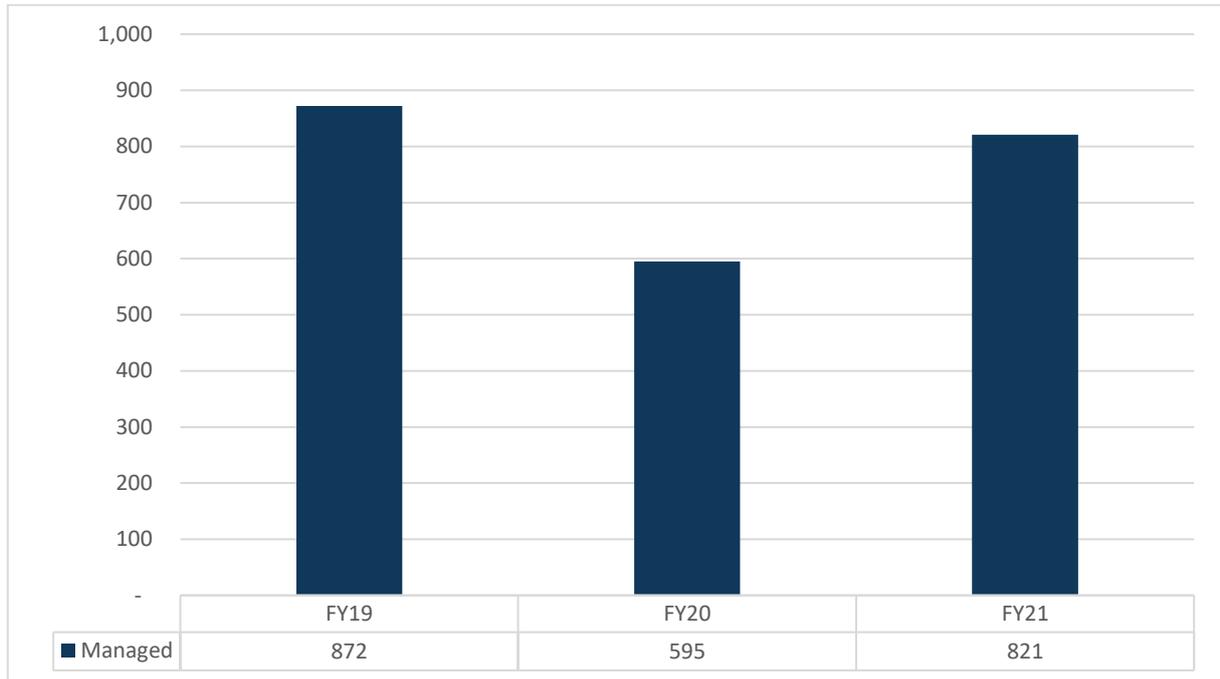


Figure 4.12: Objections Managed – Super Funds and NFPs

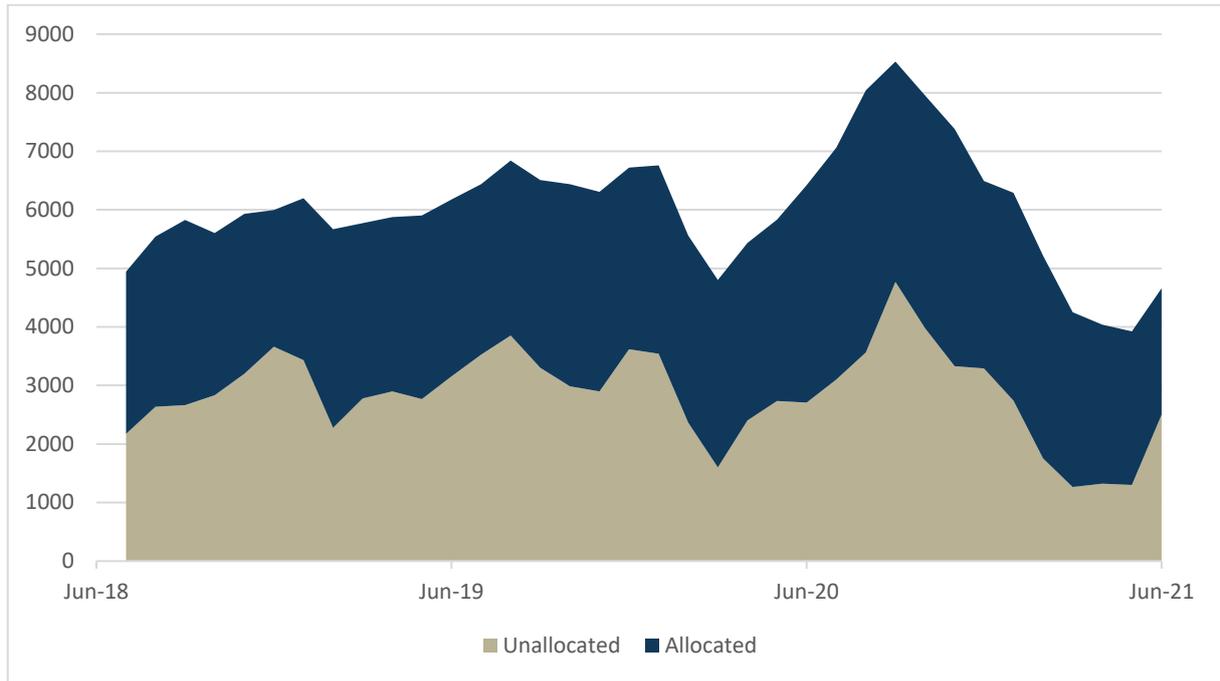


Number of Cases on Hand

- 4.16. The tables and charts in this section have been presented in a way so that the reader can easily discern movements throughout the year in the total number of cases on hand as well as the total number of unallocated cases. The shape of Figure 4.13 can be traced to the underlying shapes of Figures 4.14 and 4.15, which relate to the Individuals and Small Business client experience groups.
- 4.17. There is much less variance in the total number of allocated cases at any one time (the blue area in Figure 4.13) as the ATO's capacity to progress allocated cases is linked to the overall resourcing of the function. It should however be noted that there was an increase in the total number of allocated cases on hand during the period June 2020 to February 2021, which the reader may find difficult to discern from the chart. This increased capacity to allocate and progress objections is consistent with increased FTE growth in the ATO's objections area in FY21, discussed earlier in Chapter 3.
- 4.18. The average number of allocated cases at the end of each month is 3,179, while the average number of unallocated cases at the end of each month is 2,895. Accordingly, unallocated cases represent approximately 48% of total cases on hand.

4. QUANTITY OF OBJECTIONS

Figure 4.13: Cases on hand on the last day of each month - Overall

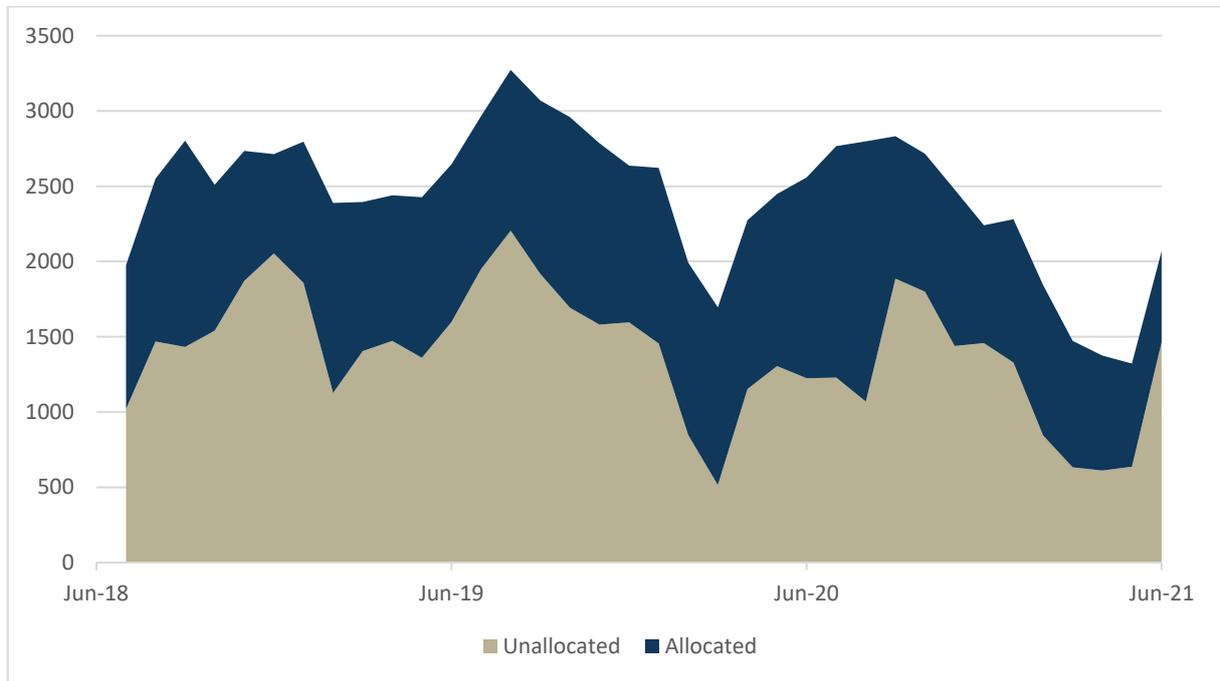


Data related to Figure 4.13

Number of Cases on Hand	Unallocated	Allocated	Total
As at 30 June 2019	3,154	3,020	6,174
As at 30 June 2020	2,710	3,712	6,422
As at 30 June 2021	2,500	2,158	4,658

Individuals

Figure 4.14: Cases on hand on the last day of each month - Individuals



Data related to Figure 4.14

Number of Cases on Hand (Individuals)	Unallocated	Allocated	Total
As at 30 June 2019	1,598	1,047	2,645
As at 30 June 2020	1,225	1,333	2,558
As at 30 June 2021	1,465	604	2,069

- 4.19. The cases on hand figures for this client experience group have the highest degree of visible variance. This is due to the high quantity of objections received and the relatively short timeframes for finalisation, as most cases are finalised within 3 months (see Chapter 7).
- 4.20. The average number of allocated cases at the end of each month is 1,050, while the average number of unallocated cases at the end of each month is 1,390. Accordingly, unallocated cases represent approximately 57% of total cases on hand.
- 4.21. Individuals is the only client experience group where the average amount of unallocated cases is higher than the average amount of allocated cases at the end of the month. Notwithstanding this, the relevant unallocated proportion may be higher because individual cases once allocated are often resolved relatively quickly. Due to the volume of cases, it has a significant influence on the unallocated and allocated figures for the ATO as a whole.

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4.22. A sizeable portion of unallocated cases shown in Figure 4.14 belonged to the Military Super objections cluster. As these objections were progressed as a project, many cases belonging to this cluster remained unallocated (i.e. received by not managed) for lengthy periods of time. It should be noted that 58% of the total cases on hand (for individuals) at 30 June 2021 were primarily unallocated cases belonging to this cluster.

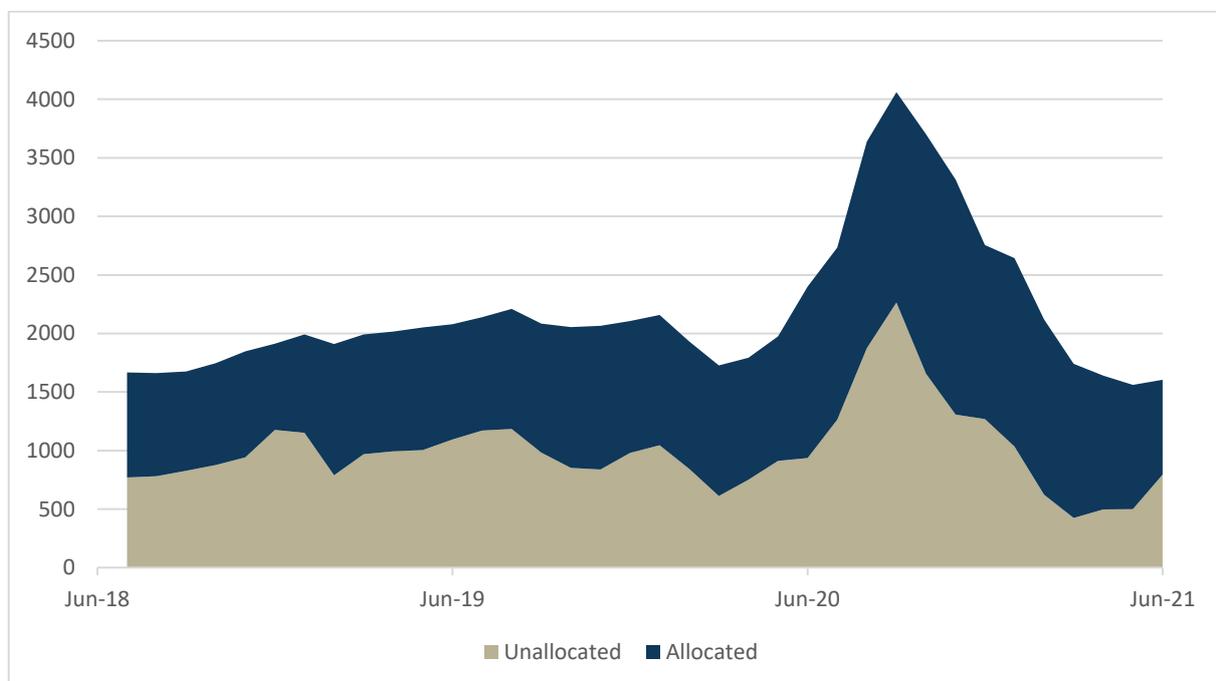
Military Super Cluster	Received	Managed	Finalised	Stock on hand 30 June
FY20	642	59	6	637
FY21	871	379	284	1,208

4.23. Figure 4.14 shows roughly equal periods of negative as well as positive gradient. This indicates that there are periods where the rate that cases are being finalised will exceed the rate that new cases are being received, as well as periods where new case receipts will outstrip the rate of finalisation. The ups and down eventually cancel out, as the cases on hand figure for June 2021 (2,069) is remarkably similar to the cases on hand figure for July 2018 (1,975).

4.24. A visible reduction in the number of allocated cases (i.e. the size of the blue area) can be observed in Figure 4.14 towards the end of FY21. The average number of allocated cases for the second half of FY21 is 808 cases, compared to the overall average of 1,050.

Small Business

Figure 4.15: Cases on hand on the last day of each month – Small Business



Data related to Figure 4.15

Number of Cases on Hand (Small Business)	Unallocated	Allocated	Total
As at 30 June 2019	1,094	984	2,078
As at 30 June 2020	935	1,465	2,400
As at 30 June 2021	795	809	1,604

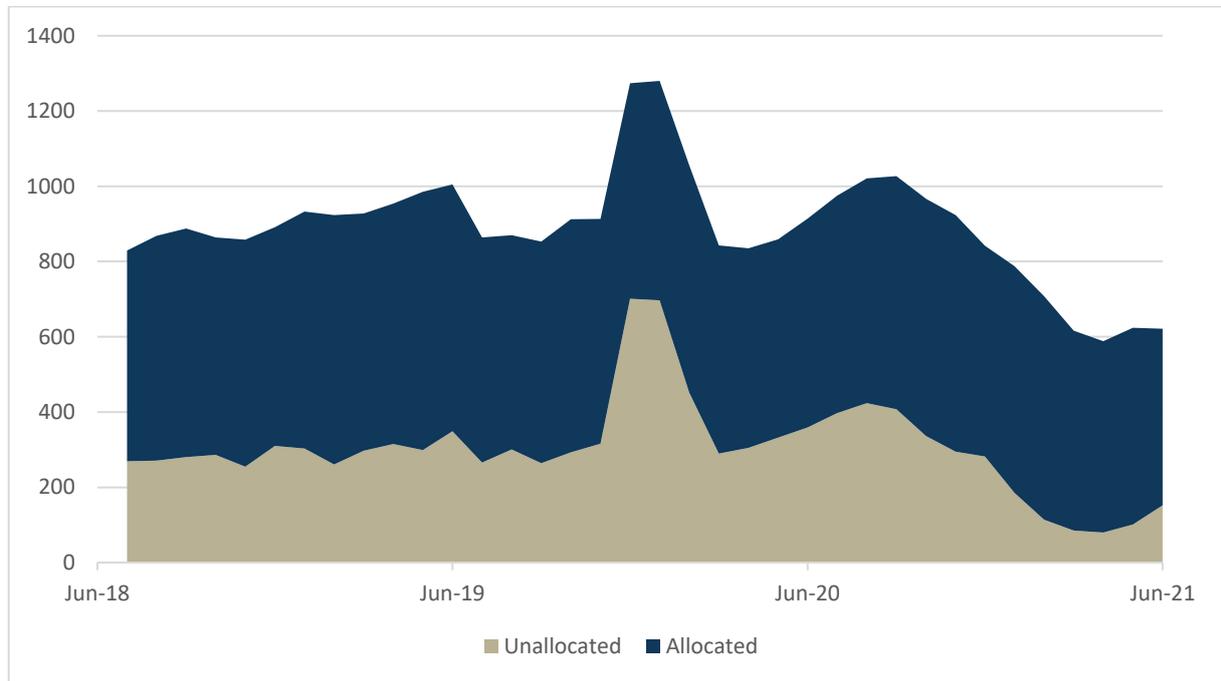
- 4.25. Figure 4.15 below should be viewed in conjunction with Figure 4.5 above, which shows a significant spike in number of objections received from small businesses in FY21, due to the COVID-19 pandemic.
- 4.26. The average number of allocated cases at the end of each month is 1,186, while the average number of unallocated cases at the end of each month is 1,000. Accordingly, unallocated cases represent approximately 46% of total cases on hand. Due to the volume of cases, the Small Business figures also have significant influence on the unallocated and allocated figures for the ATO as a whole.
- 4.27. While a very visible spike can be observed in the quantity of unallocated cases, peaking in September 2020, there is also a (less visible) increase in the quantity of allocated cases in the August to November 2020 period. The average amount of allocated cases at the end of these months is 1,903, compared to the overall average of 1,186. This represents an increase in the ATO's capacity to progress objections from the Small Business during this period.
- 4.28. A small portion of the total cases on hand as at 30 June 2020 (5%) and 30 June 2021 (16%) were primarily unallocated cases belonging to the Military Super cluster of objections.

Military Super Cluster	Received	Managed	Finalised	Stock on hand 30 June
FY20	119	15	3	116
FY21	190	87	68	258

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Privately Owned and Wealthy Groups

Figure 4.16: Cases on hand on the last day of each month – Privately owned and wealthy groups



Data related to Figure 4.16

Number of Cases on Hand (Privately owned and wealthy groups)	Unallocated	Allocated	Total
As at 30 June 2019	349	656	1,005
As at 30 June 2020	359	555	914
As at 30 June 2021	152	469	621

4.29. The average number of allocated cases at the end of each month is 588, while the average number of unallocated cases at the end of each month is 304. Accordingly, unallocated cases represent approximately 34% of total cases on hand.

4.30. The spike in cases observed in FY20 is due to a cluster of 427 new objections received from Privately Owned and Wealthy Groups in relation to Fuel Tax Credits. This equates to 22% of all objections received from this client experience group in FY20. Most, but not all, of these objections were finalised during the financial year.

Fuel Tax Credit Cluster	Received	Managed	Finalised	Stock on hand 30 June
FY20	427	418	406	82

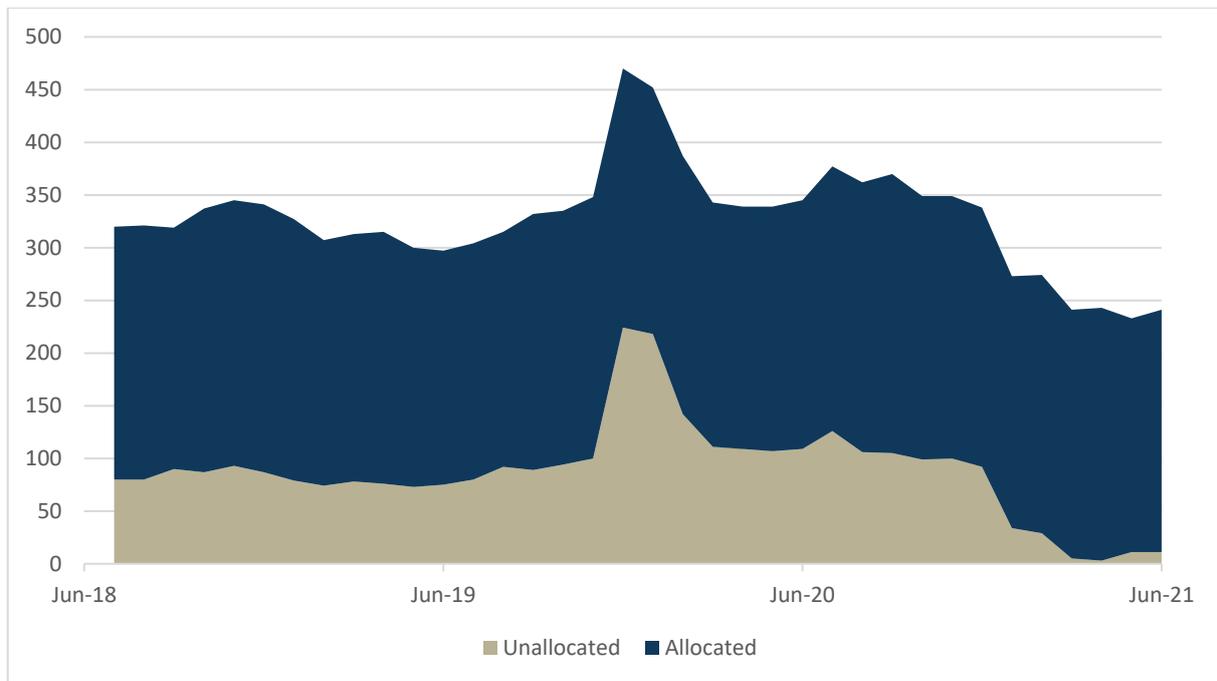
4.31. 19% of the stock on hand as at 30 June 2020 were cases belonging to the Fuel Tax Credit or the GST ITC objection clusters. If the cases from these clusters are removed (not shown), the difference in the stock on hand as at 30 June 2020 (737) compared to 30 June 2021 (615) would be less pronounced.

Fuel Tax Credit Cluster	Stock on hand 30 June
FY20	82

GST ITC Cluster	Stock on hand 30 June
FY20	95

Public and Multinational Businesses

Figure 4.17: Cases on hand on the last day of each month – Public and multinational businesses



Data related to Figure 4.17

Number of Cases on Hand (Public and multinational businesses)	Unallocated	Allocated	Total
As at 30 June 2019	75	222	297
As at 30 June 2020	109	236	345
As at 30 June 2021	11	230	241

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- 4.32. The average number of allocated cases at the end of each month is 240, while the average number of unallocated cases at the end of each month is 88. Accordingly, unallocated cases represent approximately 27% of total cases on hand.
- 4.33. Similar to Privately Owned and Wealthy Groups, the spike in cases observed in FY20 is due to a cluster of 155 new objections received from Public and Multinational Businesses in relation to Fuel Tax Credits. This equates to 45% of all objections received from this client experience group in FY20.
- 4.34. A sizeable portion (29%) of objections received from Public and Multinational Businesses in FY19 were also in relation to the Fuel Tax Credits cluster. However, these FY19 objections were all deemed invalid or were withdrawn (see Chapter 5). As these cases were all closed before the end of the month, they do not create a similar spike in FY19 in Figure 4.17.
- 4.35. Most, but not all, of the objections in this cluster were finalised in the same financial year that they were received.

Fuel Tax Credit Cluster	Received	Managed	Finalised	Stock on hand 30 June
FY19	90	91	81	11
FY20	155	149	143	28

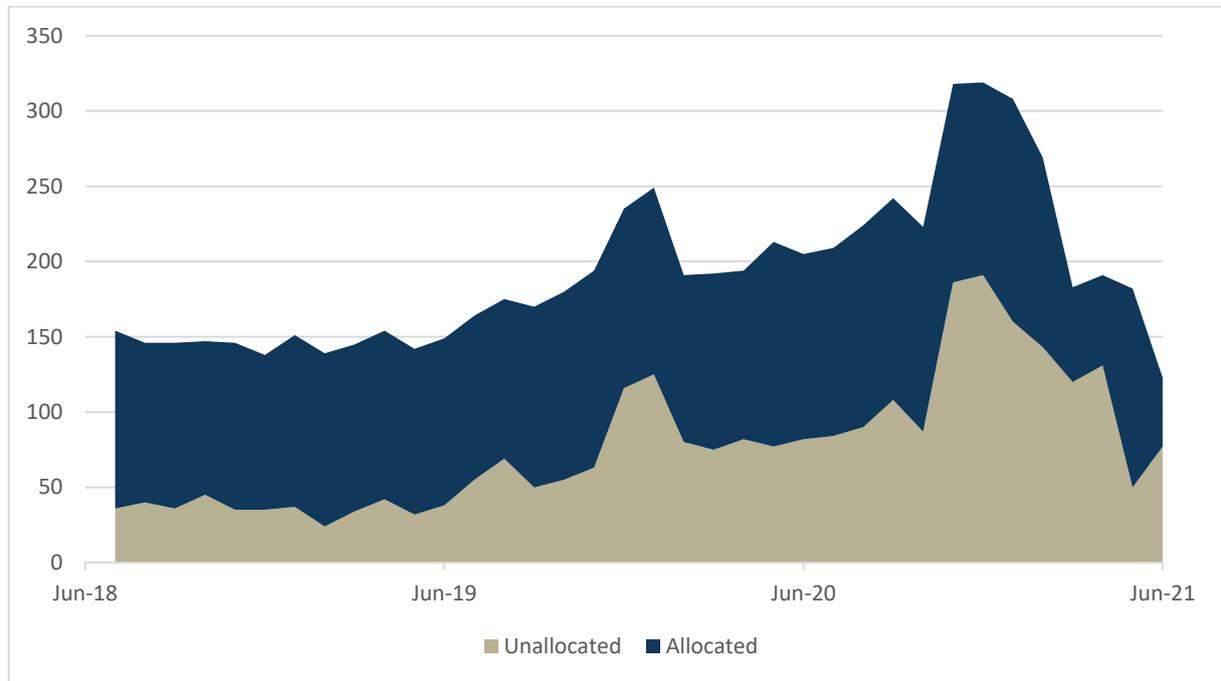
- 4.36. Since the start of FY19, there were between 70 and 80 cases in the GST ITC cluster that remained unallocated until around January 2021. Most of these objections remained unallocated as the tax adviser who had lodged these objections had only provided sufficient information for the ATO to assess one taxpayer in the cluster. When the objection was eventually disallowed for that one taxpayer, and when no further information was forthcoming, the remaining cases in the cluster were subsequently allocated and disallowed.

GST ITC Cluster	Stock on hand 30 June
FY19	74
FY20	78
FY21	3

- 4.37. Accordingly, almost all of the unallocated cases shown in Figure 4.17 relate to either the Fuel Tax Credit or the GST ITC objections cluster. By 30 June 2021, when most of these clusters of objections had been finalised, the number of unallocated objections from Public and Multinational Businesses was minimal.

Super Funds and NFPs

Figure 4.18: Cases on hand on the last day of each month – Super Funds and NFPs



Data related to Figure 4.18

Number of Cases on Hand (Super Funds and NFPs)	Unallocated	Allocated	Total
As at 30 June 2019	38	111	149
As at 30 June 2020	82	123	205
As at 30 June 2021	77	46	123

- 4.38. The average number of allocated cases at the end of each month is 114, while the average number of unallocated cases at the end of each month is 77.5. Accordingly, unallocated cases represent approximately 40% of total cases on hand.
- 4.39. Similar to Privately Owned and Wealthy Groups and Public and Multinational Businesses, an analogous spike in cases can be observed in FY20, due to a cluster of 66 new objections received from Super Funds and NFPs in relation to Fuel Tax Credits. This equates to 13% of all objections received from Super Funds and NFPs in FY20.
- 4.40. Significantly more Fuel Tax Credit objections were received from Super Funds and NFPs in FY19. However, these FY19 objections were all deemed invalid or were withdrawn (see Chapter 5). As these cases were all closed before the end of the month, they do not create any spike in FY19 in Figure 4.18.

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Fuel Tax Credit Cluster	Received	Managed	Finalised	Stock on hand 30 June
FY19	326	324	321	5
FY20	66	67	67	2

- 4.41. A portion of the spike observed in FY21 is likely due to a combination of objections against COVID-19 economic response measures (90 received in total – see Chapter 4) as well as cases that fall within the GST ITC cluster.

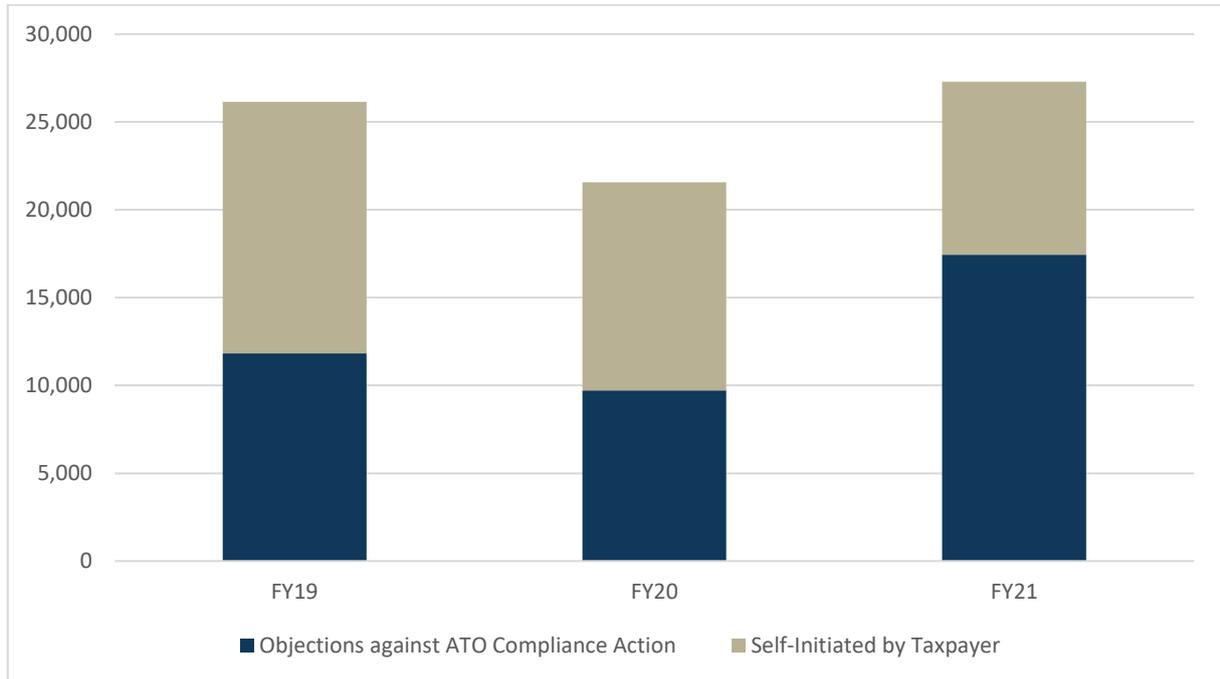
GST ITC Cluster	Received	Managed	Finalised	Stock on hand 30 June
FY21	53	81	79	2

- 4.42. A significant portion (22%) of the stock on hand on 30 June 2021 is comprised of mostly unallocated cases belonging to the Military Super cluster.

Military Super Cluster	Received	Managed	Finalised	Stock on hand 30 June
FY21	27	2	2	27

Breakdown of Total Objections Received (ATO Compliance Action vs Self-Initiated)

- 4.43. The objections clusters are comprised entirely, or almost entirely, of self-initiated objections. Accordingly, some (but not all) of the observed variance in the quantities of self-initiated objections in each of the client experience groups can be traced back to these clusters.
- 4.44. On the other hand, an objection against an ATO decision with respect to the COVID-19 economic response measures is categorised as an objection against ATO compliance action. Figure 4.19 depicts a significant increase in the quantity of objections against ATO compliance action in FY21, which is attributable to objections against these types of decisions, particularly in the Small Business client experience group.

Figure 4.19: Objections against ATO Compliance Action vs Self-Initiated Objections

Note: Objections against ATO compliance action and self-initiated objections together account for 97.8% of total objections. Data for other types of objections are provided in the table below.

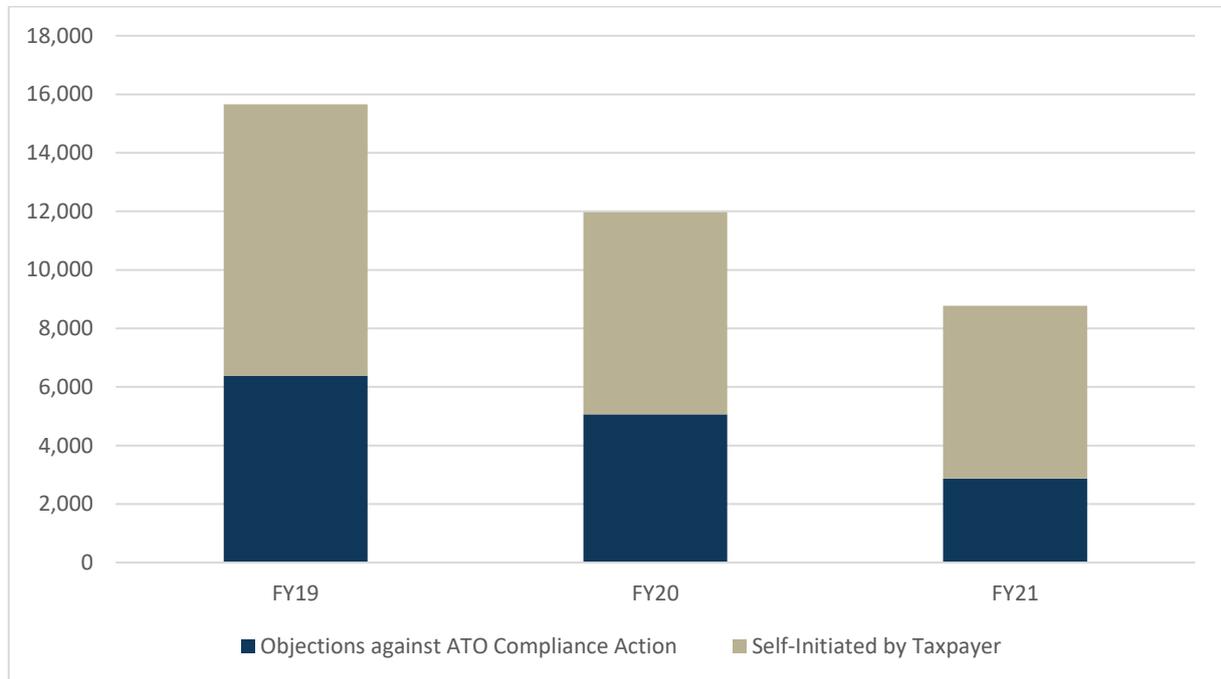
Additional data related to Figure 4.19

	ATO Compliance Action	% of FY	Self- Initiated	% of FY	Private Binding Rulings	% of FY	Unknown	% of FY
FY19	11,831	43.79%	14,323	53.02%	98	0.36%	764	2.83%
FY20	9,722	44.41%	11,854	54.15%	86	0.39%	230	1.05%
FY21	17,452	62.82%	9,841	35.42%	66	0.24%	421	1.52%

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Individuals

Figure 4.20: Objections against ATO Compliance Action vs Self-Initiated Objections – Individuals



Note: Objections against ATO compliance action and self-initiated objections together account for 98.2% of total objections in the Individuals Client Experience Group. Data for other types of objections are provided in the table below.

Additional data related to Figure 4.20

	ATO Compliance Action	% of FY	Self-Initiated	% of FY	Private Binding Rulings	% of FY	Unknown	% of FY
FY19	6,390	39.88%	9,267	57.84%	35	0.22%	331	2.07%
FY20	5,071	41.88%	6,899	56.98%	31	0.26%	106	0.88%
FY21	2,877	32.17%	5,901	65.98%	24	0.27%	142	1.59%

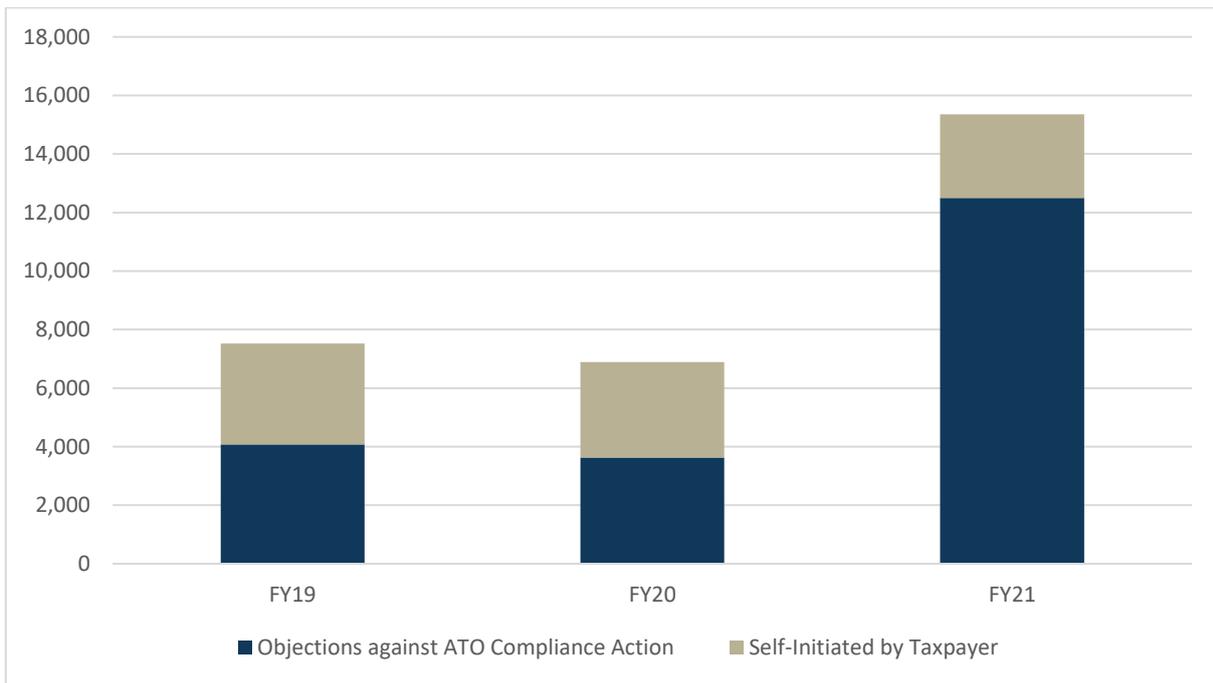
- 4.45. Whilst objections against COVID-19 economic response measures resulted in an increase in the total number of objections against ATO compliance action for most client experience groups, the Individuals client experience group saw the opposite occur in FY21. The design of the JobKeeper regime meant that only those individuals who were in business were able to dispute ATO decisions. Furthermore, the ATO halted its tax compliance activity altogether for parts of the COVID-19 pandemic. Any reduction in total compliance action undertaken by the ATO would necessarily correlate with a reduction in the quantity of objections against such action.
- 4.46. A reduction in self-initiated objections can also be observed across FY19 to FY21 for the Individuals client experience group. It should be noted however, that the self-initiated objection figures for FY19 are skewed by the Self-education Expense cluster, which accounted for 24% of all self-initiated objections received from individuals in FY19.

Self-education Expense cluster	Self-Initiated Objections Received
FY19	2,239

4.47. If the cases from this cluster are excluded (not shown), then we see that the reduction in self-initiated objections is not as pronounced as the reduction in objections against ATO compliance action.

Small Business

Figure 4.21: Objections against ATO Compliance Action vs Self-Initiated Objections – Small Business



Note: Objections against ATO compliance action and self-initiated objections together account for 97.9% of total objections in the Small Business Client Experience Group. Data for other types of objections are provided in the table below.

Additional data related to Figure 4.21

	ATO Compliance Action	% of FY	Self-Initiated	% of FY	Private Binding Rulings	% of FY	Unknown	% of FY
FY19	4,080	52.24%	3,448	44.15%	29	0.37%	253	3.24%
FY20	3,624	51.70%	3,264	46.56%	38	0.54%	84	1.20%
FY21	12,496	80.17%	2,860	18.35%	19	0.12%	212	1.36%

4.48. 10,526 objections against COVID-19 economic response measures were received in FY21 from small business taxpayers, and account for 84% of all objections from small business taxpayers against ATO compliance action in FY21. If these objections were excluded (not shown), then we see an analogous decrease (approximately 45%) in objections against ATO compliance action between FY20 and FY21 as we saw with the Individuals client experience group above. This

4. QUANTITY OF OBJECTIONS

decrease is consistent with the reduction in total compliance action undertaken by the ATO during the COVID-19 pandemic.

- 4.49. Self-initiated objections lodged by small business taxpayers are not materially affected by any objection clusters. A decrease of 26% - 28% in the quantity of self-initiated objections can be observed across FY19 to FY21.

Privately Owned and Wealthy Groups

Figure 4.22: Objections against ATO Compliance Action vs Self-Initiated Objections – Privately Owned and Wealthy Groups



Note: Objections against ATO compliance action and self-initiated objections together account for 96.8% of total objections in the Privately Owned and Wealthy Groups Client Experience Group. Data for other types of objections are provided in the table below.

Additional data related to Figure 4.22

	ATO Compliance Action	% of FY	Self-Initiated	% of FY	Private Binding Rulings	% of FY	Unknown	% of FY
FY19	1,007	47.52%	998	47.10%	19	0.90%	95	4.48%
FY20	661	34.55%	1,219	63.72%	9	0.47%	24	1.25%
FY21	1,419	63.24%	774	34.49%	11	0.49%	40	1.78%

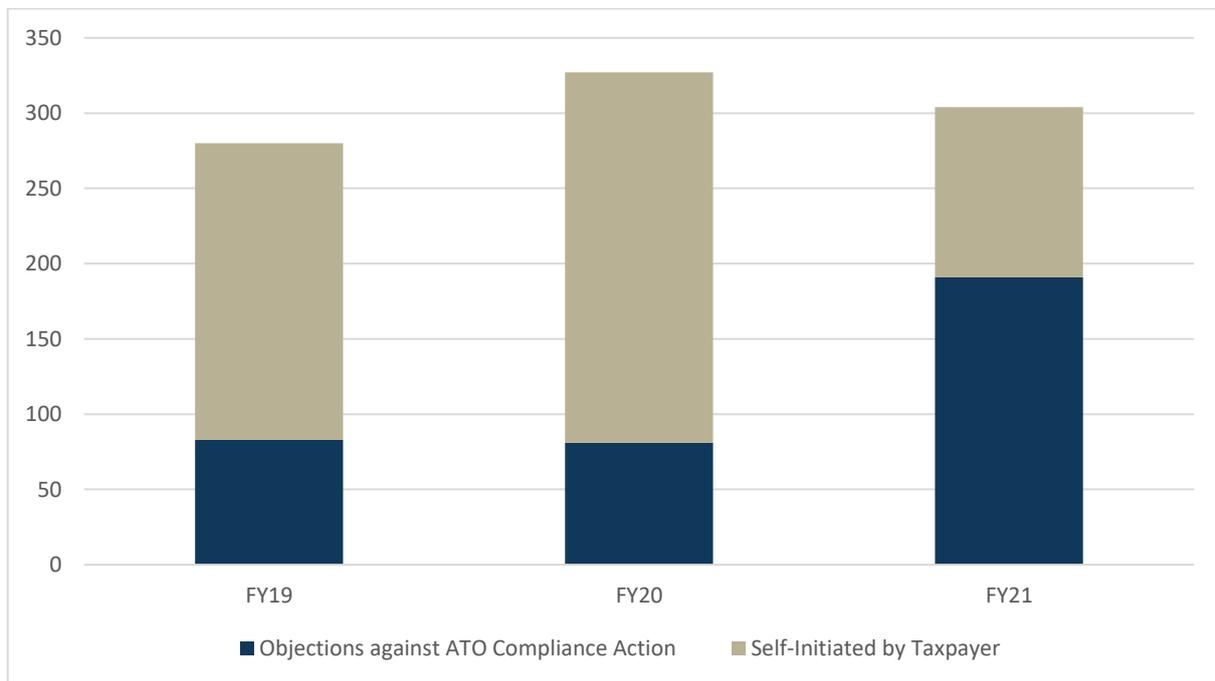
- 4.50. 859 objections against COVID-19 economic response measures were received in FY21 from privately owned and wealthy group taxpayers, and account for 61% of all objections from privately owned and wealthy group taxpayers against ATO compliance action in FY21. If these objections were set aside, then the quantity of objections against ATO compliance action in FY21 will be slightly lower than, but still comparable to, FY20.

- 4.51. There is a much larger variation in the quantity of objections against ATO compliance action between FY19 and FY20. It is not entirely clear whether this variation is attributable to higher than typical numbers for FY19, or lower than typical numbers for FY20.
- 4.52. The quantity of self-initiated objections from privately owned and wealthy group taxpayers is affected by the Fuel Tax Credits cluster of objections in FY20. The 427 self-initiated objections received as part of this cluster account for 35% of all self-initiated objections received from privately owned and wealthy group taxpayers during FY20. If the cases from this cluster are set aside, then the quantity of self-initiated objections will be very similar to FY21 (i.e. 792 vs 768), and only slightly lower than FY19 (901).

Fuel Tax Credits Cluster	Self-Initiated Objections Received
FY19	97
FY20	427
FY21	6

Public and Multinational Businesses

Figure 4.23: Objections against ATO Compliance Action vs Self-Initiated Objections – Public and Multinational Businesses



Note: Objections against ATO compliance action and self-initiated objections together account for 93.4% of total objections in the Public and Multinational Businesses Client Experience Group. Data for other types of objections are provided in the table below.

4. QUANTITY OF OBJECTIONS

Additional data related to Figure 4.23

	ATO Compliance Action	% of FY	Self- Initiated	% of FY	Private Binding Rulings	% of FY	Unknown	% of FY
FY19	83	26.35%	197	62.54%	10	3.17%	25	7.94%
FY20	81	23.62%	246	71.72%	3	0.87%	13	3.79%
FY21	191	60.25%	113	35.65%	7	2.21%	6	1.89%

4.53. 130 objections against COVID-19 economic response measures were received in FY21 from public and multinational businesses, and account for 68% of all objections from public and multinational businesses against ATO compliance action in FY21. If these objections are excluded (not shown), then the number of objections against ATO compliance action in FY21 will be around 25% lower than both FY19 and FY20, which had very similar quantities of such objections.

4.54. The quantity of self-initiated objections from public and multinational businesses is significantly skewed by the Fuel Tax Credits cluster of objections in both FY19 and FY20. Objections in this cluster account for 45% of self-initiated objections from public and multinational businesses in FY19 and 63% in FY20.

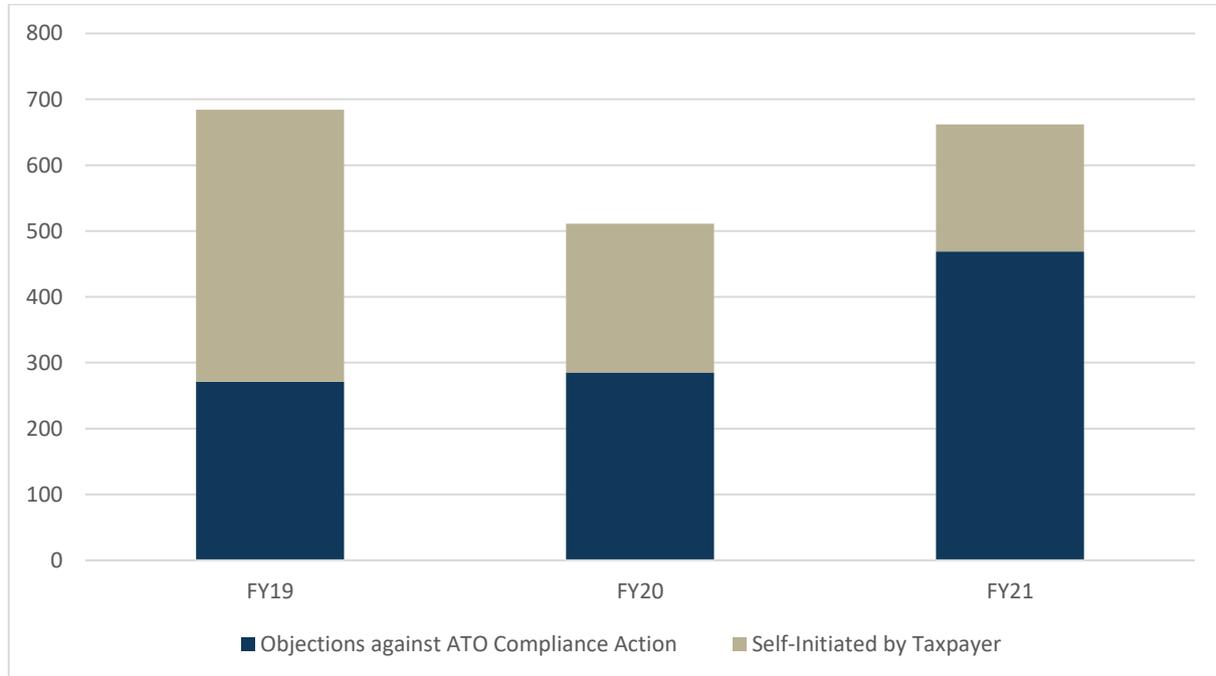
Fuel Tax Credits Cluster	Self-Initiated Objections Received
FY19	88
FY20	155
FY21	4

4.55. While the GST ITC cluster also affects the data for public and multinational businesses, the impact is quite minimal because the majority of objections in this cluster were lodged prior to FY19.

GST ITC Cluster	Self-Initiated Objections Received
FY19	21
FY20	9
FY21	5

4.56. When the cases from both clusters are set aside, we see that there were similar quantities of self-initiated objections in FY19 (88) and FY20 (82). The number of such objections in FY21 was actually slightly higher (104) than FY19 and FY20 once the cases from the objection clusters are set aside. The fact that the beige area for FY21 in Figure 4.23 is visually much smaller than both FY19 and FY20 highlights the significant impact that objections clusters have on the overall data.

Super Funds and NFPs

Figure 4.24: Objections against ATO Compliance Action vs Self-Initiated Objections – Super Funds and NFPs

Note: Objections against ATO compliance action and self-initiated objections together account for 94.9% of total objections in Super Funds and NFPs. Data for other types of objections are provided in the table below.

Additional data related to Figure 4.24

	ATO Compliance Action	% of FY	Self-Initiated	% of FY	Private Binding Rulings	% of FY	Unknown	% of FY
FY19	271	36.18%	413	55.14%	5	0.67%	60	8.01%
FY20	285	54.91%	226	43.55%	5	0.96%	3	0.58%
FY21	469	68.17%	193	28.05%	5	0.73%	21	3.05%

4.57. The quantity of objections lodged against ATO compliance action by Super Funds and NFPs in FY21 is significantly larger than the quantity of such objections in FY20. This increase is not solely due to objections against COVID-19 economic response measures, of which there were only 90 (19%). Even if the objections against COVID-19 economic response measures were excluded (not shown), the quantity of objections against ATO compliance action from Super Funds and NFPs is still 43% larger in FY21 compared to FY20.

4.58. The quantity of self-initiated objections from Super Funds and NFPs is materially skewed in FY21 by the GST ITC and Military Super clusters, and in FY19 and FY20 by the Fuel Tax Credits cluster. In particular, we note that Fuel Tax Credit objections account for 79% of all self-initiated objections lodged in FY19 by Super Funds and NFPs.

4. QUANTITY OF OBJECTIONS

GST ITC Cluster	Self-Initiated Objections Received
FY19	5
FY20	10
FY21	53

Military Super Cluster	Self-Initiated Objections Received
FY21	26

Fuel Tax Credit Cluster	Self-Initiated Objections Received
FY19	326
FY20	66
FY21	1

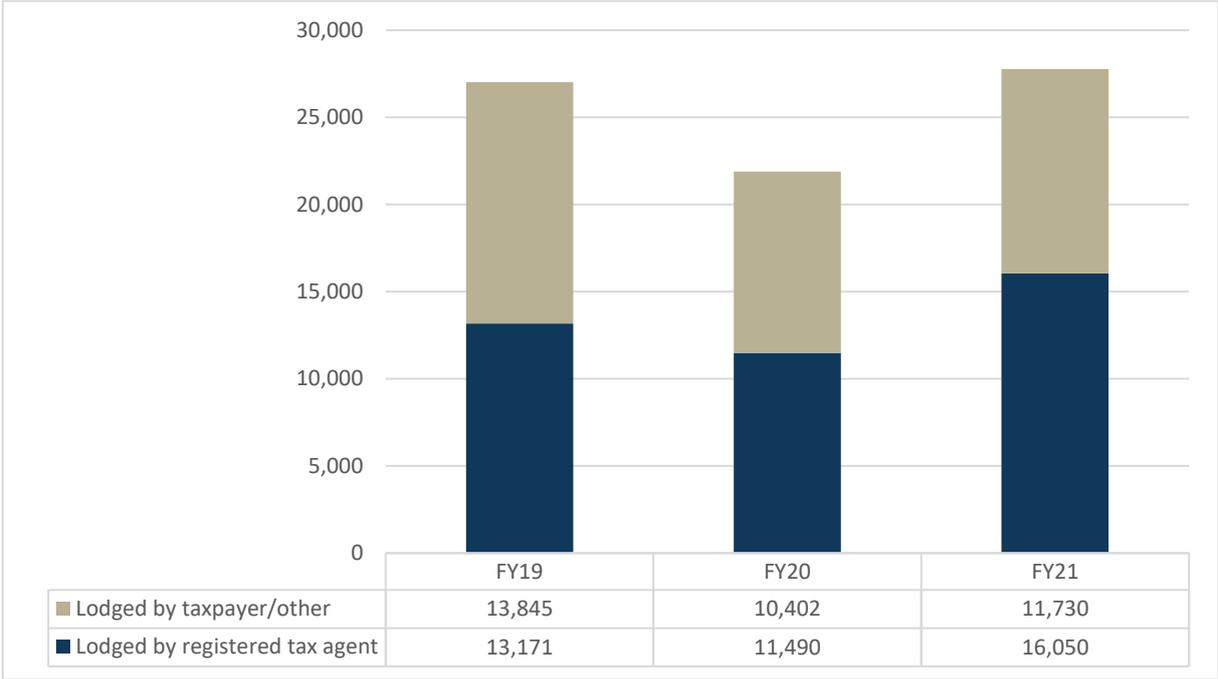
4.59. If the cases from these clusters were excluded (not shown), then the quantity of self-initiated objections for each of the financial years is as follows: FY19 – 82; FY20 – 150; FY21 – 113.

Breakdown of Total Objections Received (Lodged by taxpayer/other vs registered tax agent)

4.60. The proportion of total objections received that were lodged by registered tax agents was roughly 49% in FY19 and 52% in FY20. In FY21, this proportion grew to approximately 58%. This is because objections lodged by individuals were significantly more numerous than objections lodged by small businesses in FY19 and FY20, while in FY21, objections lodged by small businesses were significantly more numerous than objections lodged by the individuals (a direct result of the COVID-19 pandemic). As we shall see when each of the client experience groups are examined below, small business taxpayers are more likely to engage registered tax agents compared to individuals.

4.61. While it should be noted that the objections clusters are comprised entirely, or almost entirely, of objections lodged by the taxpayer, when looked at on a whole-of-ATO scale (Figure 4.25), the clusters are too small to have any impact on the proportion discussed in the preceding paragraph. The impact that these clusters have on the proportion within specific client experience groups will be discussed in the sections for those client experience groups.

Figure 4.25: Objections lodged by registered tax agents vs lodged by taxpayer/other



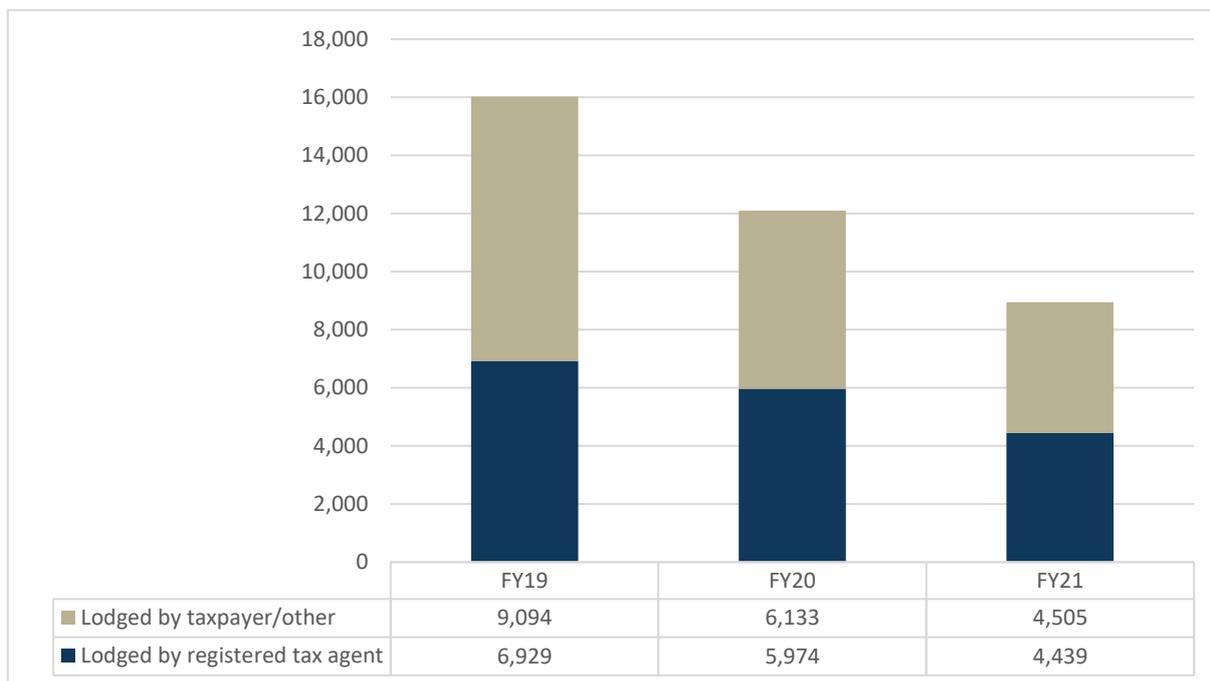
Individuals

4.62. The number of objections lodged by individual taxpayers without registered tax agent representation in FY19 is materially skewed by 2,211 objections lodged in the Self-education Expense cluster. If we set these objections aside, then we see that the proportion of total objections received that were lodged by registered tax agents for the Individual client experience group has been remarkably consistent across FY19 to FY21 (approximately 50%).

Self-education Expense cluster	Objections received – lodged by the taxpayer
FY19	2,211

4. QUANTITY OF OBJECTIONS

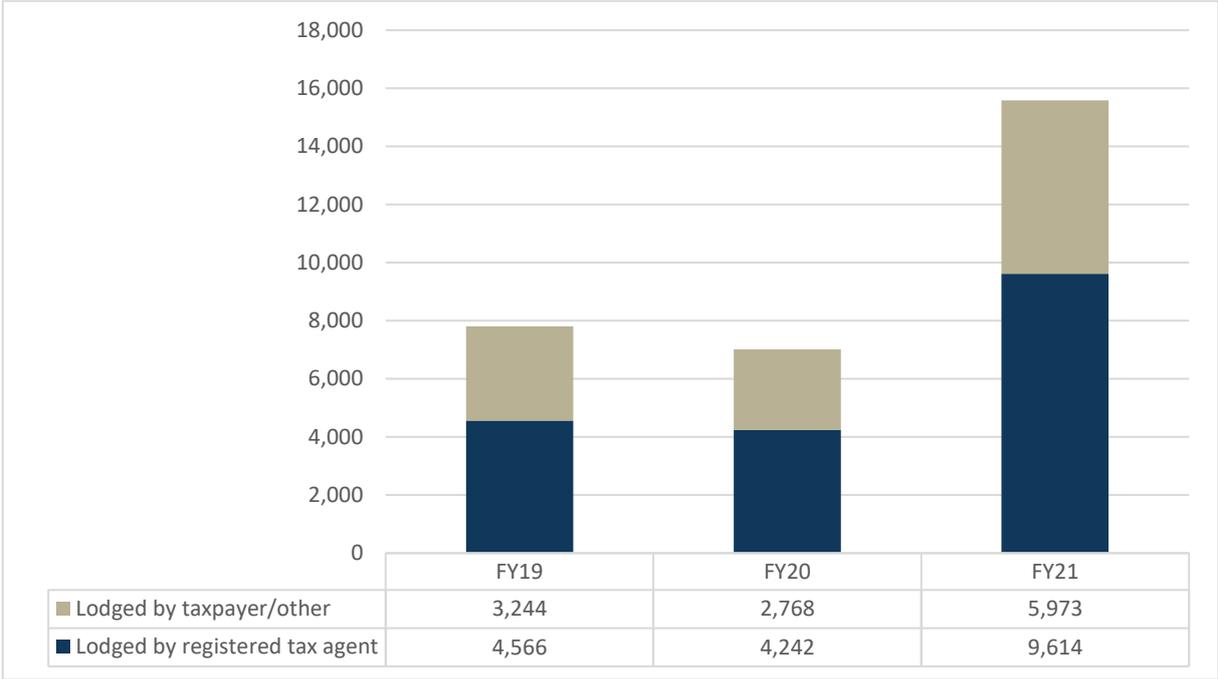
Figure 4.26: Objections lodged by registered tax agents vs lodged by taxpayer/other – Individuals



Small Business

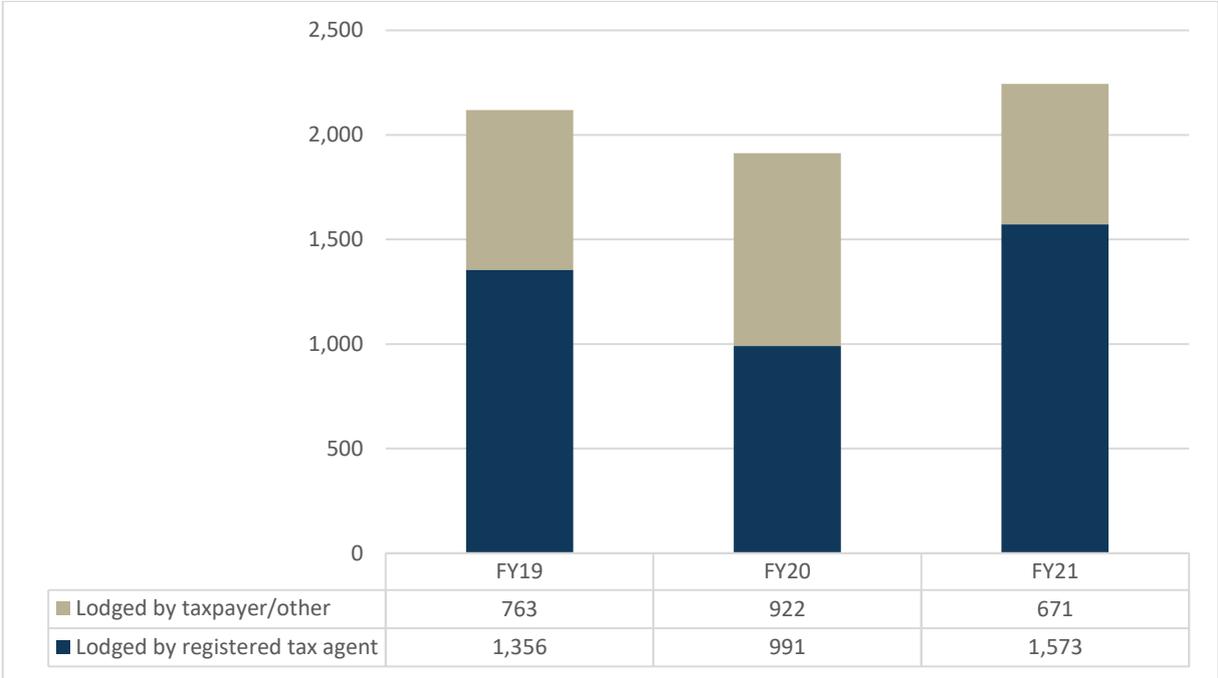
- 4.63. Figure 4.27 shows that the proportion of objections lodged by registered tax agents for small businesses were also quite consistent across FY19 to FY21, at 58%, 61% and 62% respectively. This percentage being higher than the percentage for individuals, coupled with the dramatic increase in objections lodged by small businesses in FY21 in relation to the COVID-19 economic response measures, explains the overall growth in registered tax agent usage for objections that was observed across the ATO in Figure 4.25
- 4.64. Even though the legislation surrounding the COVID-19 economic response measures was new at the time, Small Business taxpayers do not appear to be any more inclined to engage a registered tax agent to assist them with an objection about JobKeeper or Cash Flow Boost compared to other topics.
- 4.65. The inability to identify legal practitioner assistance for taxpayers reduces the usefulness of the data.

Figure 4.27: Objections lodged by registered tax agents vs lodged by taxpayer/other – Small Business



Privately Owned and Wealthy Groups

Figure 4.28: Objections lodged by registered tax agents vs lodged by taxpayer/other – Privately Owned and Wealthy Groups



4. QUANTITY OF OBJECTIONS

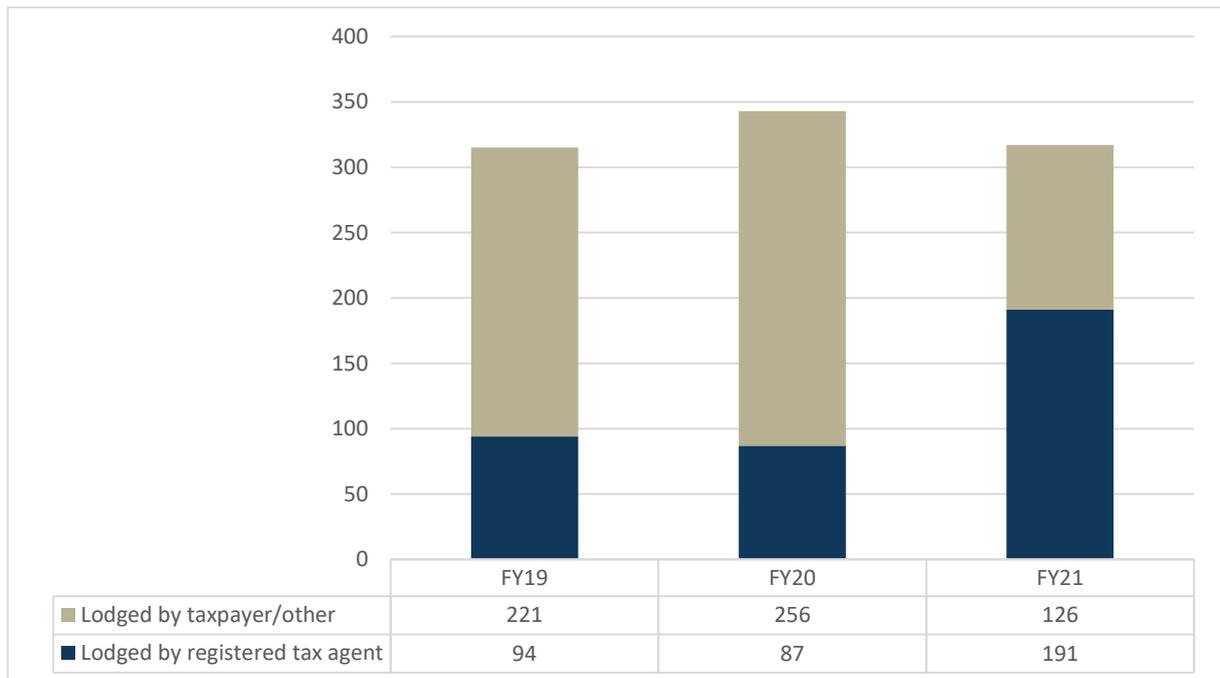
4.66. The number of objections lodged by Privately Owned and Wealthy Group taxpayers without registered tax agent representation are materially skewed by the Fuel Tax Credits cluster in both FY19 and FY20.

Fuel Tax Credits Cluster	Objections received – lodged by the taxpayer
FY19	94
FY20	424

4.67. If we set these objections aside, then we see that the proportion of total objections received that were lodged by registered tax agents for Privately Owned and Wealthy Groups is almost identical in both FY19 and FY20 (67%). This proportion increased slightly in FY21 to 70%.

Public and Multinational Businesses

Figure 4.29: Objections lodged by registered tax agents vs lodged by taxpayer/other – Public and Multinational Businesses



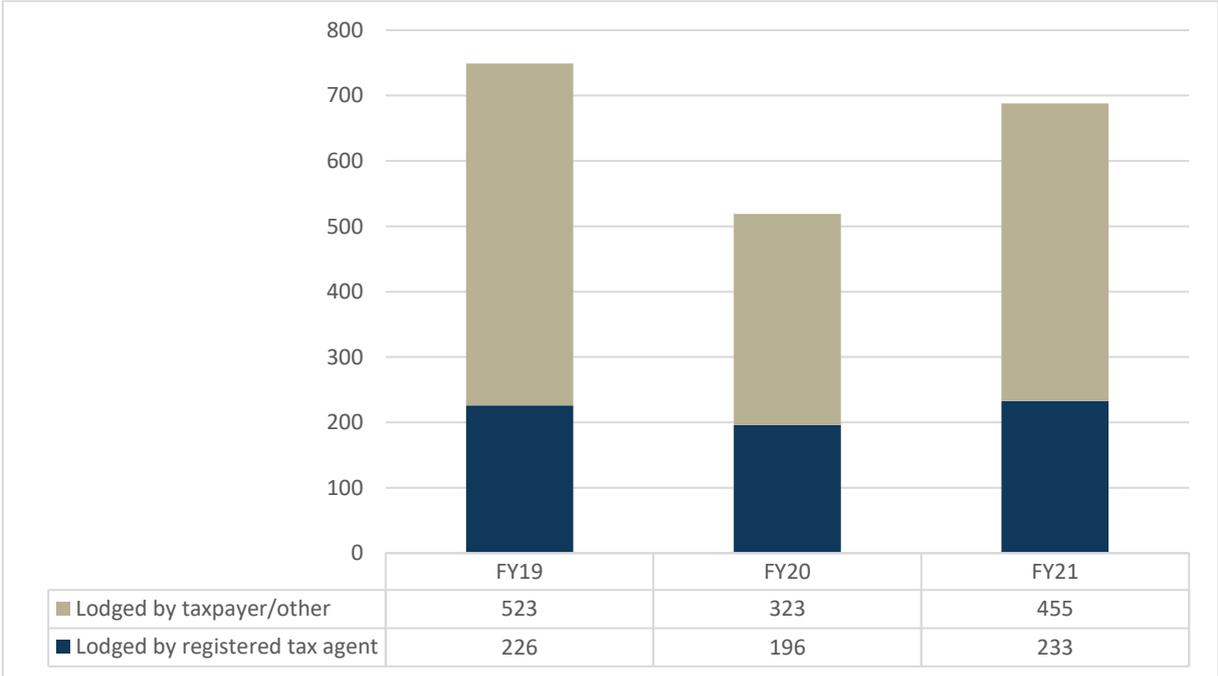
4.68. The number of objections lodged by public and multinational businesses without registered agent representation are materially skewed by the Fuel Tax Credits cluster in both FY19 and FY20.

Fuel Tax Credits Cluster	Objections received – lodged by the taxpayer
FY19	89
FY20	152

4.69. If we set these objections aside (not shown), then we see that proportion of total objections received that were lodged by registered tax agents for Public and Multinational Businesses is relatively similar in both FY19 and FY20 (43% and 46%). This proportion then increased significantly in FY21 to 60%.

Super Funds and NFPs

Figure 4.30: Objections lodged by registered tax agents vs lodged by taxpayer/other – Super Funds and NFPs



4. QUANTITY OF OBJECTIONS

- 4.70. The number of objections lodged by Super Funds and NFPs without registered tax agent representation are materially skewed by the Fuel Tax Credits cluster in FY19 and FY20 and the GST ITC cluster in FY21.

Fuel Tax Credits Cluster	Objections received – lodged by the taxpayer
FY19	326
FY20	66

GST ITC Cluster	Objections received – lodged by the taxpayer
FY21	52

- 4.71. If we set these objections aside (not shown), the proportion of total objections received that were lodged by registered tax agents for taxpayers in the Super Funds and NFPs sector is as follows: FY19 – 53%, FY20 – 43%, FY21 – 37%. This decline contrasts with the increase in registered tax agent usage observed in Figures 4.28 and 4.29 for Privately Owned and Wealthy Groups and Public and Multinational Businesses.

5

THE SUBJECT OF OBJECTIONS

This chapter presents data to show areas of tax that are the subject of dispute in objections.

5. THE SUBJECT OF OBJECTIONS

Introduction

5.1. This chapter sets out the different tax subject of objections and the related numbers received by the ATO for FY19 to FY21. This includes objections received in relation to the COVID-19 economic response measures during FY20 and FY21. These subjects have been broadly categorised under income tax, non-income tax, and COVID-19 economic response measures.

Glossary of Terms

5.2. A glossary of terms used throughout this Chapter is included for reference and interpretation purposes

Abbreviation or term	Definition
Administrative penalties	Penalties under Schedule 1 to the <i>Taxation Administration Act 1953</i> that may be imposed by the ATO for failing to meet tax obligations.
Cash Flow Boost	A \$6.7 billion cash flow assistance scheme for employers to support Australian businesses during the COVID-19 pandemic, announced by the Australian Government on 12 March 2020 and enacted into law by the <i>Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Act 2020</i> .
Client Experience	Broadly, the ATO divides taxpayers into client experience groups. All taxpayers are allocated to a primary client experience population for reporting purposes. The client experience allocation is based on definitions and hierarchical approach. It is also subject to the information the ATO has for a particular taxpayer.
Client Experience - Individuals (IND)	Individual clients who have no: <ul style="list-style-type: none"> ▪ business or personal services income; or ▪ links to an active micro entity, excluding a link type of "member of an SMSF" if they receive passive income it is from investments or distributions only.
Client Experience – Other (OTH)	Superannuation funds, including Self-Managed Superannuation Funds, and Not for Profits.
Client Experience - Private and Wealthy Groups (PWG)	The ATO views privately owned and wealthy groups as: <ul style="list-style-type: none"> ▪ companies and their associated subsidiaries (often referred to as economic groups) with an annual turnover greater than \$10 million, that are not public groups or foreign owned; or ▪ resident individuals who, together with their business associates, control net wealth over \$5 million.
Client Experience - Public and Multinational Businesses (PMB)	Includes Australian public companies, listed and unlisted; widely held Australian partnerships, superannuation funds and managed investment trusts; and majority foreign owned entities.
Client Experience - Small Business (SB)	A business with less than \$10 million aggregated turnover in the previous financial year. Prior to 2016-17, the threshold was \$2 million. This group may include individual taxpayers by reason of their association with another entity – for example, director of a company, or a partner in a partnership.

Abbreviation or term	Definition
COVID-19 economic response measures	A range of measures that were announced by the Australian Government from 12 March 2020 that were a part of an economic plan to keep Australians in jobs, keep businesses in business and support households and the Australian economy as the world dealt with the significant challenges posed by the spread of the coronavirus.
Early Release of Super	One of the coronavirus economic response measures which allowed eligible individuals to access their superannuation early to help deal with the adverse economic effects of COVID-19.
Excise	A commodity-based tax on: <ul style="list-style-type: none"> ▪ alcohol (except products wine equalisation tax applies to) ▪ tobacco ▪ fuel and petroleum products.
Franking tax	As per section 214-40 of the <i>Income Tax Assessment Act 1997</i> , it includes: <ul style="list-style-type: none"> ▪ franking deficit tax ▪ over-franking tax ▪ venture capital deficit tax.
Fringe Benefits Tax	Tax paid by employers for certain benefits provided by them to their employees or their employees' family or other associates as per the <i>Fringe Benefits Tax Assessment Act 1986</i> .
Fuel Excise	Fuel and petroleum products that are manufactured, produced or stored in Australia which is subject to excise.
Fuel Tax Credits	A credit for the fuel tax (excise or customs duty) that is included in the price of fuel. It is an entitlement arising under section 41-5, 41-10 or 42-5 of the <i>Fuel Tax Act 2006</i> .
Fuel Tax Credits cluster	Taxpayer-initiated objections lodged following the decision in <i>Linfox Australia Pty Ltd v Commissioner of Taxation of the Commonwealth of Australia</i> [2019] FCAFC 131.
General Interest Charge	Applied to unpaid tax liabilities, such as when an amount of tax, charge, levy or penalty is paid late or is unpaid; or there is an excessive shortfall in an incorrectly varied or estimated income tax instalment. It is worked out under Part IIA of the <i>Taxation Administration Act 1953</i> .
Goods And Services Tax	A broad-based tax of 10% on most goods, services and other items sold or consumed in Australia as per <i>A New Tax System (Goods and Services Tax) Act 1999</i> .
GST Input Tax Credit cluster	Taxpayer-initiated objections attempting to claim input tax credits for meal entertainment and expenses connected to employee allowances.
Income Tax	Income tax imposed by any of the following: <ul style="list-style-type: none"> ▪ <i>the Income Tax Act 1986</i> ▪ <i>the Income Tax (Diverted Income) Act 1981</i> ▪ <i>the Income Tax (Former Complying Superannuation Funds) Act 1994</i> ▪ <i>the Income Tax (Former Non-resident Superannuation Funds) Act 1994</i> ▪ <i>the Income Tax (Fund Contributions) Act 1989</i>.
Job Maker	An incentive for businesses to employ additional young job seekers aged 16–35 years by way of receiving credits for each eligible additional employee they hired between 7 October 2020 and 6 October 2021. It was enacted into law by the <i>Coronavirus Economic Response Package (Payments and Benefits) Act 2020</i> .
JobKeeper	A \$130 billion JobKeeper payment scheme to keep Australians in jobs in response to the pandemic, announced by the Australian Government on 30 March 2020 and

5. THE SUBJECT OF OBJECTIONS

Abbreviation or term	Definition
	enacted into law by the <i>Coronavirus Economic Response Package (Payments and Benefits) Act 2020</i> and <i>Coronavirus Economic Response Package (Payments and Benefits) Rules 2020</i> .
Luxury Car Tax	A 33% tax on cars with value (including GST) above a set threshold. It is paid by businesses that sell or import luxury cars (dealers), and also by individuals who import luxury cars. It is enacted into law by <i>A New Tax System (Luxury Car Tax) Act 1999</i> .
Military Superannuation cluster	Taxpayer-initiated objections received from former personnel of the Australian Defence Force in early 2020.
Self-education Expense cluster	Taxpayer-initiated objections received from members of law enforcement to claim self-education expenses.
Other Government agency costs/fines	Cross-agency aspects of financial items associated with work by the Foreign Investment Review Board (FIRB) and other cross-agency work.
Pay As You Go Instalments	Regular prepayments of the tax on business and/or investment income. It is payable under Division 45 in Schedule 1 to the <i>Taxation Administration Act 1953</i> .
Pay As You Go Withholding	Amounts withheld by an employer from payments made to their payees, for example, employees, as per Division 10 in Schedule 1 to the <i>Taxation Administration Act 1953</i>
Petroleum Resource Rent Tax	A tax generally on profits generated from the sale of marketable petroleum commodities as imposed under: <ul style="list-style-type: none"> ▪ <i>the Petroleum Resource Rent Tax (Imposition--General) Act 2012</i> ▪ <i>the Petroleum Resource Rent Tax (Imposition--Customs) Act 2012</i> ▪ <i>the Petroleum Resource Rent Tax (Imposition--Excise) Act 2012</i>.
Superannuation	This includes matters relating to super guarantee, self-managed super funds, and excess contribution.
Wine Equalisation Tax	A 29% tax on the wholesale value of wine that is made, imported into Australia, or sold by wholesale. It is enacted into law by <i>A New Tax System (Wine Equalisation Tax) Act 1999</i> .
Working Holiday Maker cluster	Objections that were on hold pending the outcome of the outcome of <i>Addy v Federal Commissioner of Taxation</i> [2020] FCAFC 135.

Overall subjects of objections received

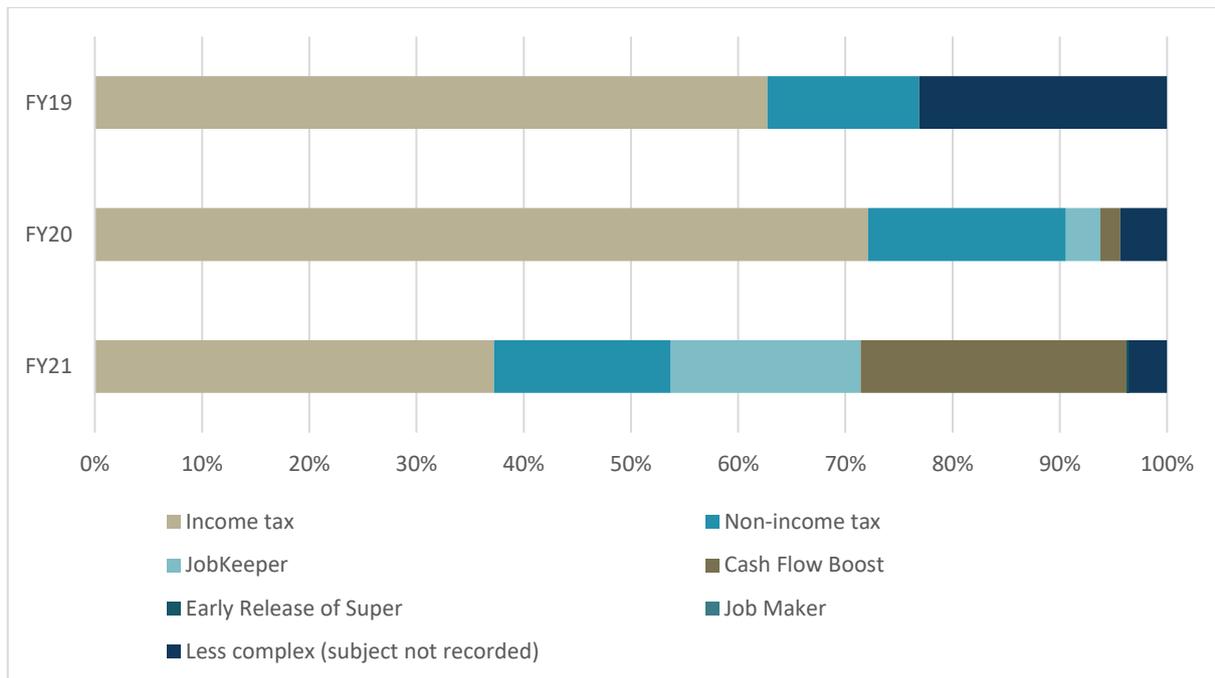
- 5.3. Table 5.1 and Figure 5.1 presents the subjects of objections received by the ATO in FY19 to FY21. The data in this chapter covers only those objections which were received as a case on the ATO's systems – some objections (usually those that are high volume and low complexity) can also be received and managed as an activity on the ATO's systems. Therefore, the dataset in this chapter is smaller than the data presented in Chapter 4.
- 5.4. For FY21, the ATO's data capture was improved to enable multiple subjects in dispute to be recorded against a single objection. For example, an objection which relates to both income tax and GST, has been included in both data for income tax and GST for FY21. Prior to FY21, the ATO's data only recorded what was considered the 'Primary Revenue Product' in an objection which meant only one subject would be captured for each objection.

5.5. For COVID-19 economic response measures, the ATO predominately recorded these objections under income tax (for Cash Flow Boost, JobKeeper and Job Maker) and superannuation (for early release of superannuation). For the purposes of this report, the data for the COVID-19 economic response measure objections is shown separately – i.e., in separate tables and charts. This may lead to minor inconsistencies in comparisons across the different tables and charts in this chapter.

Table 5.1: Objections received by subject – FY19 to FY21

	FY19	FY20	FY21
Income tax	16,943	15,788	10,341
Non-income tax (Various)	3,832	4,042	4,587
JobKeeper	0	702	4,915
Cash Flow Boost	0	408	6,899
Early Release of Super	0	0	40
Job Maker	0	0	5
Less complex (subject not recorded)	6,241	952	993
Total Objections received	27,016	21,892	27,780

Figure 5.1: Objections received by subject – FY19 to FY21



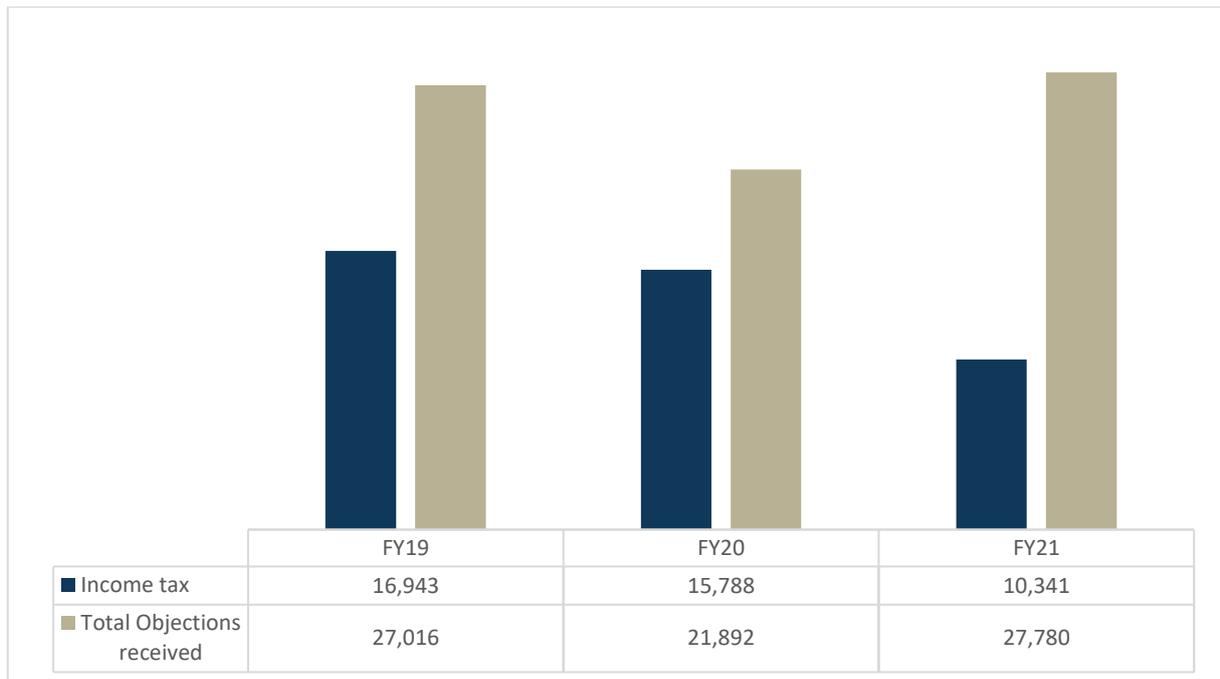
5.6. The remainder of this chapter provides a further breakdown of this data, including amongst the client experience groups.

5. THE SUBJECT OF OBJECTIONS

Income tax

5.7. Figure 5.2 shows the total number of objections received in FY19 to FY21 in comparison to the number of these objections which were in relation to income tax. The chart highlights that a majority of objections received by the ATO during this period related to income tax, in particular, for FY19 and FY20.

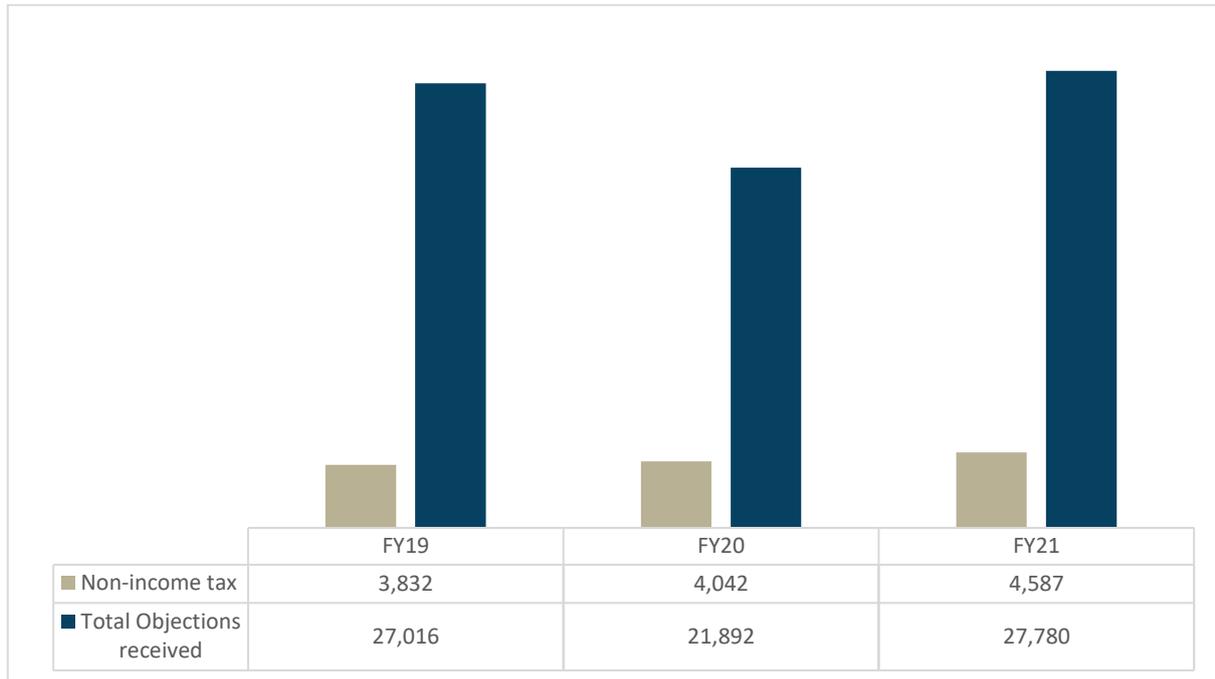
Figure 5.2: The total number of objections received for FY19 to FY21



Non-income tax

5.8. Figure 5.3 provides the number of objections that were received about non-income tax in FY19 to FY21. This data is shown in comparison with the total number of objections that were received by the ATO during the same period. It is observed that there was a steady increase in the total number of non-income tax objections.

Figure 5.3: The total number of objections received for FY19 to FY21



Non-income tax includes:

- | | |
|--|------------------------------|
| a. Goods And Services Tax | b. Superannuation |
| c. Excise | d. Fringe Benefits Tax |
| e. Petroleum Resource Rent Tax | f. Wine Equalisation Tax |
| g. Luxury Car Tax | h. Fuel Excise |
| i. Fuel Tax Credits | j. Administrative penalties |
| k. Franking tax | l. General Interest Charge |
| m. Other Government agency costs/fines | n. Pay As You Go Instalments |
| o. Pay As You Go Withholding | |

5.9. Figure 5.4 and Table 5.2 shows that superannuation made up a majority of the non-income tax objections received by the ATO from FY19 to FY21. It should be noted that in FY21, the ATO received 626 objections about superannuation from former Australian Defence Force personnel (Military Superannuation cluster).

5.10. In FY19, the ATO received 489 objections relating to Fuel Tax Credit which was in response to the decision in *Linfox Australia Pty Ltd v Commissioner of Taxation of the Commonwealth of Australia* [2019] FCAFC 131. The ATO received an additional 786 objections in FY20 recorded under fuel excise which relates to the Fuel Tax Credit cluster.

5.11. In FY21, there was also a notable increase in objections in relation to pay as you go withholding.

5. THE SUBJECT OF OBJECTIONS

Figure 5.4: The total number of non-income tax objections received for FY19 to FY21

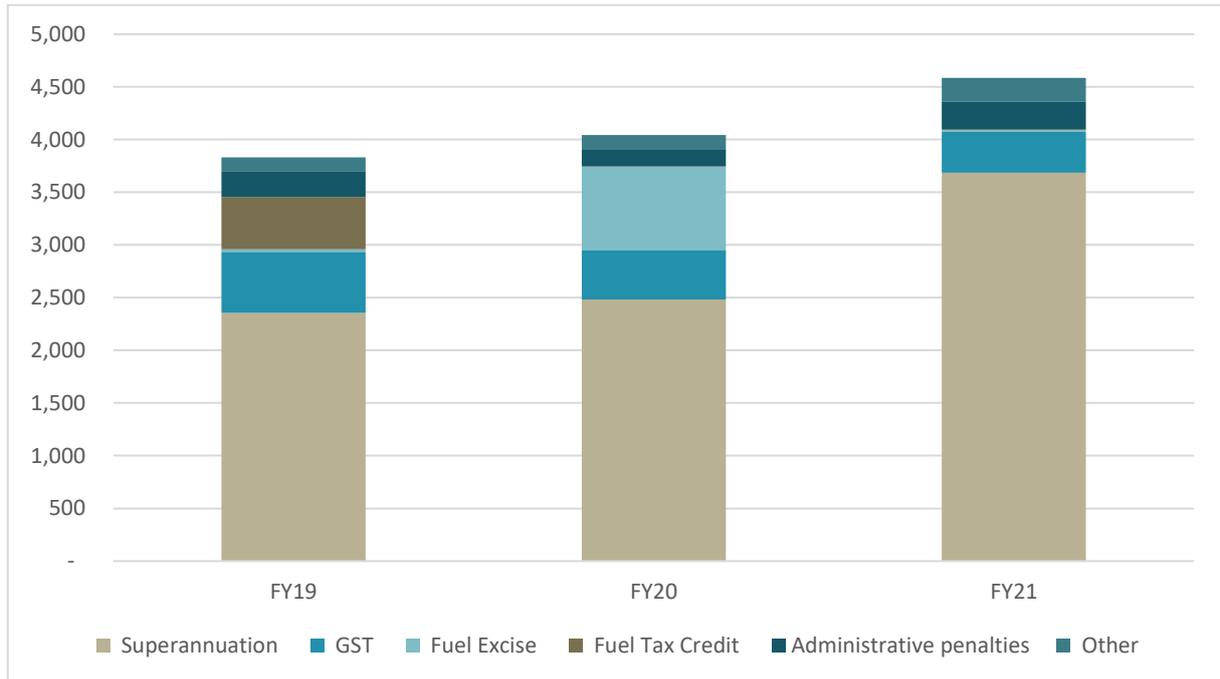


Table 5.2: Breakdown of non-income tax objections received for FY19 to FY21

		FY19	FY20	FY21
Superannuation		2,355	2,484	3,687
GST		580	468	386
Fuel Excise		23	789	16
Fuel Tax Credit		499	5	6
Administrative penalties		244	163	265
Other				
Fringe Benefits Tax		64	67	57
Excise		12	12	18
Petroleum Resource Rent Tax		2	1	3
Wine Equalisation Tax		5	3	4
Luxury Car Tax		6	9	10
Franking tax		-	3	2
General Interest Charge		1	-	-
Other Government agency costs/fines		1	-	7
Pay As You Go Instalments		2	6	11
Pay As You Go Withholding		38	32	115

COVID-19 economic response measures

5.12. Figure 5.5 and Table 5.3 provides the number of objections received by the ATO which were about the COVID-19 economic response measures. Figure 5.5 highlights that as expected in FY21, the proportion of objections received by the ATO related to COVID-19 economic response measures significantly increased from FY20. Table 5.3 shows that JobKeeper and the Cash Flow Boost were the primary measures subject to these objections.

Figure 5.5: The total number of objections received for FY20 to FY21

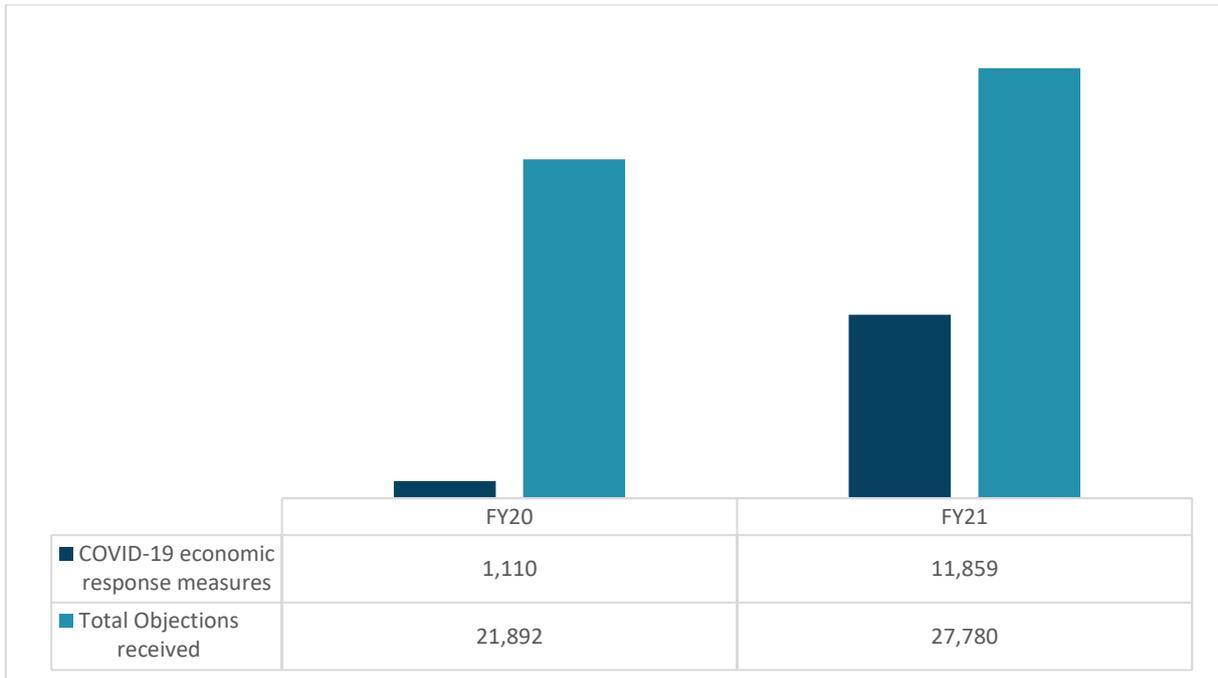


Table 5.3: Breakdown of COVID-19 economic response measures for FY20 to FY21

	JobKeeper	Cash Flow Boost	Early Release of Super	Job Maker
FY20	702	408	-	-
FY21	4,915	6,899	40	5

The total number of objections received by subject for FY19 to FY21, by Client Experience Group

5.13. The following section provides data on the subject of objections received by the ATO in FY19 to FY21 from each client experience group. The data compares the number of objections about income tax against non-income tax, as well as a further breakdown of the non-income tax objections.

Individuals

5.14. Figure 5.6 illustrates the split between income tax and non-income tax objections received from individuals. It shows that objections lodged by individuals were predominately in relation to income tax.

5.15. In FY21, there was a notable decrease in objections about income tax. At the same time, as seen in Table 5.4, there was a significant increase in objections received about superannuation of which 39% (525 objections) were related to the Military Superannuation cluster. It is also noted that there was a decline in administrative penalties objections from FY19 to FY21.

Figure 5.6: Income tax vs non-income tax

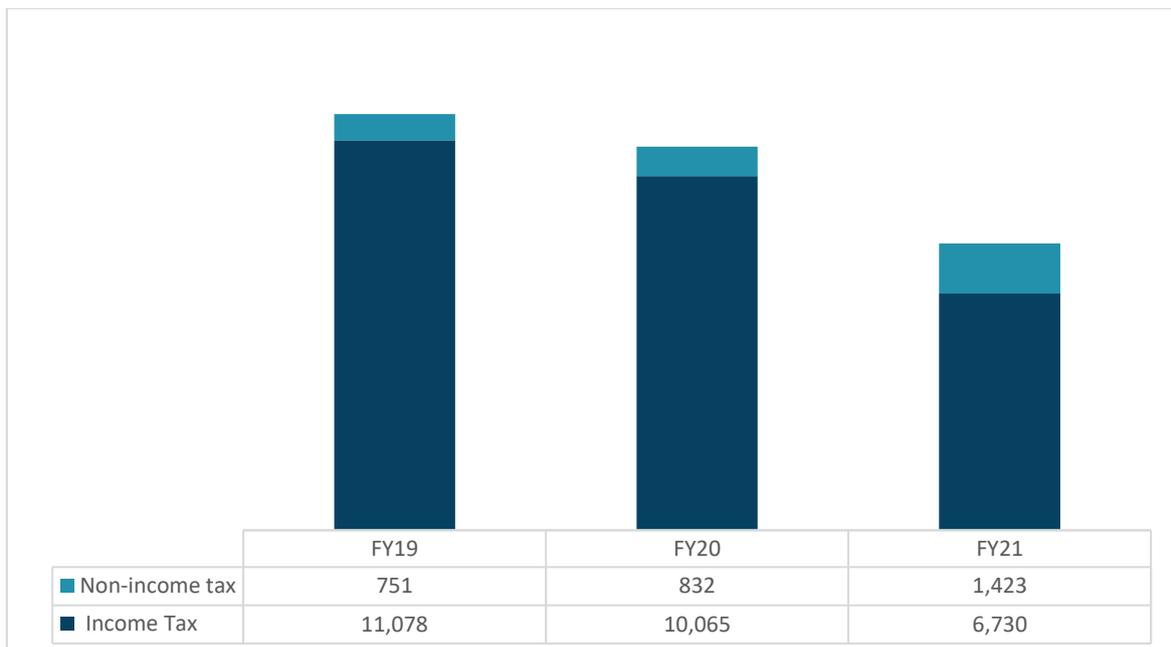
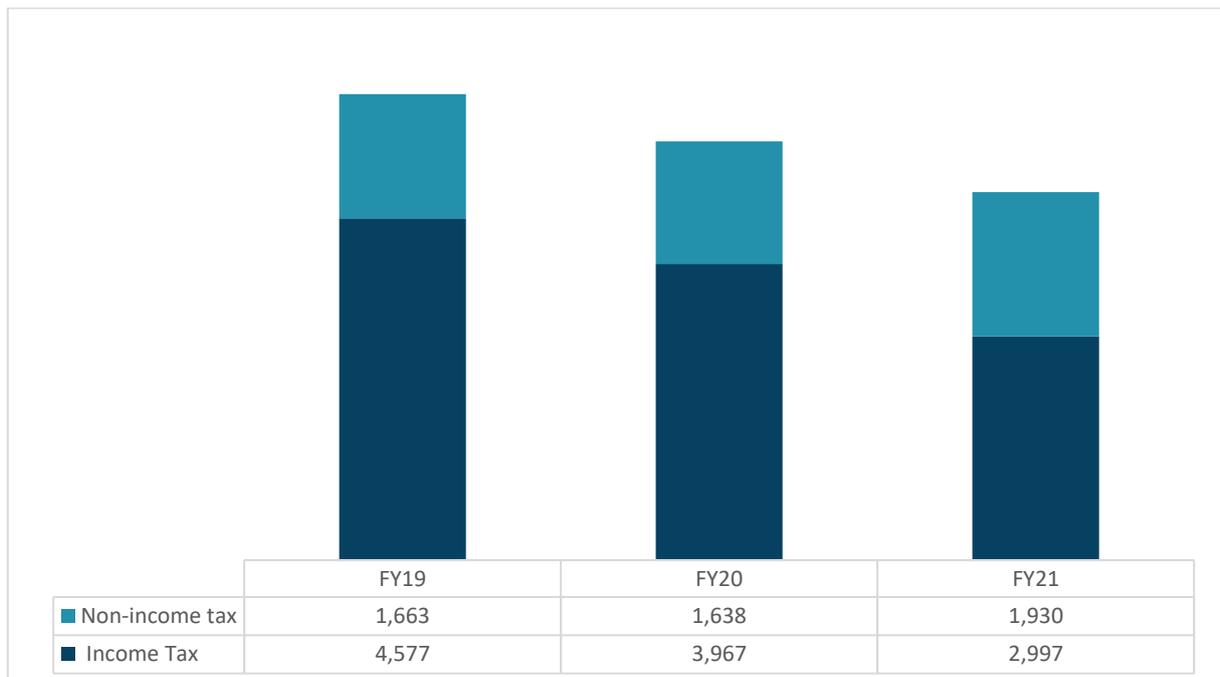


Table 5.4: Breakdown of individuals non-income tax objections received for FY19 to FY21

	FY19	FY20	FY21
Superannuation	600	690	1,314
GST	25	24	19
Fuel Excise	-	1	-
Fuel Tax Credit	1	-	-
Administrative penalties	117	99	65
Fringe Benefits Tax	2	13	4
Excise	3	-	11
Luxury Car Tax	-	1	-
Franking Tax	-	2	-
Other Government agency costs/fines	1	-	-
Pay As You Go Instalments	1	1	2
Pay As You Go Withholding	1	1	8

Small Business

- 5.16. Figure 5.7 suggests that whilst objections about income tax made up the majority of objections received from small businesses, there was a 34.5% decline in income tax objections from FY19 to FY21.
- 5.17. Table 5.5 shows that in FY21, there was an increase in objections relating to non-income tax matters such as superannuation, administrative penalties, and pay as you go withholding.

Figure 5.7: Income tax vs non-income tax

5. THE SUBJECT OF OBJECTIONS

Table 5.5: Breakdown of small business non-income tax objections received for FY19 to FY21

	FY19	FY20	FY21
Superannuation	1,112	1,069	1,444
GST	377	313	212
Fuel Excise	5	144	1
Fuel Tax Credit	24	3	3
Administrative penalties	96	51	147
Fringe Benefits Tax	10	13	4
Excise	7	7	3
Wine Equalisation Tax	3	2	3
Luxury Car Tax	3	4	4
Franking Tax	-	1	-
Other Government agency costs/fines	-	-	3
Pay As You Go Instalments	1	4	8
Pay As You Go Withholding	25	27	98

Privately Owned and Wealthy Groups

- 5.18. Figure 5.8 reveals that after FY19, the difference between the number of income tax and non-income tax objections from Privately Owned and Wealthy Groups reduced significantly.
- 5.19. Table 5.6 further shows the impact of the cluster of Fuel Tax Credit objections through the number of objections received related to this cluster predominantly recorded under fuel tax credit in FY19 and fuel excise in FY20.

Fuel Tax Credit cluster	Received
FY19	69
FY20	425

Figure 5.8: Income tax vs non-income tax

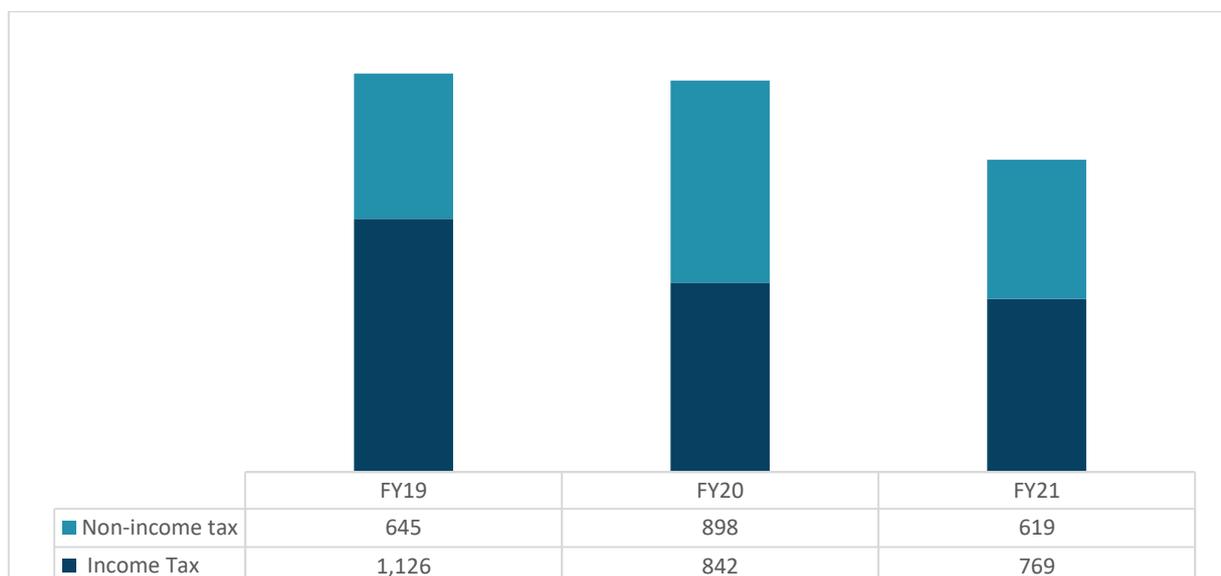


Table 5.6: Breakdown of privately owned and wealthy groups non-income tax objections received for FY19 to FY21

	FY19	FY20	FY21
Superannuation	378	364	449
GST	120	80	70
Fuel Excise	10	425	10
Fuel Tax Credit	74	1	1
Administrative penalties	26	6	41
Fringe Benefits Tax	19	9	13
Excise	2	3	2
Wine Equalisation Tax	2	1	1
Luxury Car Tax	3	4	6
Franking tax	-	-	1
General Interest Charge	1	-	-
Other Government agency costs/fines	-	-	1
Pay As You Go Instalments	-	1	-
Pay As You Go Withholding	10	4	24

Public and Multinational Businesses

- 5.20. Figure 5.9 demonstrates that a significant proportion of objections from public and multinational businesses in FY19 to FY21 were non-income tax related.
- 5.21. Relevantly, Table 5.7 highlights once again the effect of the Fuel Tax Credit cluster on the number of objections for fuel tax credit in FY19 and fuel excise in FY20.

Fuel Tax Credit cluster	Received
FY19	80
FY20	153

- 5.22. It is also noted that objections about GST from FY19 to FY21 were materially related to the cluster of objections claiming input tax credits for meal entertainment and expenses connected to employee allowances.

GST ITC cluster	Received
FY19	17
FY20	8
FY21	5

5. THE SUBJECT OF OBJECTIONS

Figure 5.9: Income tax vs non-income tax

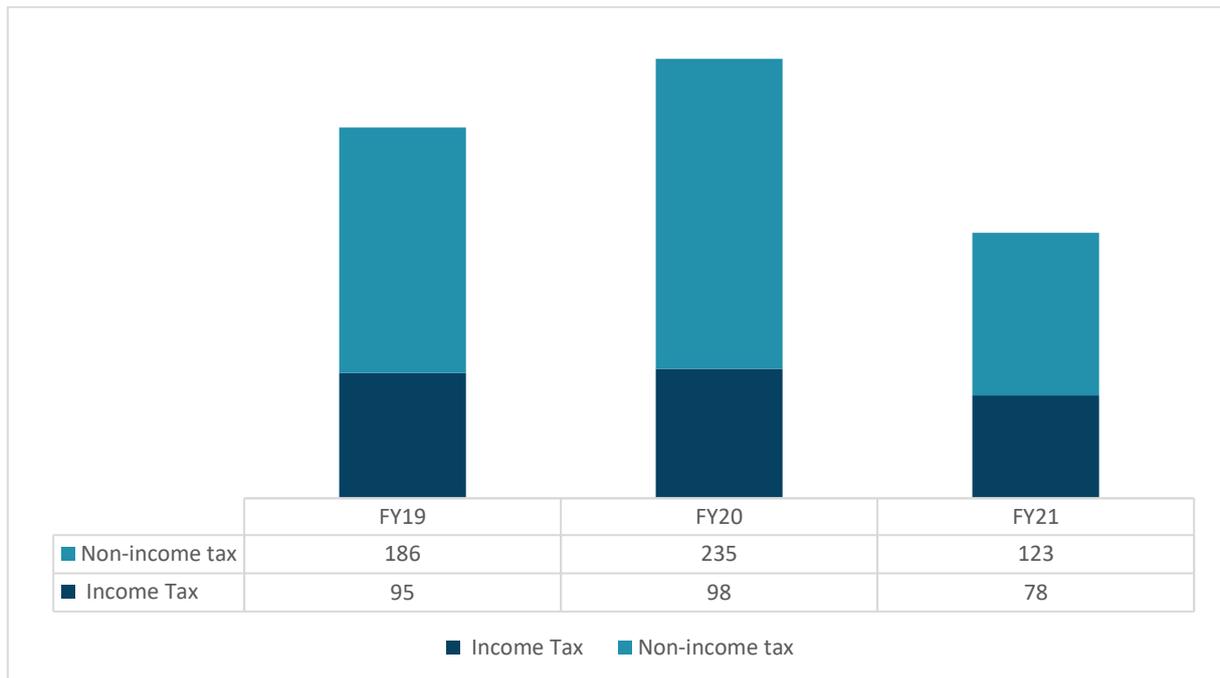


Table 5.7: Breakdown of public and multinational businesses non-income tax objections received for FY19 to FY21

	FY19	FY20	FY21
Superannuation	21	23	47
GST	44	28	21
Fuel Excise	6	153	3
Fuel Tax Credit	81	1	2
Administrative penalties	1	1	5
Fringe Benefits Tax	29	26	28
Excise	-	2	2
Petroleum Resource Rent Tax	2	1	3
Other Government agency costs/fines	-	-	2
Pay As You Go Withholding	2	-	10

Super Funds and NFPs

5.23. As expected, Figure 5.10 reveals that a significant proportion of objections from Super Funds and NFPs were in relation to superannuation.

5.24. Once again, the numbers received in fuel tax credit and fuel excise objections seen in Table 5.8 were mostly attributed to the Fuel Tax Credit cluster of objections.

Fuel Tax Credit cluster	Received
FY19	319
FY20	65

Figure 5.10: Income tax vs non-income tax

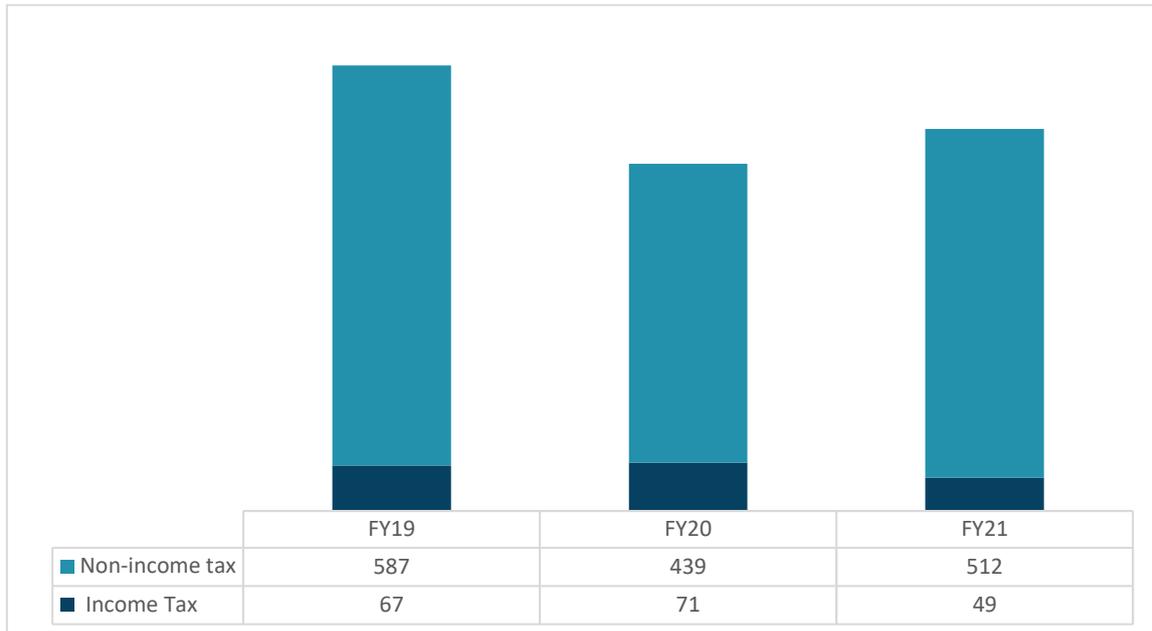


Table 5.8: Breakdown of non-income tax objections received from Super Funds and NFPs for FY19 to FY21

	FY19	FY20	FY21
Superannuation	244	338	424
GST	14	23	67
Fuel Excise	2	66	2
Fuel Tax Credit	319	-	-
Administrative penalties	4	6	7
Fringe Benefits Tax	4	6	8
Franking tax	-	-	1
Other Government agency costs/fines	-	-	1
Pay As You Go Instalments	-	-	1
Pay As You Go Withholding	-	-	1

The total number of COVID-19 economic response measures objections received for FY20 to FY21, by Client Experience Group

- 5.25. This section provides a comparison between the number of objections about the COVID-19 economic response measures received from each client experience group in comparison with objections relating to other subjects received by the ATO from the same group during FY20 and FY21.
- 5.26. A further breakdown for each client experience group of the specific number of objections for each COVID-19 economic response measure is also included.

5. THE SUBJECT OF OBJECTIONS

Individuals

5.27. Figure 5.11 shows the small number of objections about the COVID-19 economic response measures received by the ATO from individuals in comparison with objections relating to other subjects from individuals during FY20 and FY21. Out of the objections from individuals about the COVID-19 economic response measures, the majority were about JobKeeper, as seen in Table 5.9.

Figure 5.11: Individuals COVID-19 objections against total objections

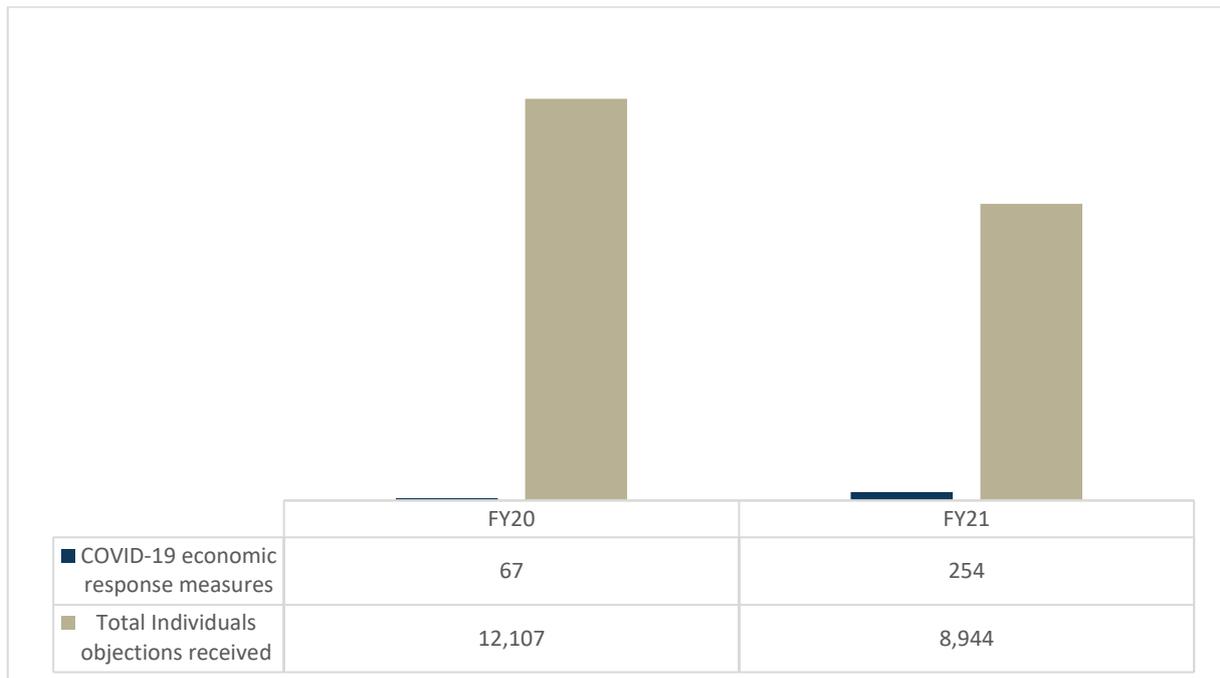


Table 5.9: Breakdown of individuals COVID-19 economic response measures for FY20 to FY21

	JobKeeper	Cash Flow Boost	Early Release of Super	Job Maker
FY20	67	-	-	-
FY21	216	3	35	-

Small Business

5.28. As seen in Figure 5.12, the majority of objections received by the ATO from small businesses in FY21 was in relation to the COVID-19 economic response measures. Table 5.10 provides further detail confirming these objections predominately related to the Cash Flow Boost and JobKeeper.

Figure 5.12: Small business COVID-19 objections against total objections

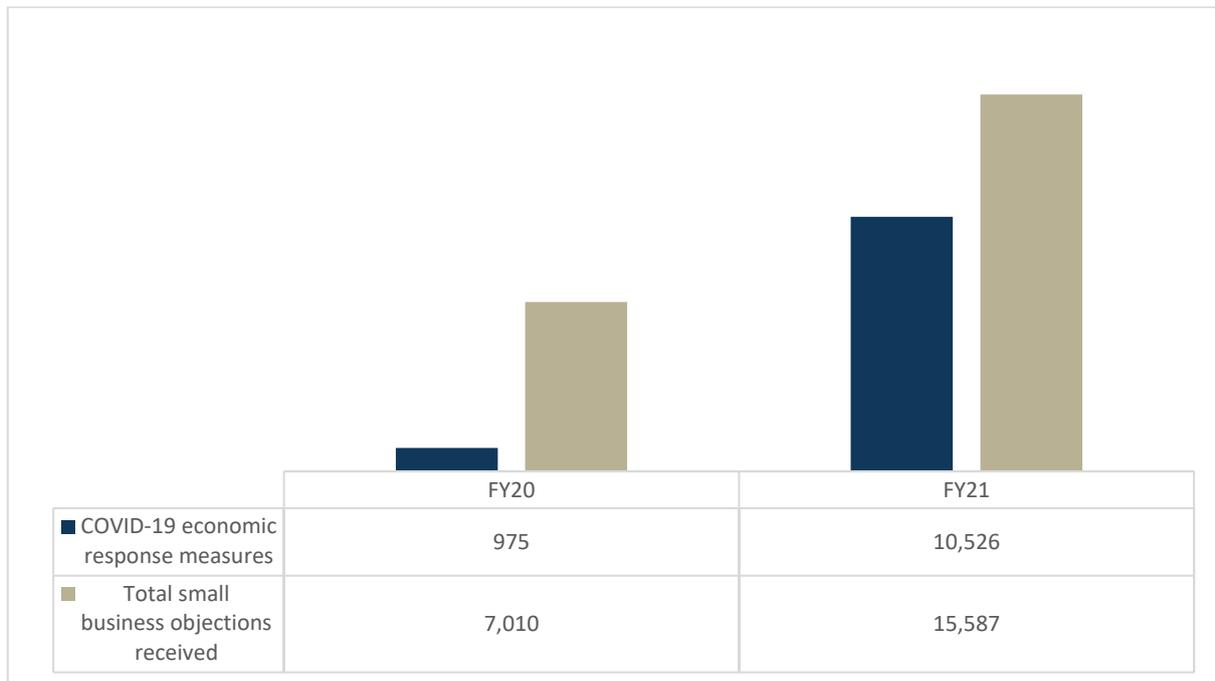


Table 5.10: Breakdown of small businesses COVID-19 economic response measures for FY20 to FY21

	JobKeeper	Cash Flow Boost	Early Release of Super	Job Maker
FY20	618	357	-	-
FY21	4,490	6,026	5	5

5. THE SUBJECT OF OBJECTIONS

Privately Owned and Wealthy Groups

5.29. Figure 5.13 shows that for privately owned and wealthy groups, objections about the COVID-19 economic response measures were not the majority of objections received in FY20 and FY21. However, in FY21 it did comprise of 38% of all total objections which is significant. From the objections received relating to the COVID-19 economic response measures, they were predominately about the Cash Flow Boost rather than JobKeeper, as seen in Table 5.11.

Figure 5.13: Privately owned and wealthy groups COVID-19 objections against total objections

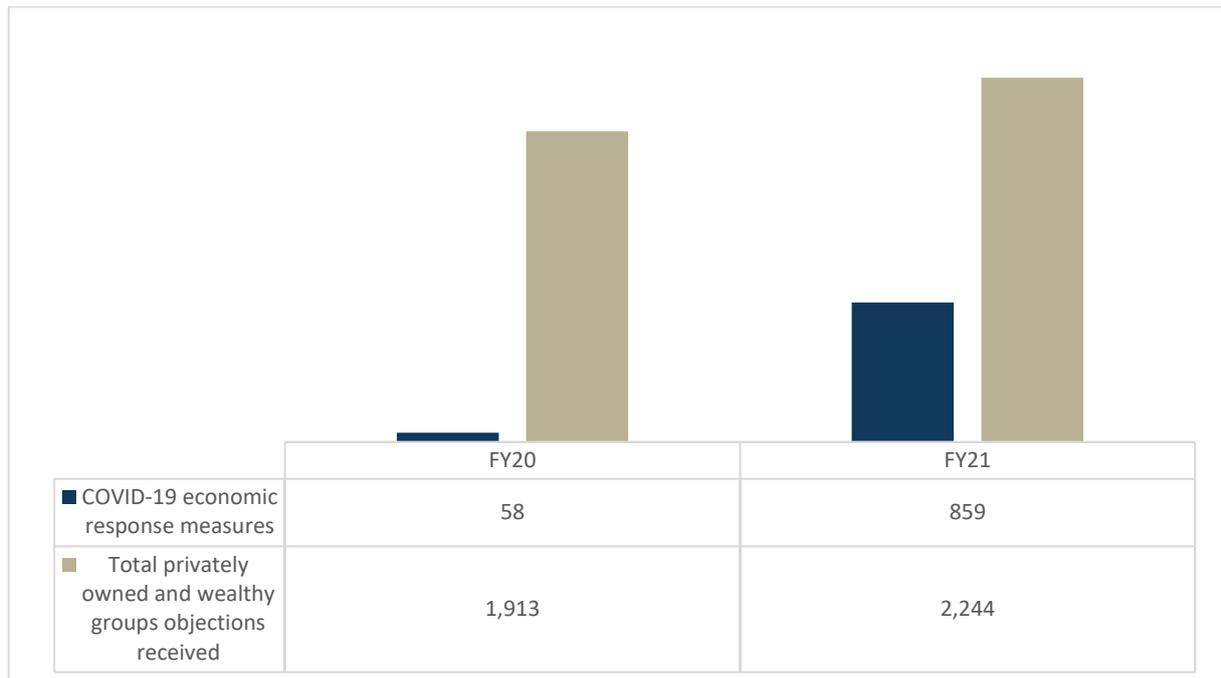


Table 5.11: Breakdown of privately owned and wealthy groups COVID-19 economic response measures for FY20 to FY21

	JobKeeper	Cash Flow Boost	Early Release of Super	Job Maker
FY20	16	42	-	-
FY21	149	710	-	-

Public and Multinational Businesses

- 5.30. The proportion of objections related to the COVID-19 economic response measures from public and multinational businesses was most pronounced in FY21, accounting for 41% of objections received in that year.
- 5.31. Table 5.12 also shows that the Cash Flow Boost was the main subject of the objections received from public and multinational businesses in relation to the COVID-19 economic response measures.

Figure 5.14: Public and multinational businesses COVID-19 objections against total objections

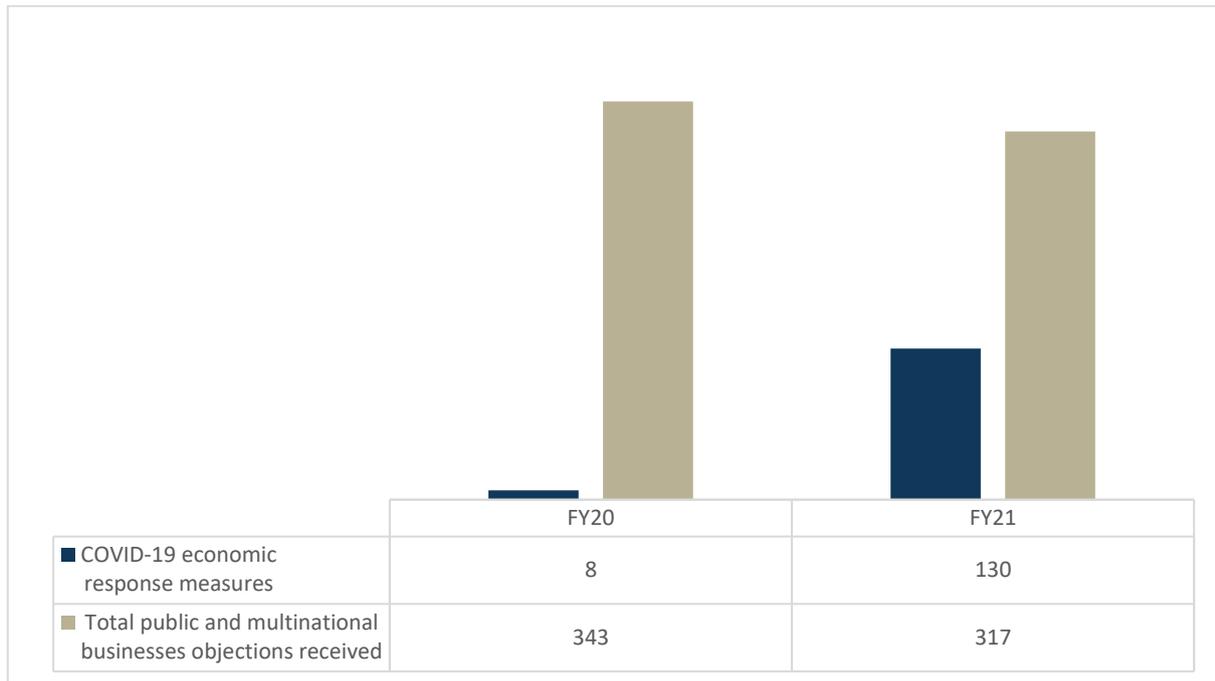


Table 5.12: Breakdown of public and multinational businesses COVID-19 economic response measures for FY20 to FY21

	JobKeeper	Cash Flow Boost	Early Release of Super	Job Maker
FY20	1	7	-	-
FY21	30	100	-	-

5. THE SUBJECT OF OBJECTIONS

Super Funds and NFPs

5.32. Figure 5.15 demonstrates that only a small proportion of COVID-19 economic response measure objections were received by the ATO from Super Funds and NFPs compared to other objections received from this group. From this small number of objections about the COVID-19 economic response measures, Table 5.13 shows that they were mostly about the Cash Flow Boost.

Figure 5.15: Super Funds and NFPs – COVID-19 objections against total objections

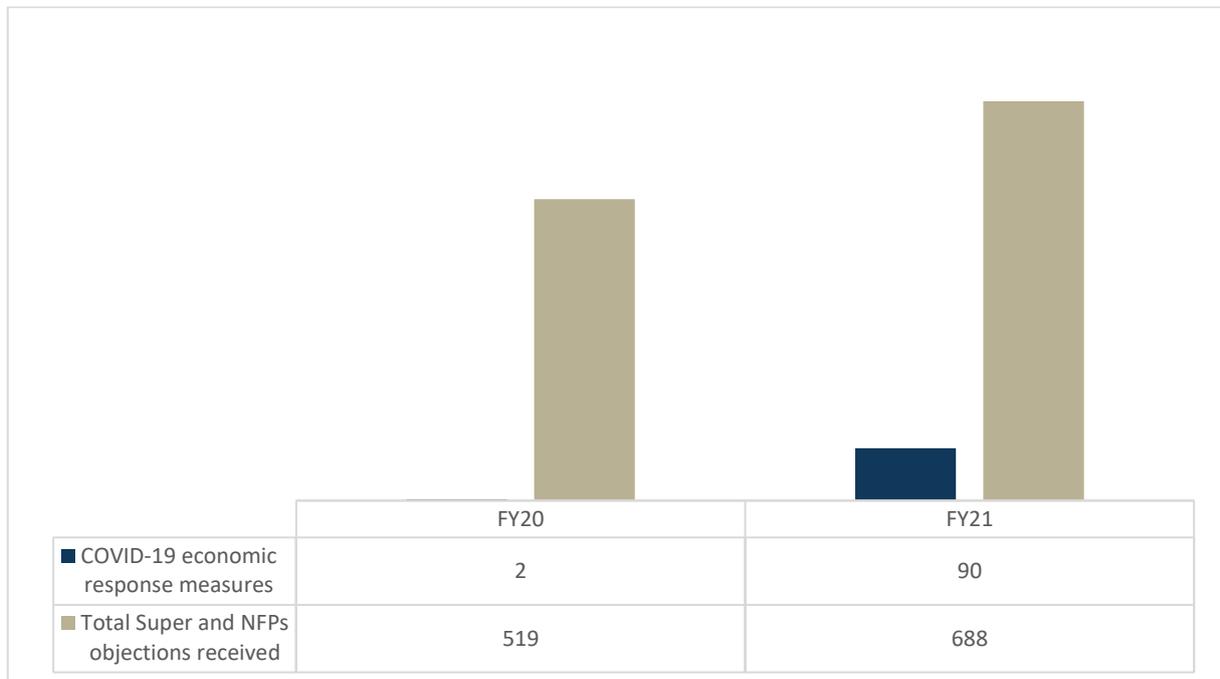


Table 5.13: Breakdown of COVID-19 economic response measures objections received from Super Funds and NFPs for FY20 to FY21

	JobKeeper	Cash Flow Boost	Early Release of Super	Job Maker
FY20	-	2	-	-
FY21	30	60	-	-

6

OUTCOME OF OBJECTIONS

This chapter presents data in relation to the
outcome of objections.

6. OUTCOME OF OBJECTIONS

Introduction

- 6.1. The data in this chapter focuses on the outcomes of the objections finalised by the ATO. An objection may be finalised by the ATO as:
- Allowed in full,
 - Allowed in part,
 - Disallowed,
 - Withdrawn, or
 - Invalid/Other.
- 6.2. This chapter also provides a breakdown of the data on the outcomes of objections that were in response to ATO compliance action or self-initiated by the taxpayer. Furthermore, details on the effect of the objection clusters on this data is included in this chapter.
- 6.3. For FY20 and FY21, the data is broken down between business as usual objections and objections about the COVID-19 economic response measures. These figures will not match those reported in previous chapters as those figures are based on a combined dataset which contains all objections for the COVID-19 economic response measures. The data in this chapter takes into account cases which were reopened across financial years as well as delays in receipt of work to Review and Dispute Resolution.
- 6.4. Finally, the chapter includes data on the number of applications for review lodged externally (Administrative Appeals Tribunal and Federal Court of Australia) in comparison with objections finalised by the ATO that were either allowed in part or disallowed. It is noted that the number of applications include some cases where there was no objection decision made by the ATO and the Tribunal had no jurisdiction to make a decision.

Glossary of Terms

6.5. A glossary of terms used throughout this Chapter is included for reference and interpretation purposes

Abbreviation or term	Definition
Administrative Appeals Tribunal (AAT)	A tribunal established under the <i>Administrative Appeals Tribunal Act 1975</i>
Allowed in full	The taxpayer's objection is accepted by the ATO in its entirety. Note: taxpayers may withdraw aspects of their original objection, and if the remaining aspects are accepted by the ATO, then the outcome of the objection is considered as allowed in full.
Allowed in part	Some aspects of the taxpayer's objection are accepted by the ATO. The remaining aspects are not accepted and are disallowed.
Business as usual objections (BAU)	Objections during FY20 and FY21 which were not in relation to the COVID-19 economic response measures.
Client Experience	Broadly, the ATO divides taxpayers into client experience groups. All taxpayers are allocated to a primary client experience population for reporting purposes. The client experience allocation is based on definitions and hierarchical approach. It is also subject to the information the ATO has for a particular taxpayer.
Client Experience - Individuals (IND)	Individual clients who have no: <ul style="list-style-type: none"> ▪ business or personal services income; or ▪ links to an active micro entity, excluding a link type of "member of an SMSF" if they receive passive income it is from investments or distributions only.
Client Experience - Private and Wealthy Groups (PWG)	The ATO views privately owned and wealthy groups as: <ul style="list-style-type: none"> ▪ companies and their associated subsidiaries (often referred to as economic groups) with an annual turnover greater than \$10 million, that are not public groups or foreign owned; or ▪ resident individuals who, together with their business associates, control net wealth over \$5 million.
Client Experience - Public and Multinational Businesses (PMB)	Includes Australian public companies, listed and unlisted; widely held Australian partnerships, superannuation funds and managed investment trusts; and majority foreign owned entities.
Client Experience - Small Business (SB)	A business with less than \$10 million aggregated turnover in the previous financial year. Prior to 2016-17, the threshold was \$2 million. This group may include individual taxpayers by reason of their association with another entity – for example, director of a company, or a partner in a partnership.
Client Experience – Super Funds and Not for Profit (NFP)	Superannuation funds, including Self-Managed Superannuation Funds, and Not for Profits.
Disallowed	The taxpayer's objection is not accepted by the ATO in its entirety.
Federal Court of Australia	A superior court established under the <i>Federal Court of Australia Act 1976</i>
First instance Part IVC appeals received	AAT reviews or appeals to the Federal Court lodged against an ATO assessment/decision.

6. OUTCOME OF OBJECTIONS

Abbreviation or term	Definition
Fuel Tax Credits cluster	Taxpayer-initiated objections lodged following the decision in <i>Linfox Australia Pty Ltd v Commissioner of Taxation of the Commonwealth of Australia</i> [2019] FCAFC 131.
GST Input Tax Credit cluster	Taxpayer-initiated objections attempting to claim input tax credits for meal entertainment and expenses connected to employee allowances.
Invalid/Other	<p>The taxpayer's objection is not valid as it does not contain the required information and/or sufficient details for the objection to be progressed. The following is required for an objection to be valid:</p> <ul style="list-style-type: none"> ▪ full details of the grounds of the objection ▪ a declaration that the information provided in the objection and supporting documentation is true and correct ▪ the objection is signed and dated. <p>Other objections covered by this category would include requests for reviews of decisions that do not have statutory objection rights. In addition, "other" outcomes would also include disputes that require no further action, for instance complaints that were not genuine objections and have been referred to be resolved as a complaint.</p>
Military Superannuation cluster	Taxpayer-initiated objections received from former personnel of the Australian Defence Force in early 2020.
Self-education Expense cluster	Taxpayer-initiated objections received from members of law enforcement to claim self-education expenses.
Superannuation Guarantee cluster	A cluster of objections relating to liability to pay superannuation guarantee for certain personnel within the racing industry.
Withdrawn	The taxpayer withdraws their objection and preserving their review rights to lodge another objection on the same issue.
Working Holiday Maker cluster	Objections that were on hold pending the outcome of the outcome of <i>Addy v Federal Commissioner of Taxation</i> [2020] FCAFC 135.

Total outcomes of finalised objections for FY19 to FY21

- 6.6. Figures 6.1 to 6.4 show that for FY19 to FY21, nearly 50% of the decisions in the objections finalised by the ATO were allowed in full. Objections that were either withdrawn or deemed invalid/other were the next highest proportion of the outcomes. It is also noted that there was a significant increase in FY21 of the number of objections where the outcome was disallowed. This is attributed to the number of disallowed objections from small businesses, which is the second largest client experience group. It should be noted that 65% of all finalised small business objections from FY21 were objections against decisions in relation to COVID-19 economic response measures.
- 6.7. In FY19, the ATO finalised 167 objections with an outcome of disallowed which related to members of law enforcement claiming self-education expenses. At the same time, 1,616 objections relating to this cluster were finalised as invalid/other.
- 6.8. In FY20, there were 676 objections finalised as disallowed which had been lodged following the decision in *Linfox Australia Pty Ltd v Commissioner of Taxation of the Commonwealth of Australia* [2019] FCAFC 131.

Figure 6.1: Total number of outcomes of finalised objections for FY19 to FY21

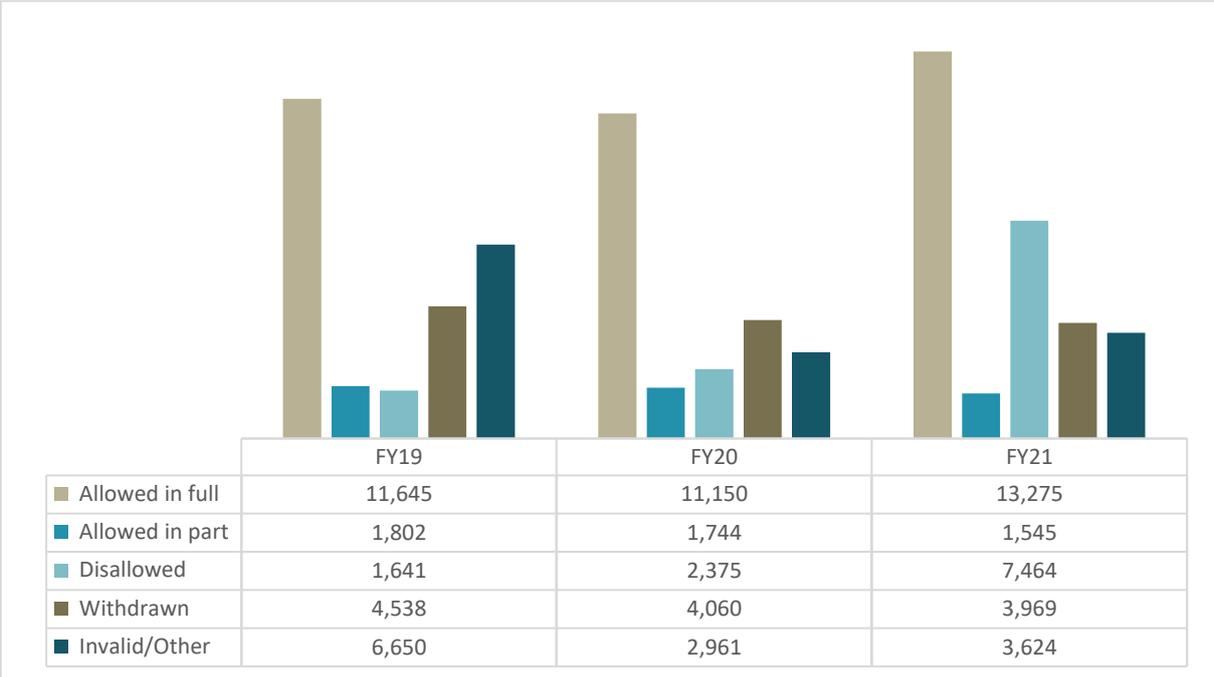
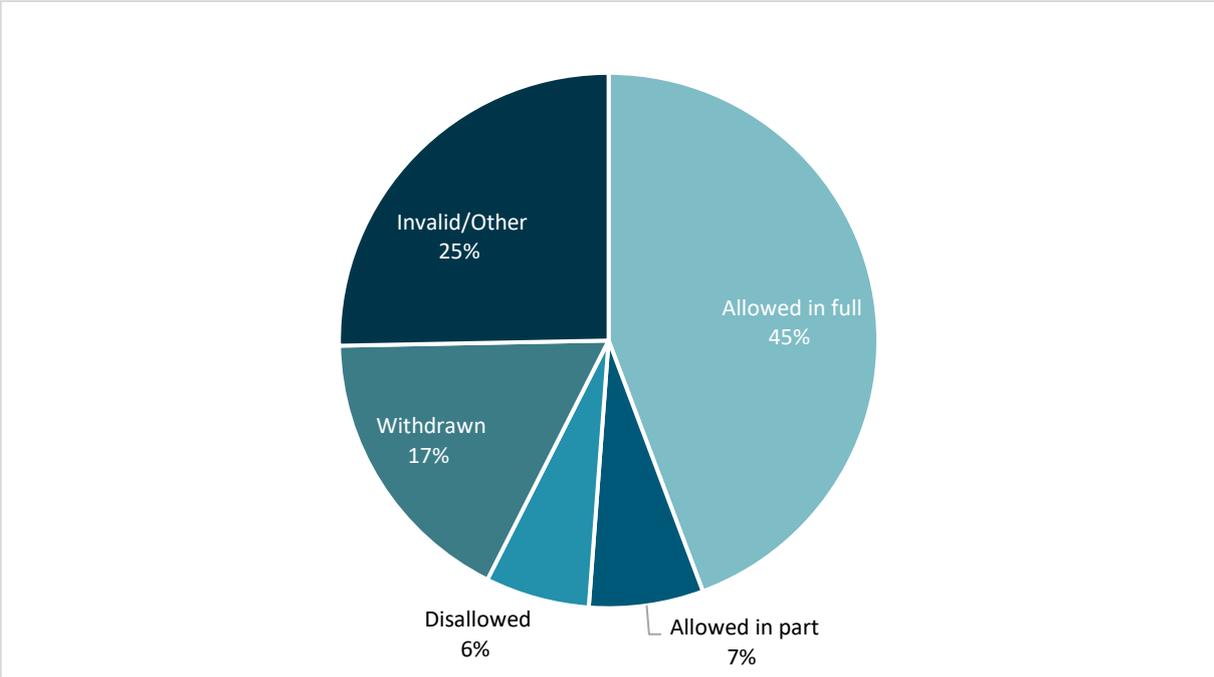


Figure 6.2: Percentage of total outcomes of finalised objections for FY19



6. OUTCOME OF OBJECTIONS

Figure 6.3: Percentage of total outcomes of finalised objections for FY20

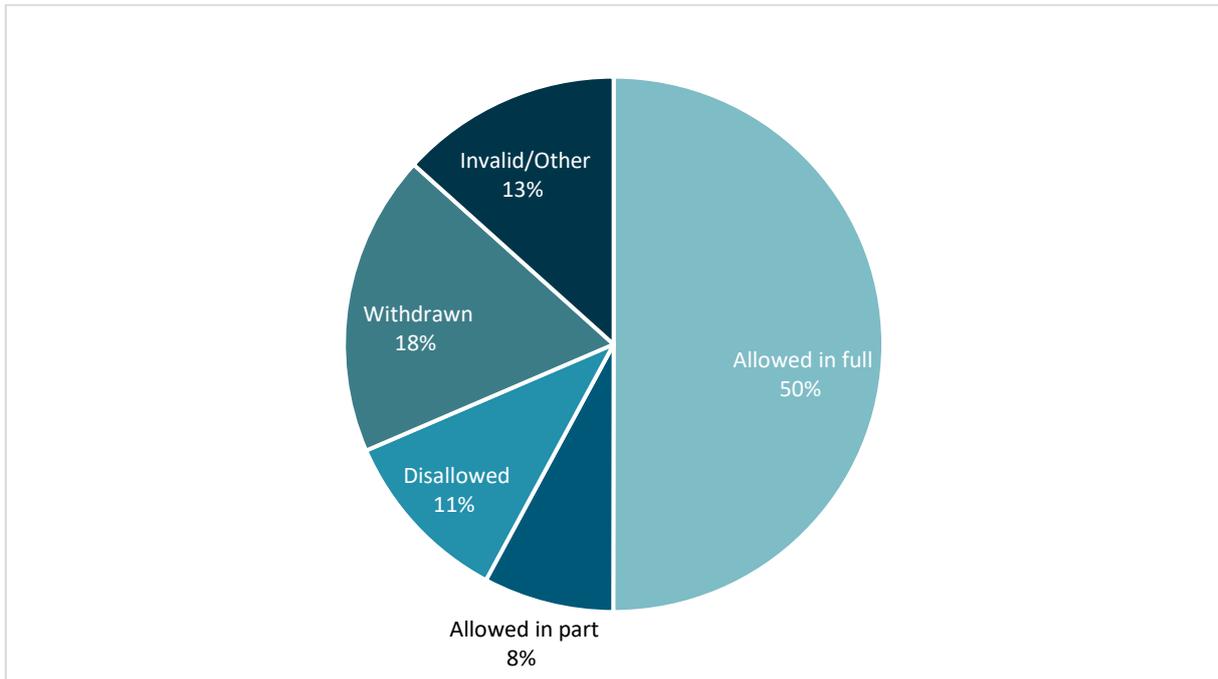
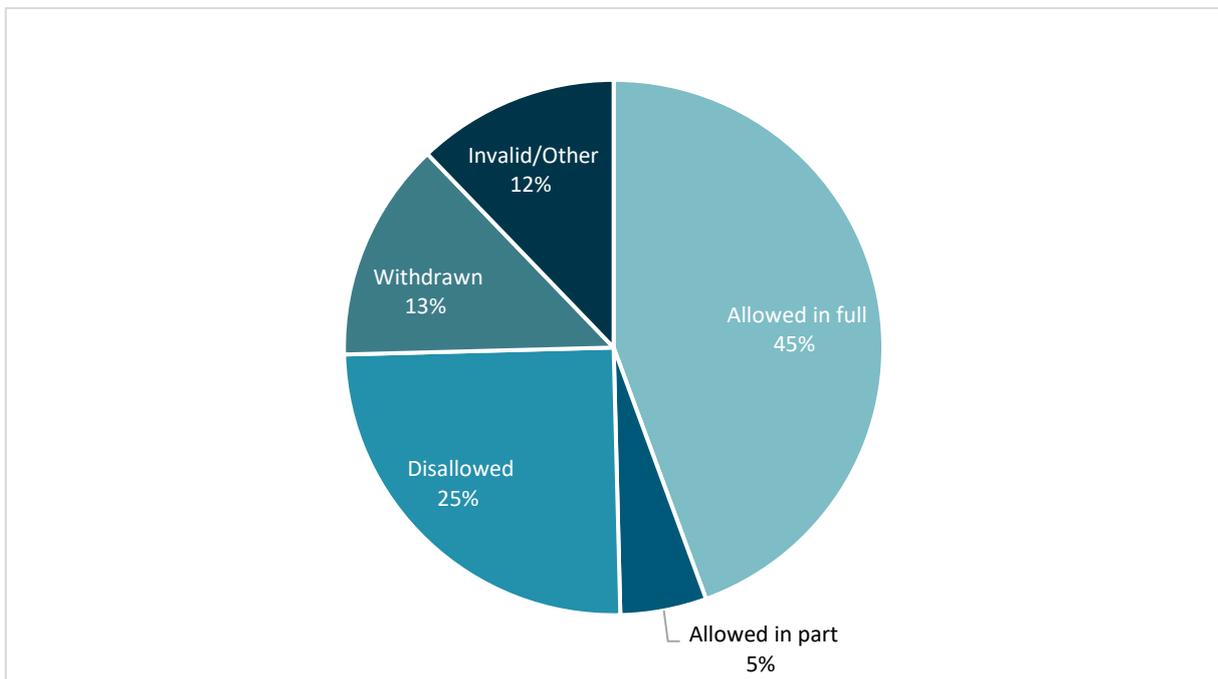


Figure 6.4: Percentage of total outcomes of finalised objections for FY21



Total outcomes of finalised objections for FY19 to FY21, by Client Experience Group

6.9. The following data is the outcomes of objections finalised by the ATO in FY19 to FY21 for each client experience group.

Individuals

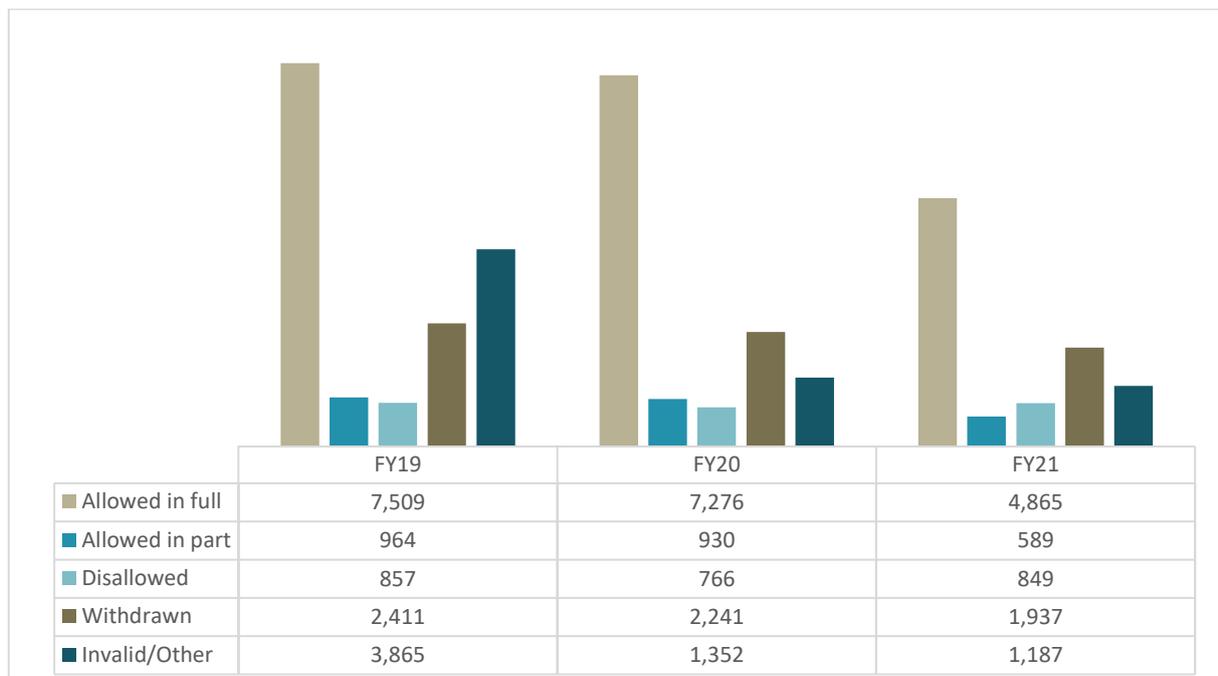
6.10. Figures 6.5 to 6.8 reveal that the majority of objections from individuals were finalised as allowed in full for FY19 to FY21. The data also shows that a significant proportion of objections were either withdrawn or finalised as invalid/other compared to objection decisions that were allowed in part or disallowed.

6.11. In FY19, the numbers were partially attributed to the Self-education Expense cluster as set out in the table below which results in an overrepresentation of the invalid/other outcomes seen in Figures 6.5 and 6.6:

Self-education Expense cluster – self-initiated objections	Allowed in full	Allowed in part	Disallowed	Withdrawn	Invalid/Other
FY19 – Individuals	705	63	150	118	1,483

6.12. In FY21, the ATO finalised 232 objections from individuals as invalid/other which were from former personnel of the Australian Defence Force regarding military superannuation.

Figure 6.5: Individuals – total number of outcomes of finalised objections for FY19 to FY21



6. OUTCOME OF OBJECTIONS

Figure 6.6: Individuals – percentage of outcomes of finalised objections for FY19

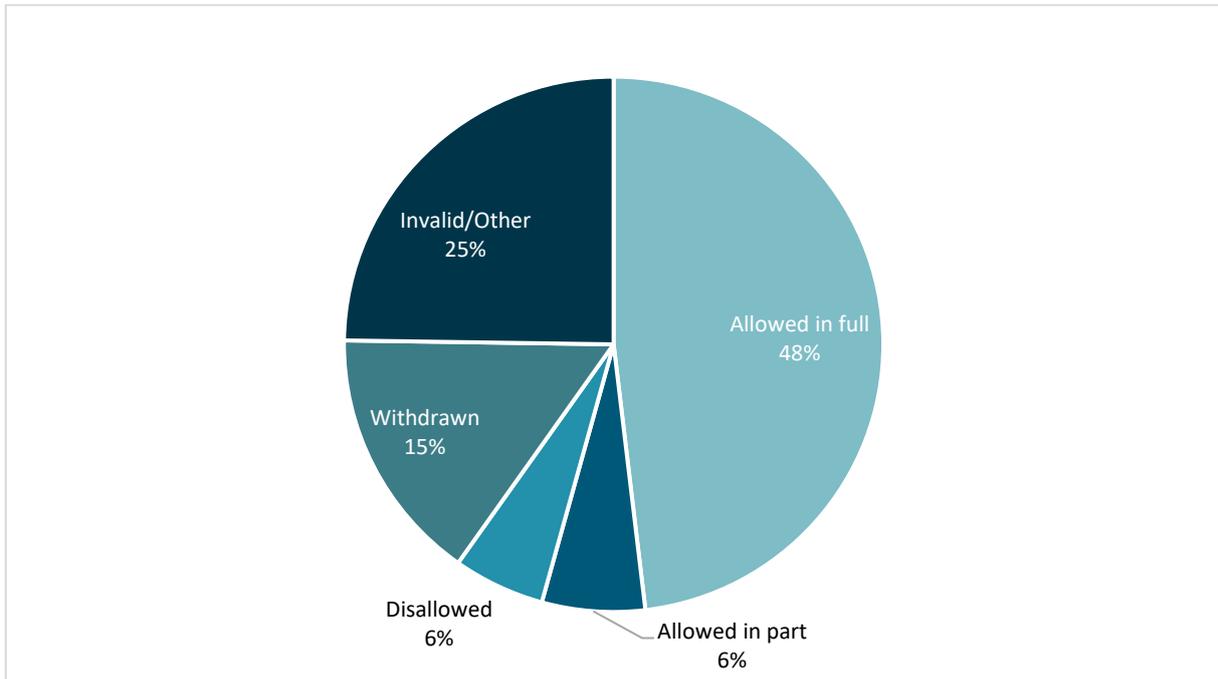


Figure 6.7: Individuals – percentage of outcomes of finalised objections for FY20

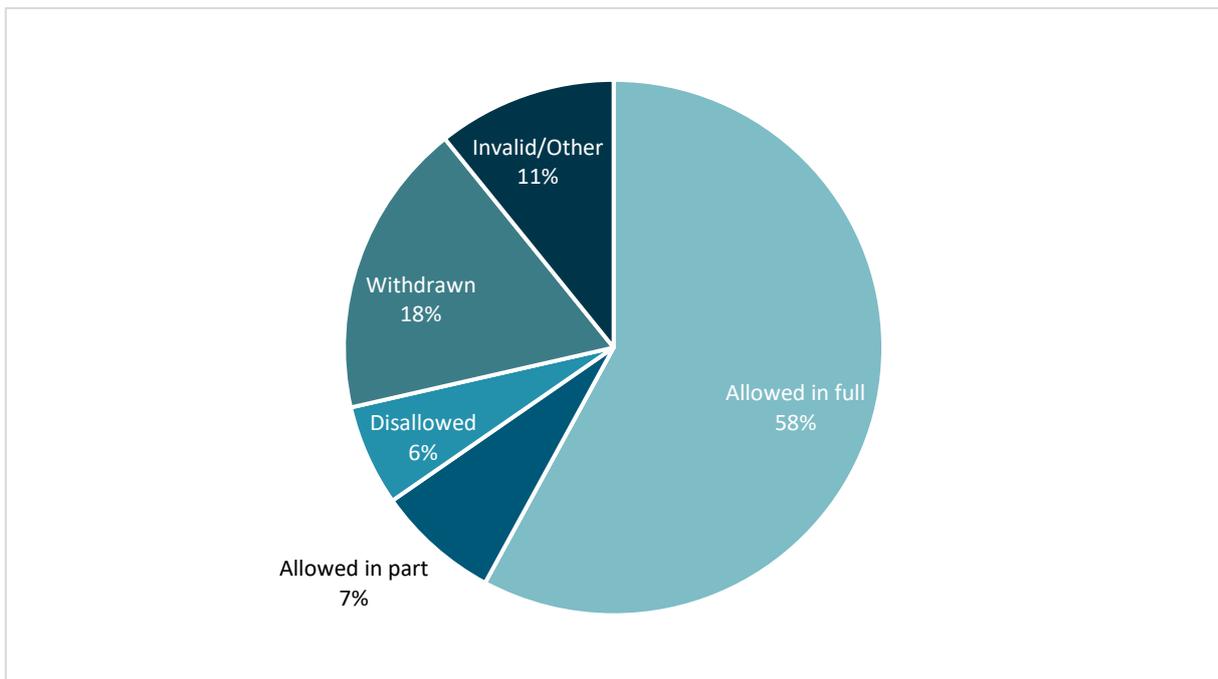
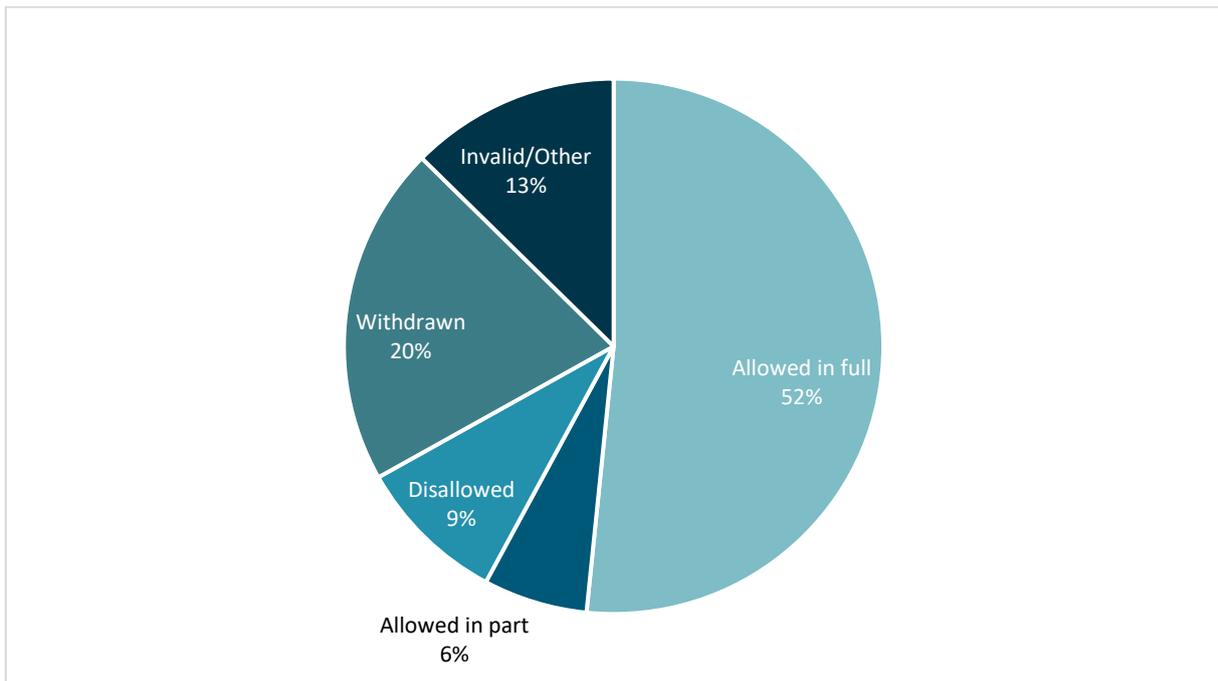


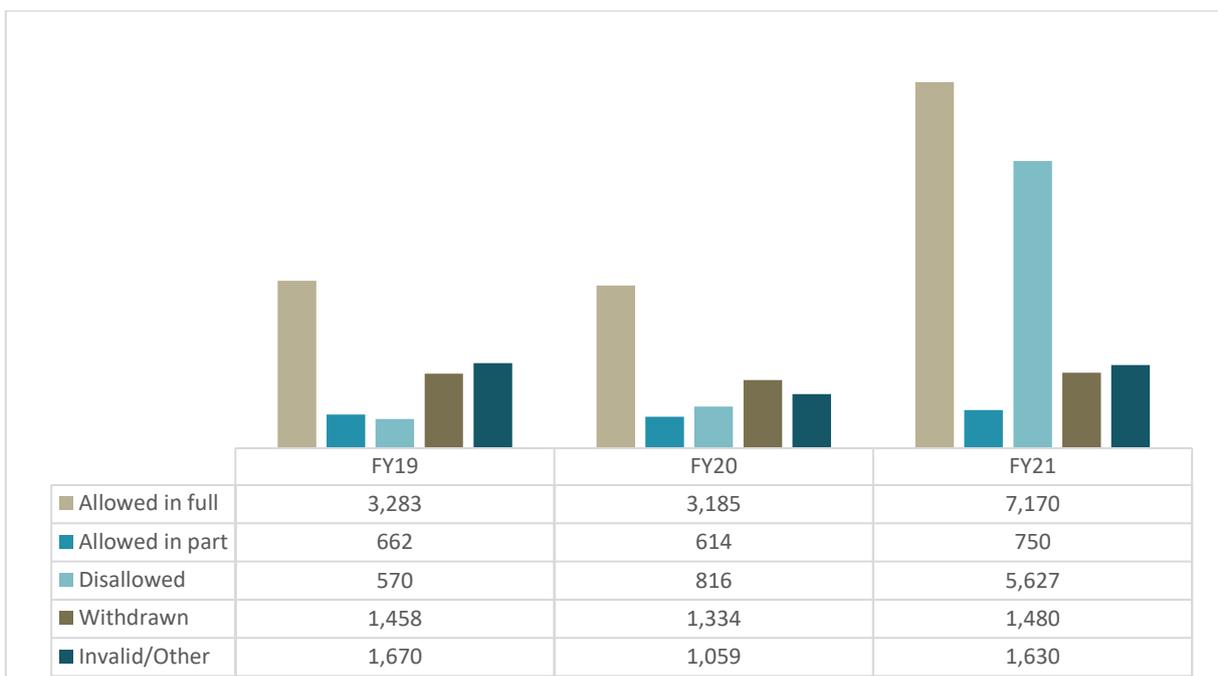
Figure 6.8: Individuals – percentage of outcomes of finalised objections for FY21



Small Business

6.13. Figures 6.9 to 6.12 (below) demonstrate that the outcomes for objections from small businesses in FY19 to FY21 was generally 43% allowed in full. However, as seen in Figures 6.9 and 6.12, there was a significant proportion of objections that were disallowed in FY21 compared to the previous two years. It should be noted that 65% of all finalised small business objections from FY21 were objections against decisions in relation to COVID-19 economic response measures.

Figure 6.9: Small business – total number of outcomes of finalised objections for FY19 to FY21



6. OUTCOME OF OBJECTIONS

Figure 6.10: Small business – percentage of outcomes of finalised objections for FY19

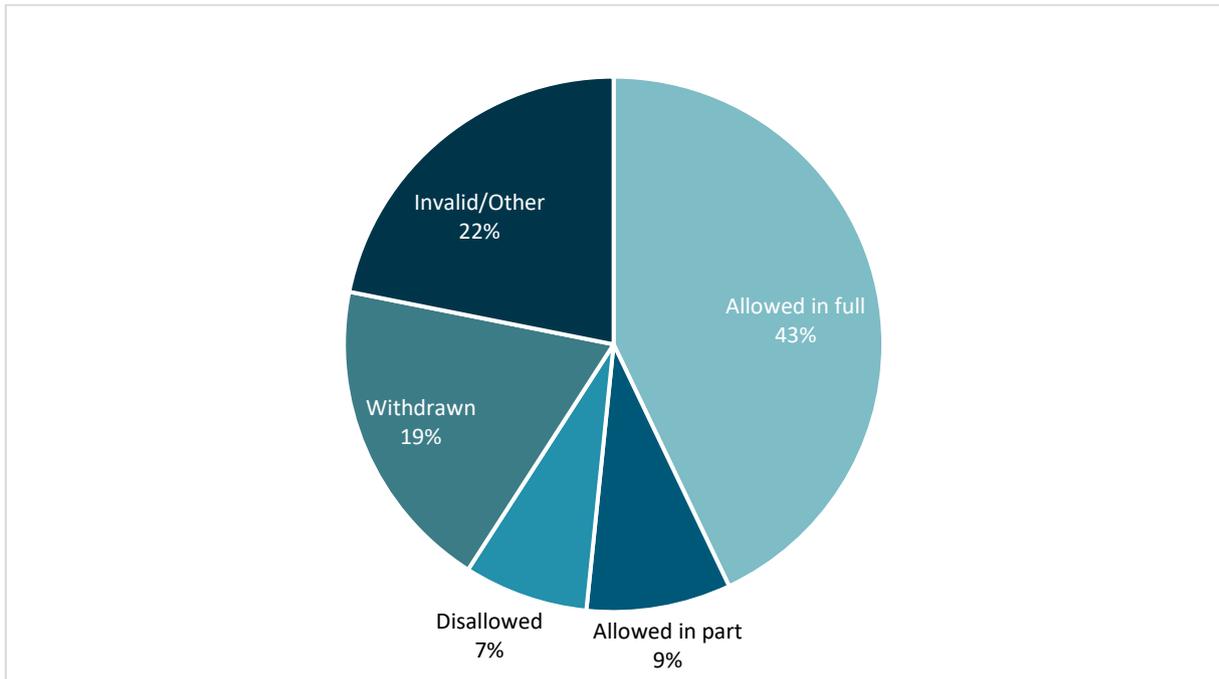


Figure 6.11: Small business – percentage of outcomes of finalised objections for FY20

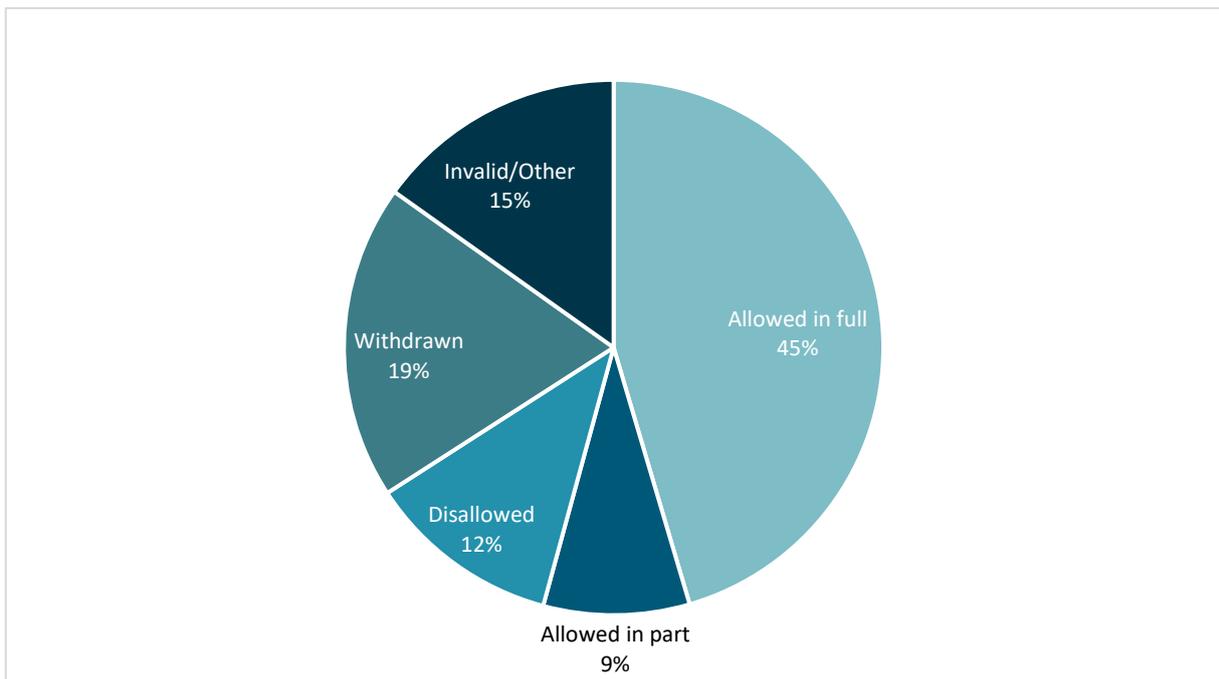
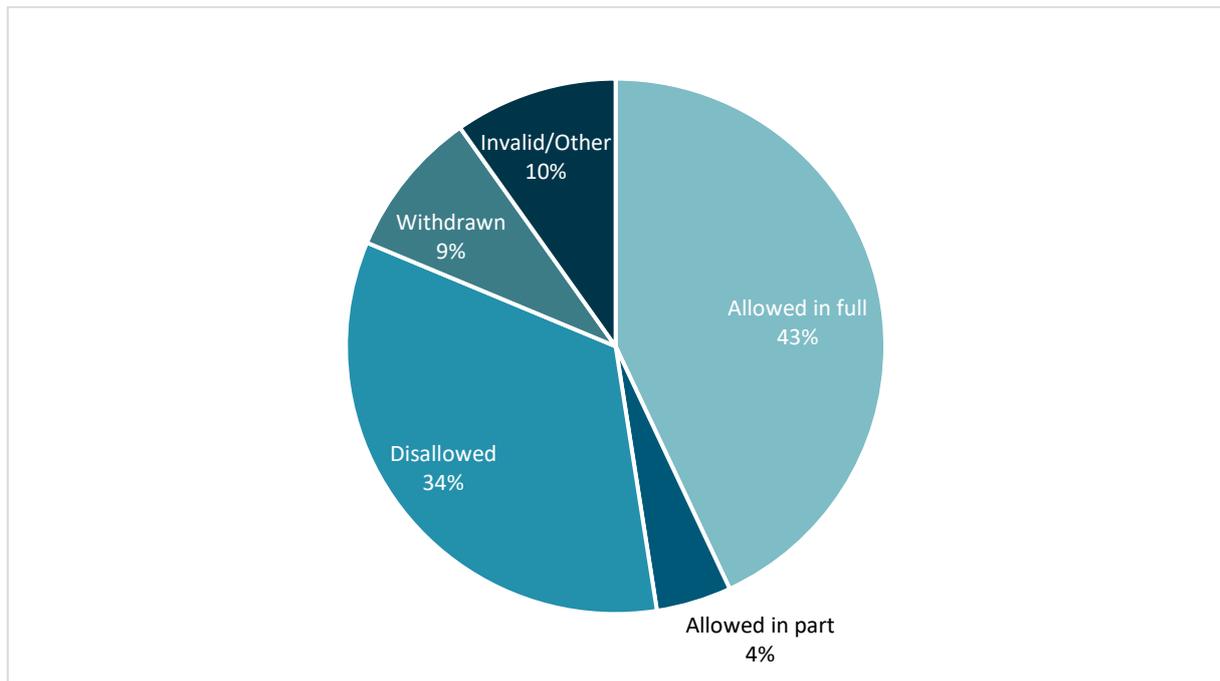


Figure 6.12: Small business – percentage of outcomes of finalised objections for FY21



Privately Owned and Wealthy Groups

6.14. Figures 6.13 to 6.16 (below) show a significant increase in objections that were disallowed for privately owned and wealthy groups in FY20 compared to FY19. This is due to the cluster of Fuel Tax Credit outcomes, which were self-initiated objections.

Fuel Tax Credit cluster	Allowed in full	Allowed in part	Disallowed	Withdrawn	Invalid/Other
FY19	0	0	0	2	72
FY20	1	66	335	1	3
FY21	6	10	34	1	3

6.15. Disallowed objections continued in FY21 which partially related to a higher proportion of disallowed COVID-19 measures objections. However, it does not fully explain the increase. It is also noted that in FY21, there was also a significant increase in objections allowed in full compared to FY20.

6. OUTCOME OF OBJECTIONS

Figure 6.13: Privately owned and wealthy groups – total number of outcomes of finalised objections for FY19 to FY21

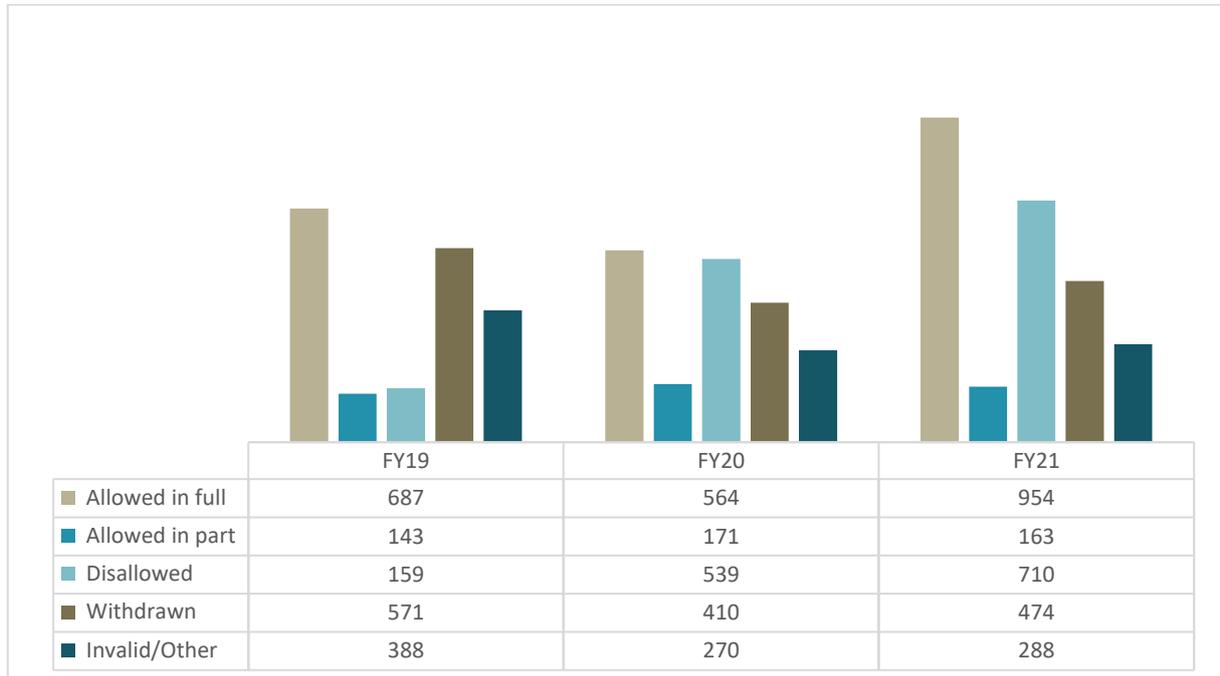


Figure 6.14: Privately owned and wealthy groups – percentage of outcomes of finalised objections for FY19

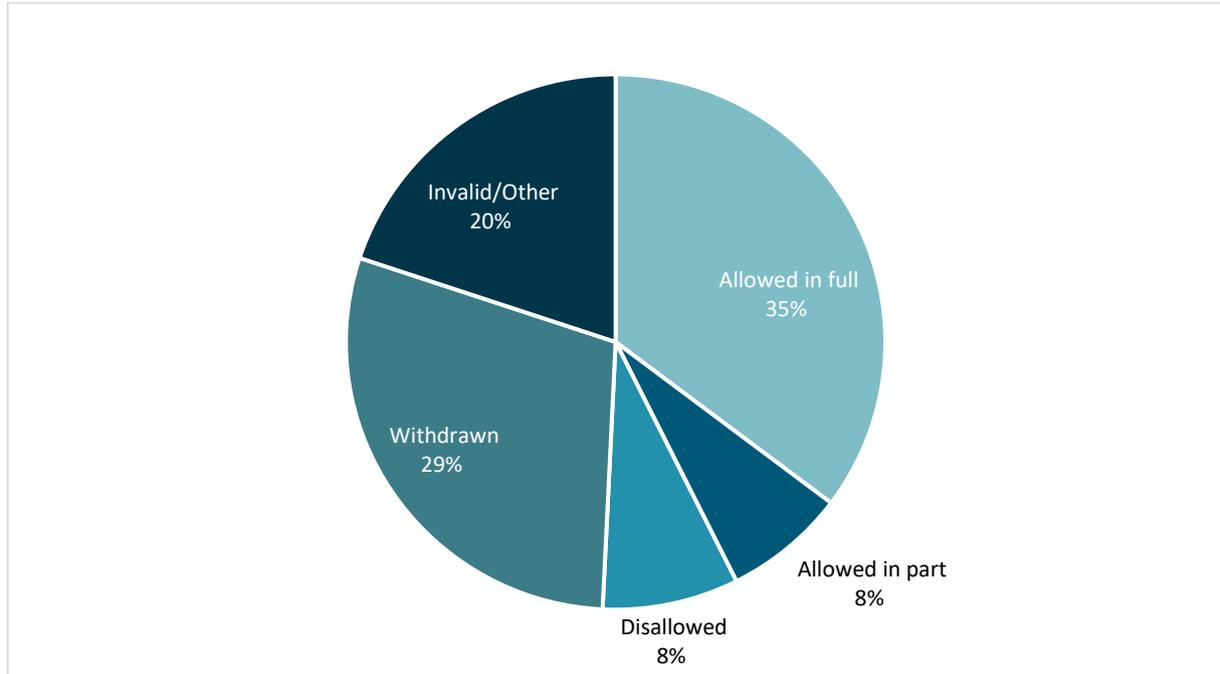


Figure 6.15: Privately owned and wealthy groups – percentage of outcomes of finalised objections for FY20

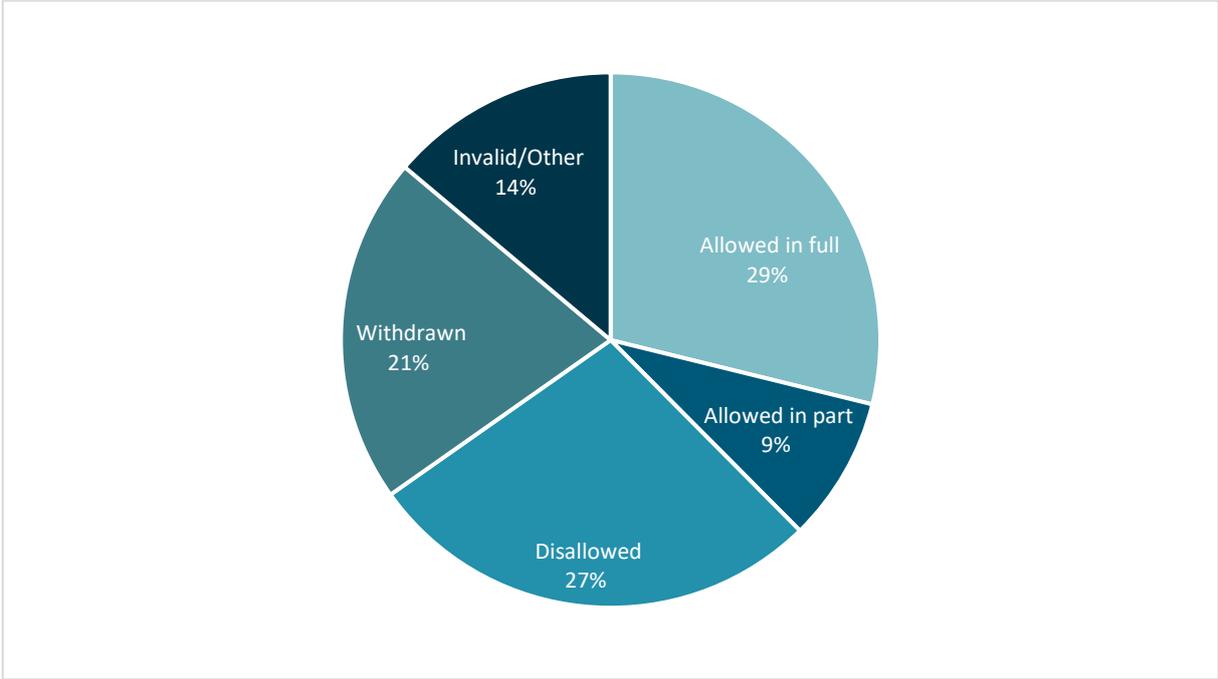
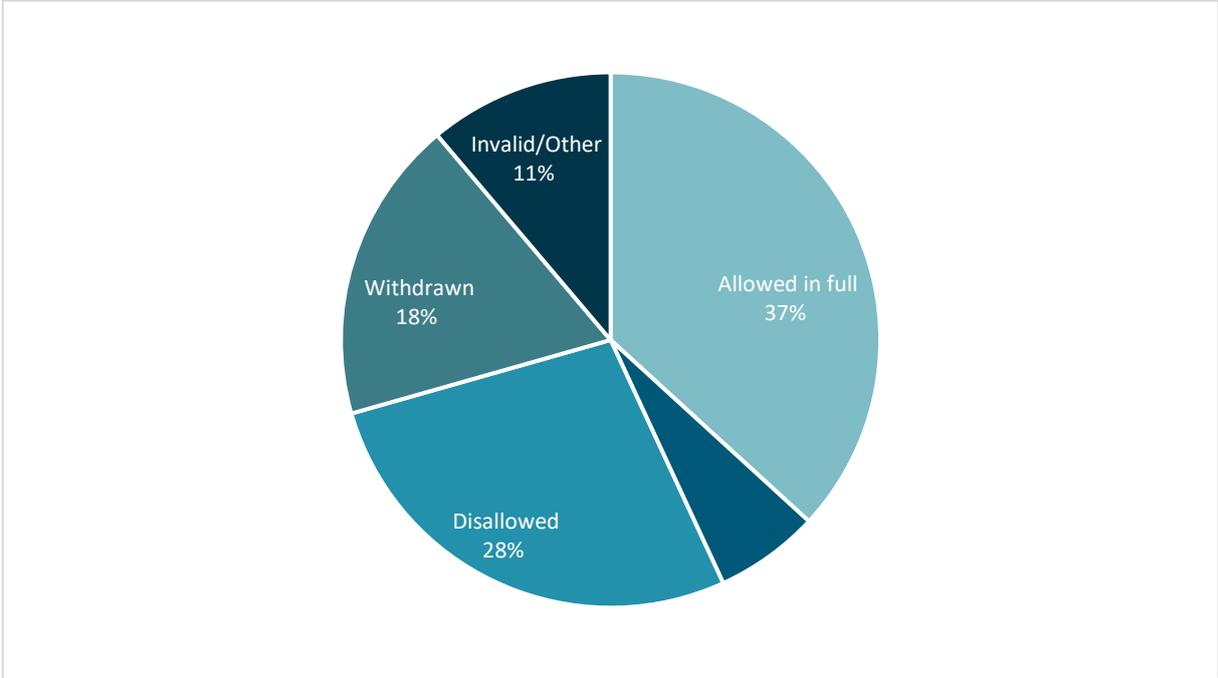


Figure 6.16: Privately owned and wealthy groups – percentage of outcomes of finalised objections for FY21



6. OUTCOME OF OBJECTIONS

Public and Multinational Businesses

6.16. As seen in Figures 6.17 to 6.20 (below), in FY19, the greater proportion of objections finalised were invalid/other, however, this was attributed to the cluster of Fuel Tax Credit objections.

Fuel Tax Credit cluster	Allowed in full	Allowed in part	Disallowed	Withdrawn	Invalid/Other
FY19	0	0	0	3	78
FY20	0	8	128	1	6
FY21	1	4	14	2	3

6.17. Setting aside the 78 cases that were finalised as invalid/other in FY19, the greatest proportion of objections were allowed in full. This proportion was significantly greater than FY20 and FY21.

6.18. In FY20, 128 objections finalised as disallowed related to the Fuel Tax Credit cluster. This meant that the greatest proportion of objections were allowed in full when this cluster of cases is set aside (not shown) (although not as large as FY19).

6.19. In FY21, the ATO finalised 35 objections from public and multinational businesses as disallowed which related to claims for GST ITC for meal entertainment and expenses connected to employee allowances, and an additional 42 objections from this objections cluster were deemed invalid/other.

Figure 6.17: Public and multinational businesses – total number of outcomes of finalised objections for FY19 to FY21

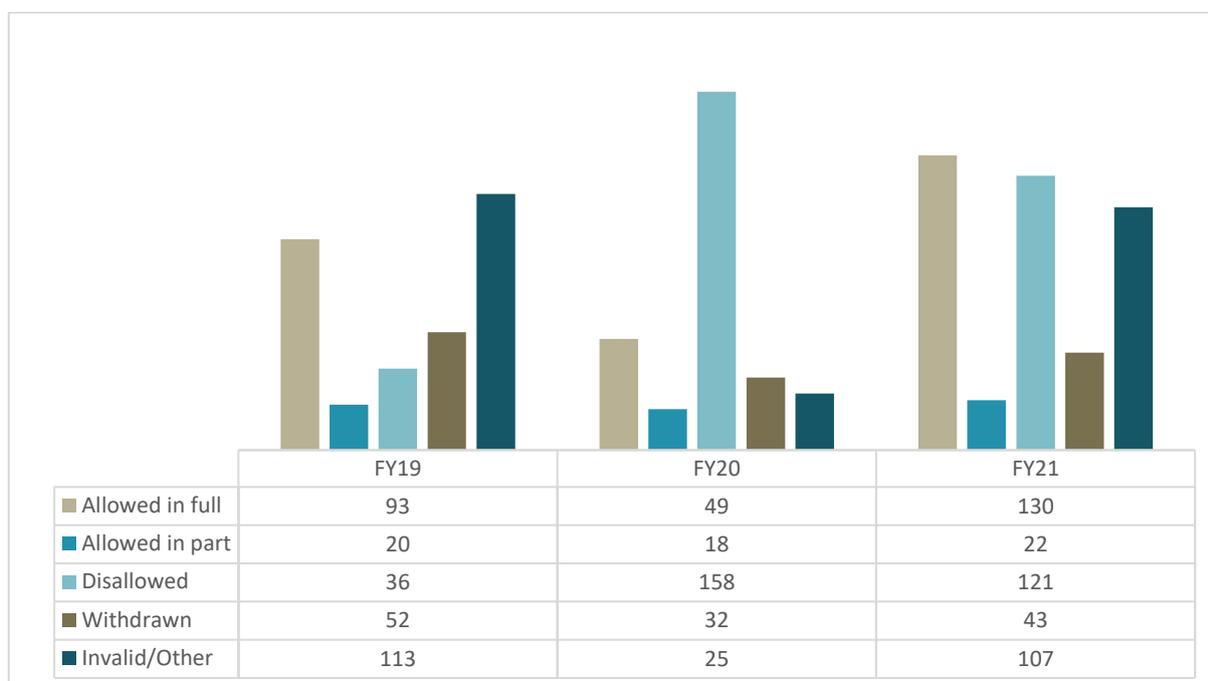


Figure 6.18: Public and multinational businesses – percentage of outcomes of finalised objections for FY19

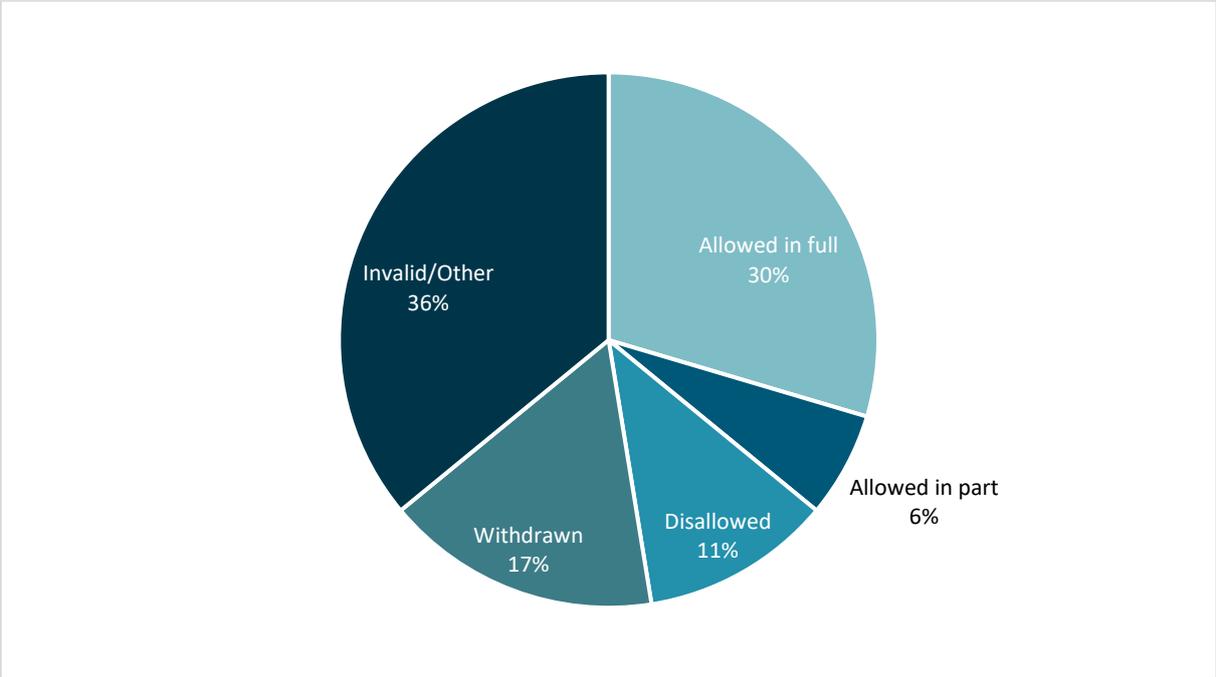
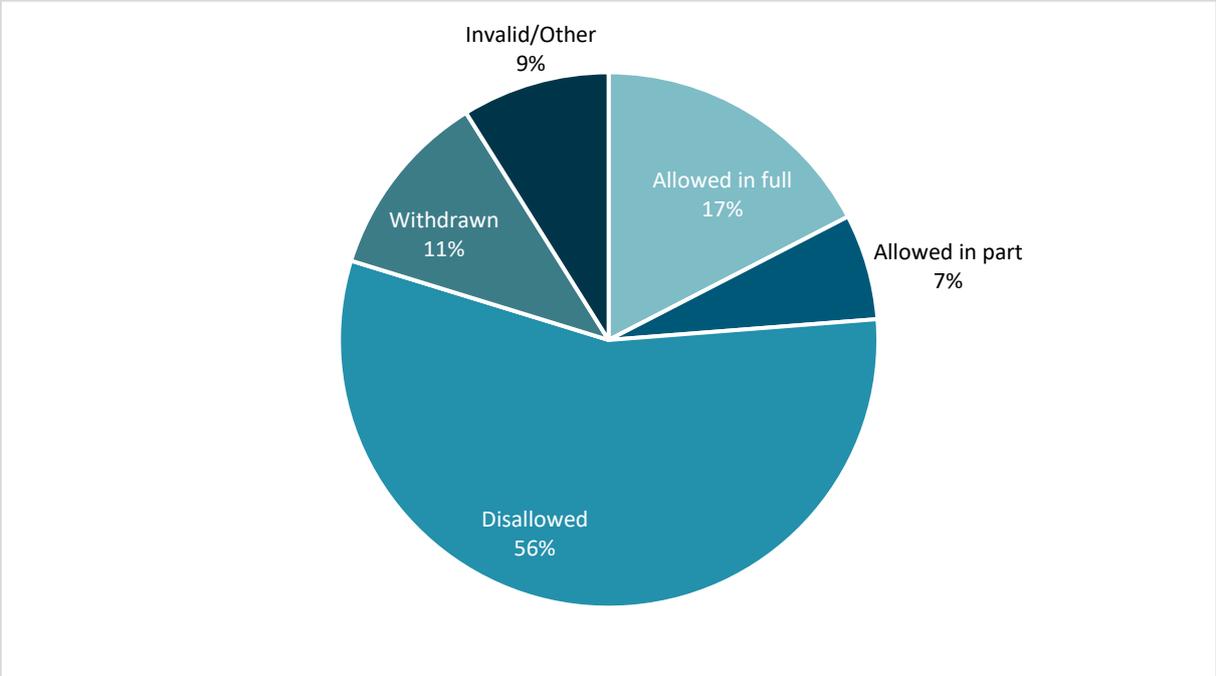
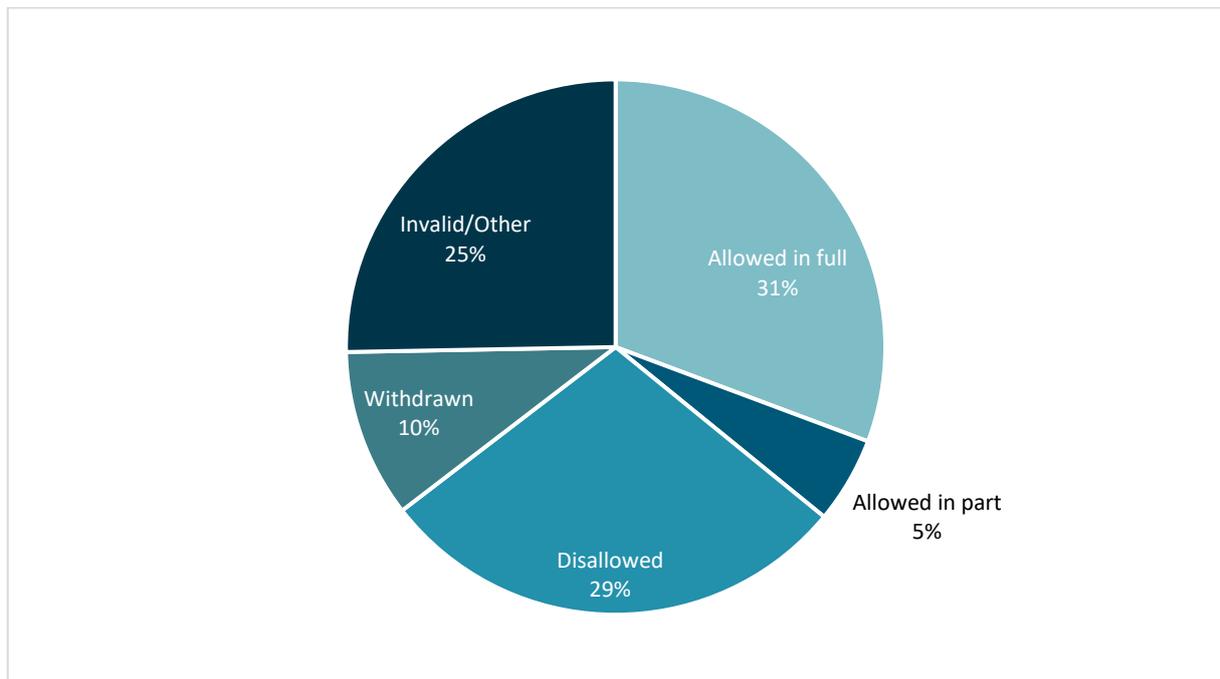


Figure 6.19: Public and multinational businesses – percentage of outcomes of finalised objections for FY20



6. OUTCOME OF OBJECTIONS

Figure 6.20: Public and multinational businesses – percentage of outcomes of finalised objections for FY21



Super Funds and NFPs

6.20. Figures 6.21 to 6.24 (below) reveal that 53% of objections in both FY20 and FY21 were invalid/other. The percentage in FY19 was significantly greater. This was partially explained by the Fuel Tax Credit cluster, the removal of which reduces the percentage in FY19 from 80% to 64%.

Fuel Tax Credit cluster	Allowed in full	Allowed in part	Disallowed	Withdrawn	Invalid/Other
FY19	0	0	0	6	315
FY20	0	2	65	0	0

- 6.21. In FY21, the ATO finalised 53 objections as disallowed which related to the objections cluster for GST ITC.
- 6.22. Setting aside these clusters (not shown) which skews the data, it is observed that the number of disallowed objections had steadily risen from FY19 to FY21 from 4% to 7% to 15%.

Figure 6.21: Super Funds and NFPs – total number of outcomes of finalised objections for FY19 to FY21

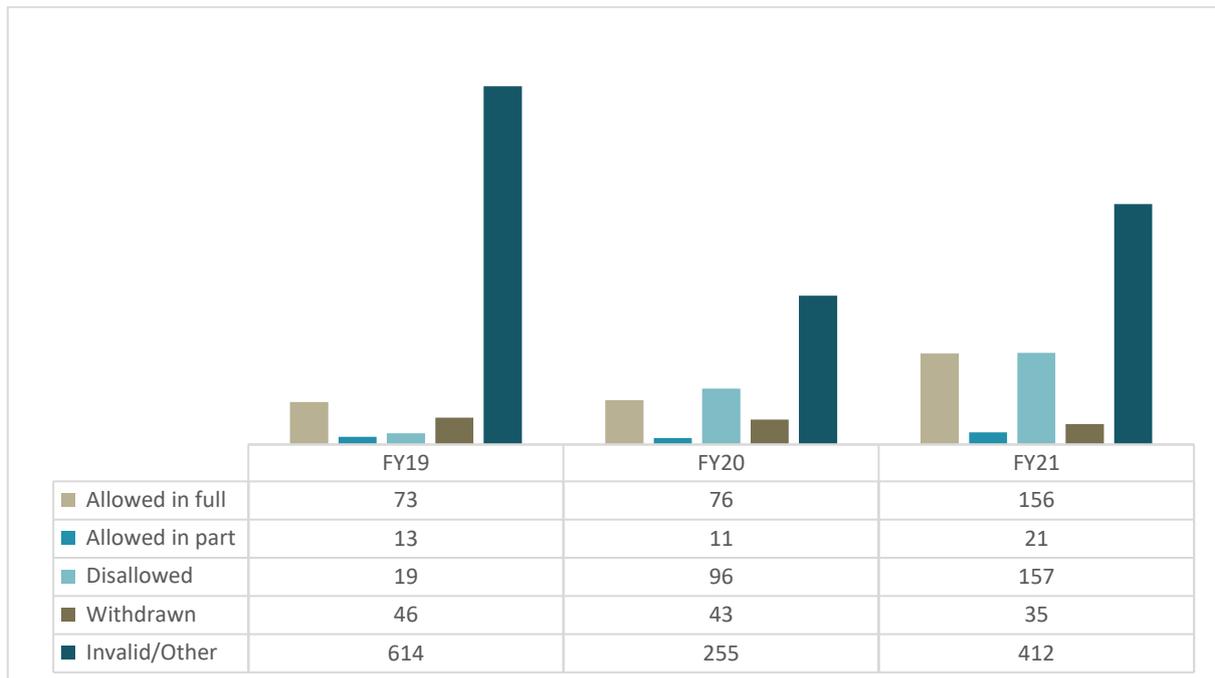
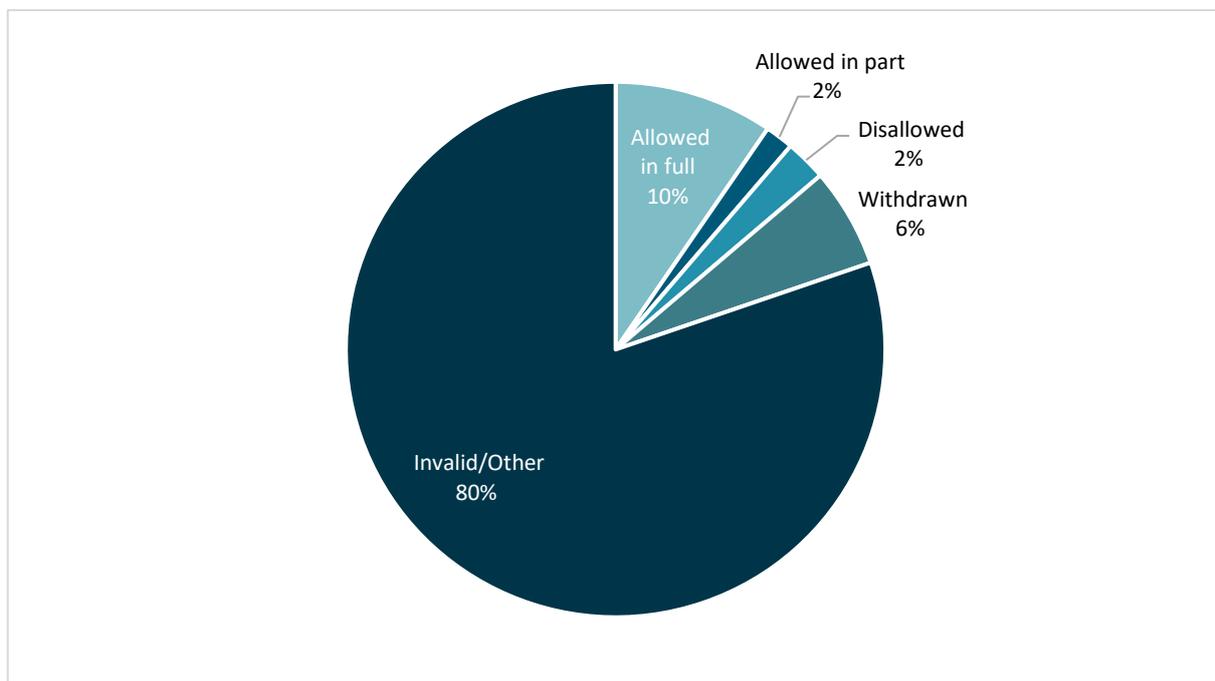


Figure 6.22: Super Funds and NFPs – percentage of outcomes of finalised objections for FY19



6. OUTCOME OF OBJECTIONS

Figure 6.23: Super Funds and NFPs – percentage of outcomes of finalised objections for FY20

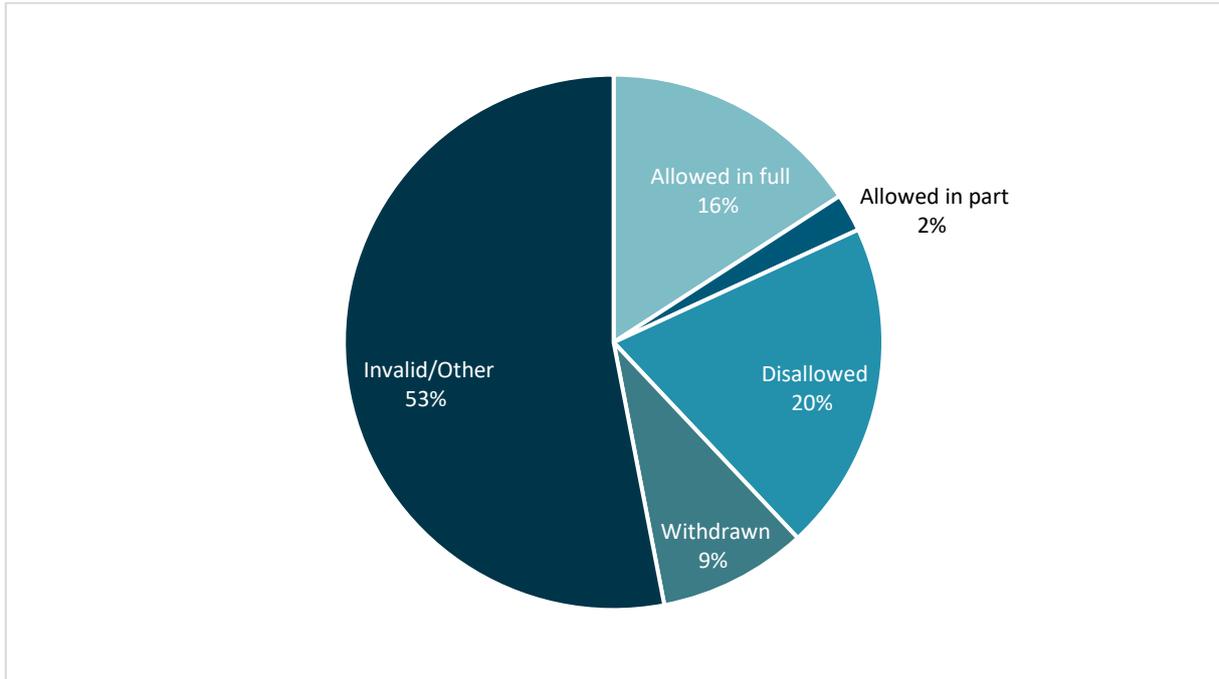
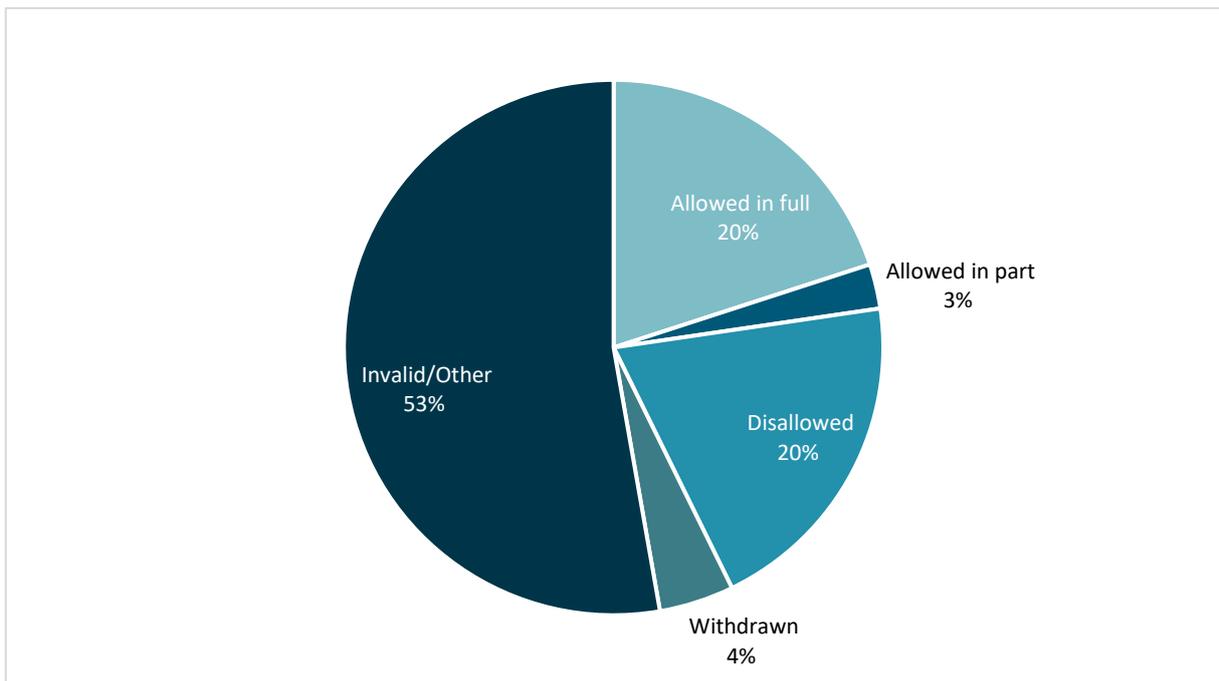


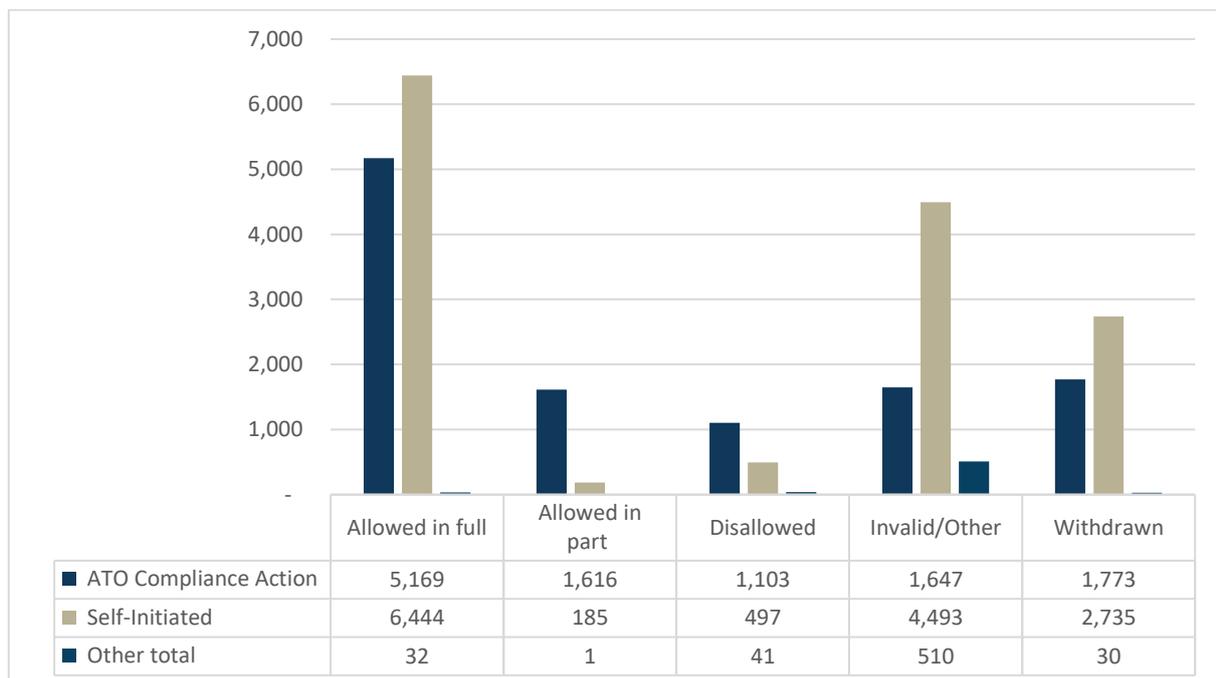
Figure 6.24: Super Funds and NFPs – percentage of outcomes of finalised objections for FY21



Breakdown of total outcomes of finalised objections for FY19 to FY21 (ATO Compliance Action vs Self-Initiated)

- 6.23. The following charts are not intended to present a one to one comparison between these categories as the total number of outcomes in each category are not equivalent. These charts express raw numbers of outcomes and are not necessarily identical in scale. Accordingly, caution should be exercised in drawing comparisons between the charts as the scale is not identical across income years.
- 6.24. Figures 6.25 to 6.27 presents the outcome of objections finalised by the ATO as broken up between objections against ATO compliance action and self-initiated objections.
- 6.25. Figure 6.25 shows that in FY19, objections finalised for both objections against ATO compliance action and self-initiated were mostly allowed in full. There was also a high proportion of self-initiated objections that were finalised as invalid/other or withdrawn.
- 6.26. It is noted from Figure 6.27 that in FY21, there was a significant increase in the number of disallowed objections against ATO compliance action in FY21.

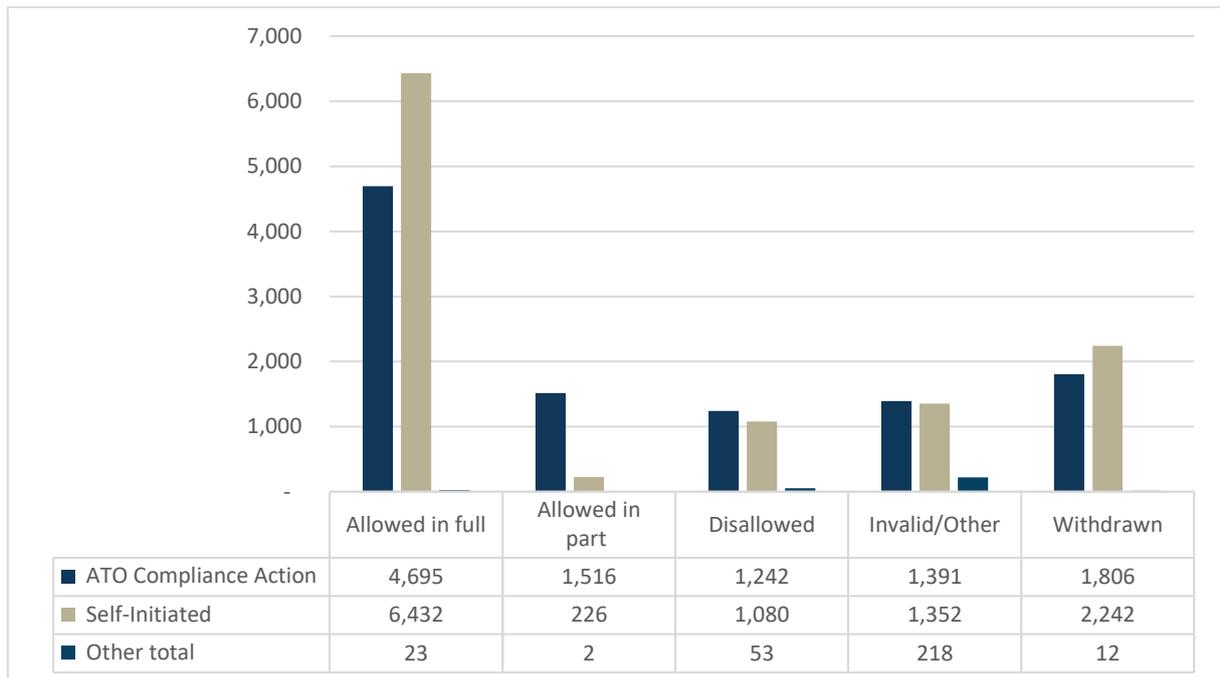
Figure 6.25: Total breakdown (ATO compliance vs self-initiated) for FY19



Note: Other total includes objections against private rulings and objections which are unable to be classified.

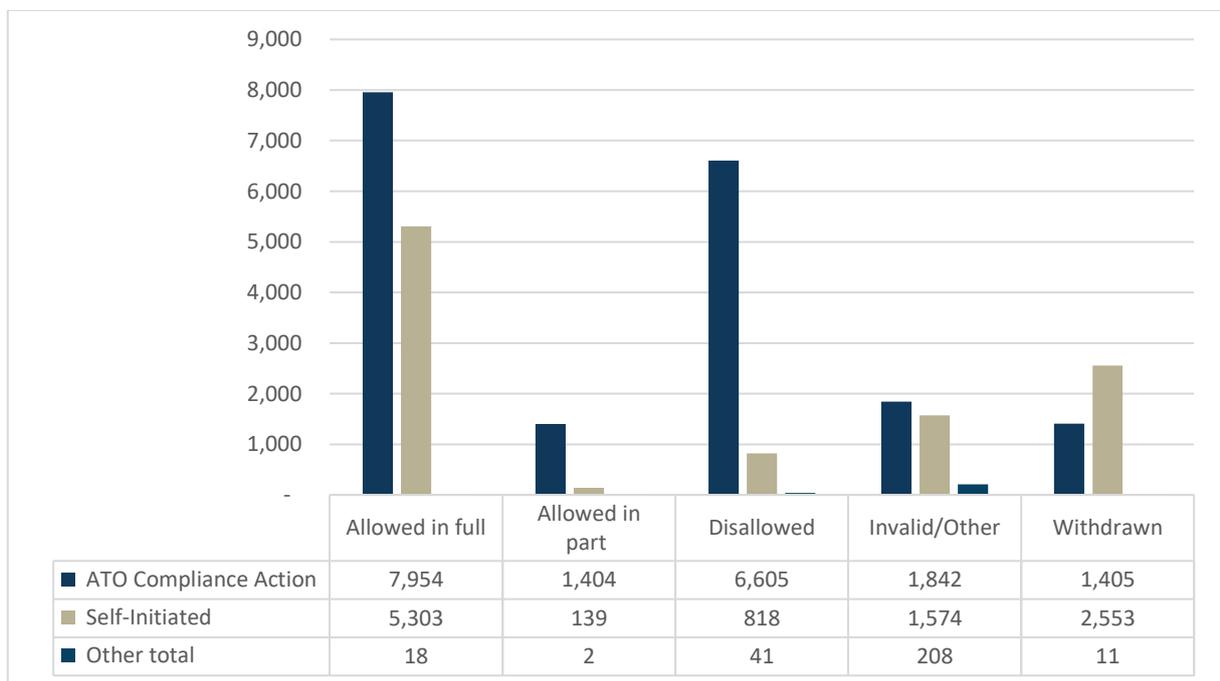
6. OUTCOME OF OBJECTIONS

Figure 6.26: Total breakdown (ATO compliance vs self-initiated) for FY20



Note: Other total includes objections against private rulings and objections which are unable to be classified.

Figure 6.27: Total breakdown (ATO compliance vs self-initiated) for FY21



Note: Other total includes objections against private rulings and objections which are unable to be classified.

Breakdown of total outcomes of finalised objections for FY19 to FY21 (ATO Compliance Action vs Self-Initiated), by Client Experience Group

6.27. The following is a breakdown of the outcomes of finalised objections in FY19 to FY21 between objections against ATO compliance action and self-initiated objections for each client experience group.

Individuals

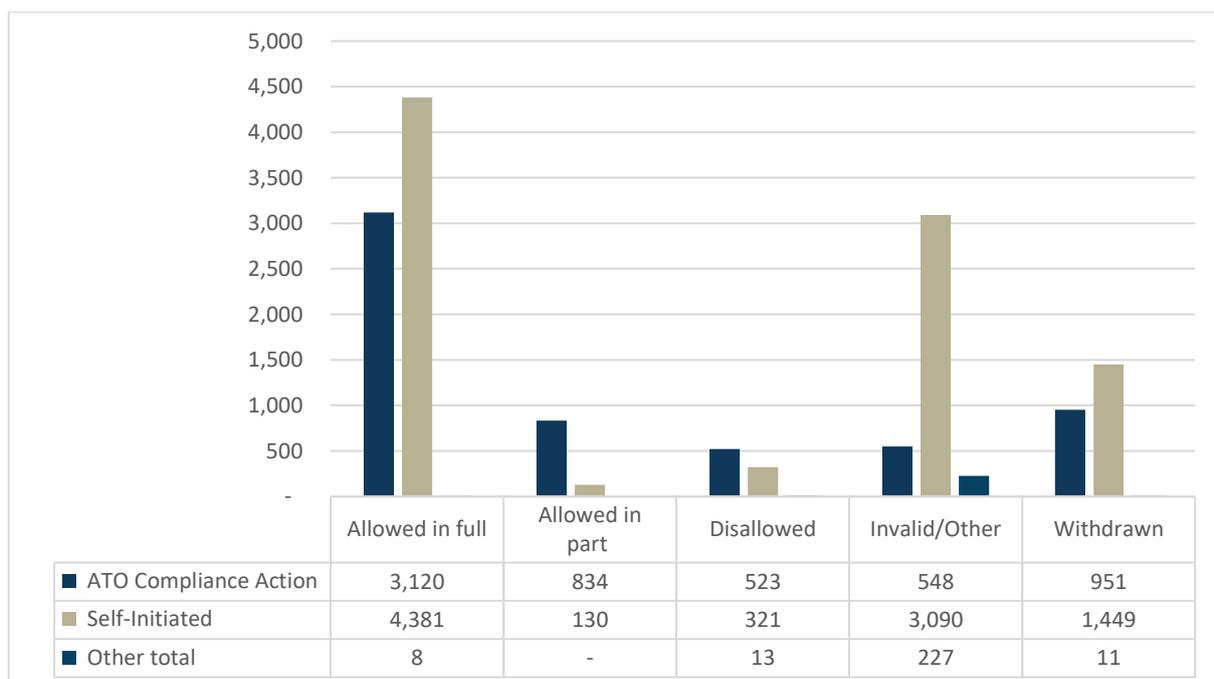
6.28. Figure 6.28 reveals that in FY19, self-initiated objections that were allowed in full was the outcome with the highest number, followed by objections against ATO compliance action being allowed in full. There was also a high number of self-initiated objections that were finalised as invalid/other. This was attributed to the Self-education Expense objections cluster.

Self-education Expense cluster – self-initiated objections	Allowed in full	Allowed in part	Disallowed	Withdrawn	Invalid/Other
FY19	705	63	150	118	1,483

6.29. Self-initiated objections that were allowed in full was the highest outcome in FY20 and FY21, as it was greater than objections against ATO compliance action finalised as allowed in full – refer Figures 6.29 and 6.30 below.

6.30. In FY21, the ATO finalised 232 self-initiated objections from individuals as invalid/other. This was related to the military superannuation objections cluster.

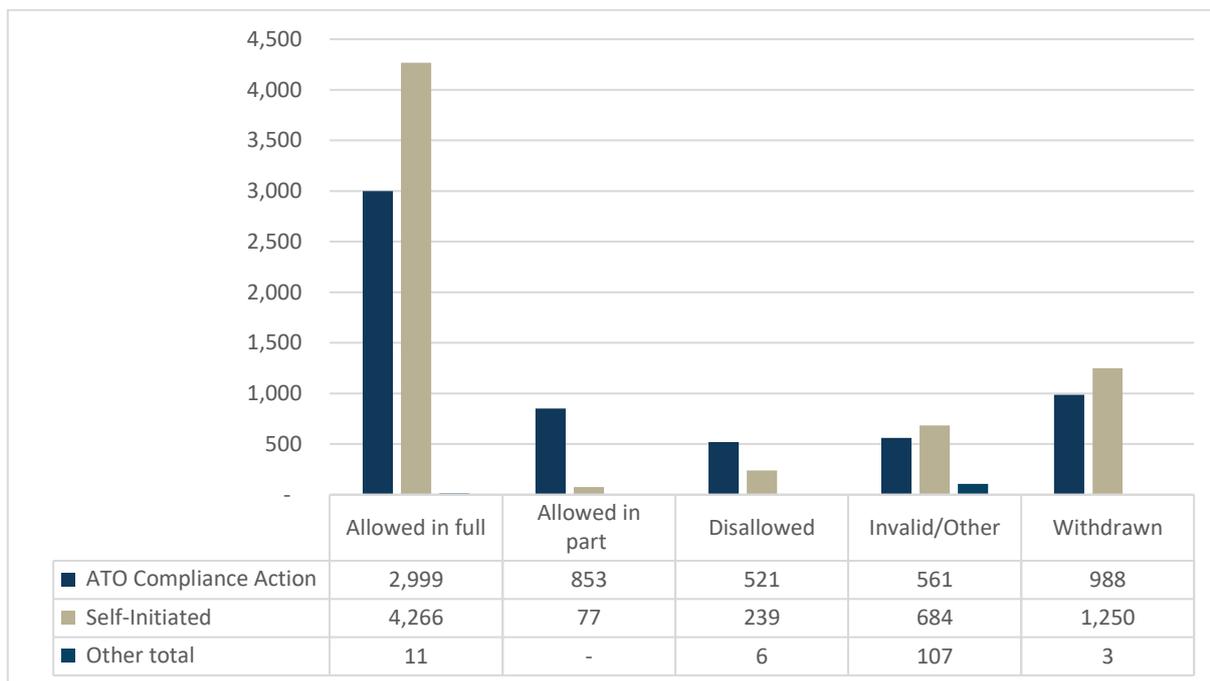
Figure 6.28: Individuals – total breakdown (ATO compliance vs self-initiated) for FY19



Note: Other total includes objections against private rulings and objections which are unable to be classified.

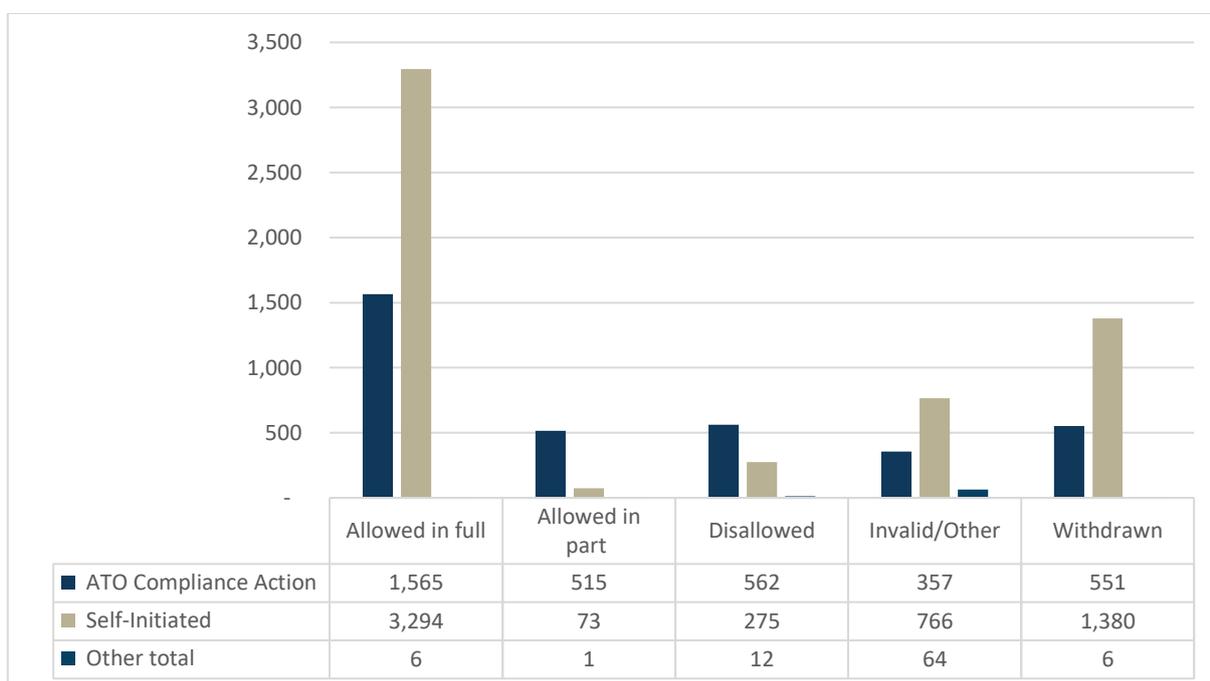
6. OUTCOME OF OBJECTIONS

Figure 6.29: Individuals – total breakdown (ATO compliance vs self-initiated) for FY20



Note: Other total includes objections against private rulings and objections which are unable to be classified.

Figure 6.30: Individuals – total breakdown (ATO compliance vs self-initiated) for FY21

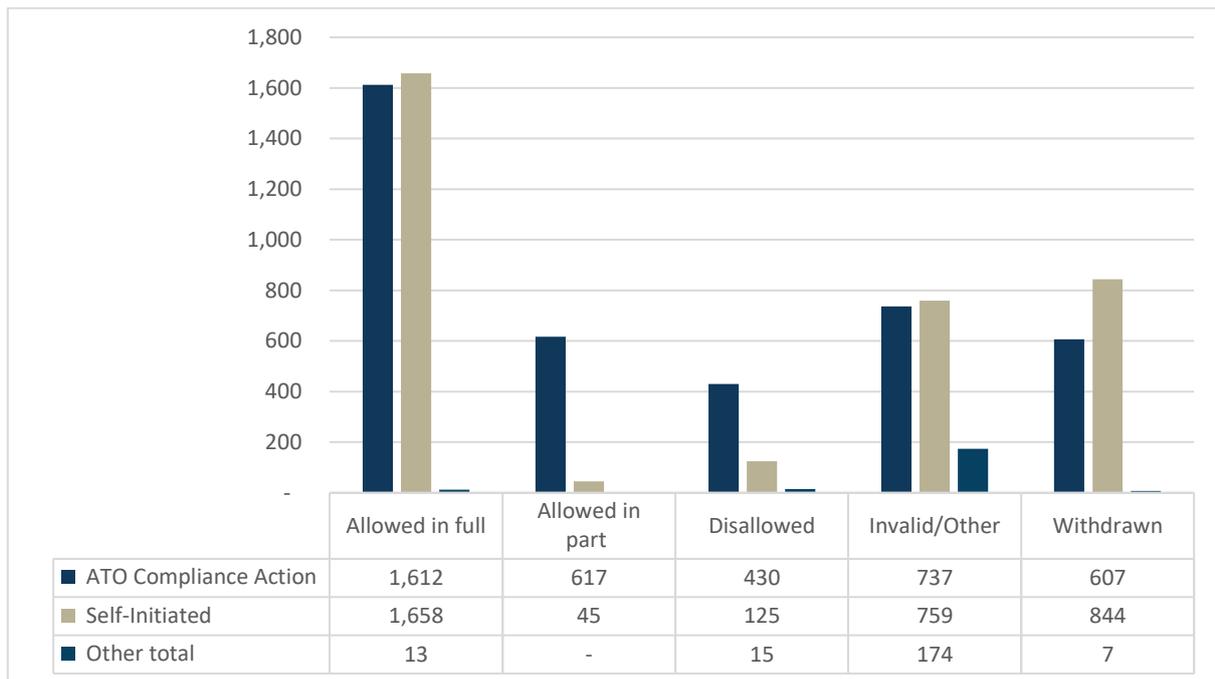


Note: Other total includes objections against private rulings and objections which are unable to be classified.

Small Business

- 6.31. As can be seen in Figures 6.31 to 6.33 (refer below), across FY19 and FY20 the most common outcome for objections was allowed in full. In FY21, a higher number of disallowed objections outcomes were recorded for objections against ATO compliance action.
- 6.32. It is noted that in FY20, the ATO finalised 148 self-initiated objections as disallowed which were related to the Fuel Tax Credit objections cluster.

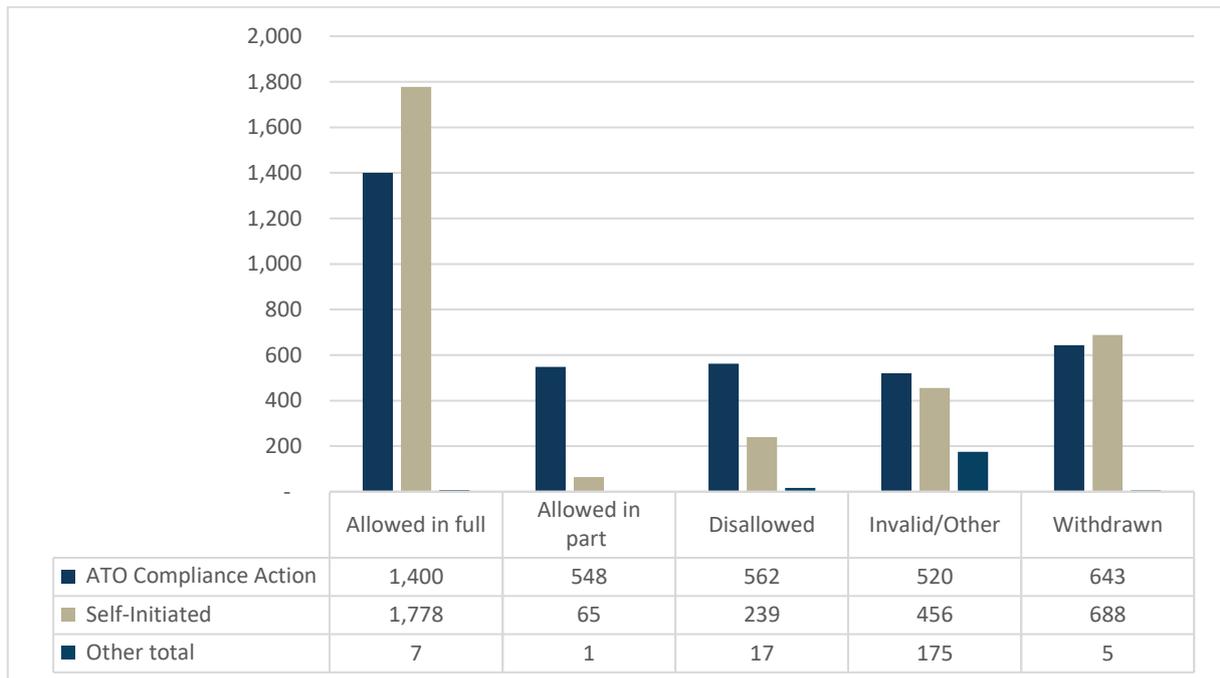
Figure 6.31: Small business – total breakdown (ATO compliance vs self-initiated) for FY19



Note: Other total includes objections against private rulings and objections which are unable to be classified.

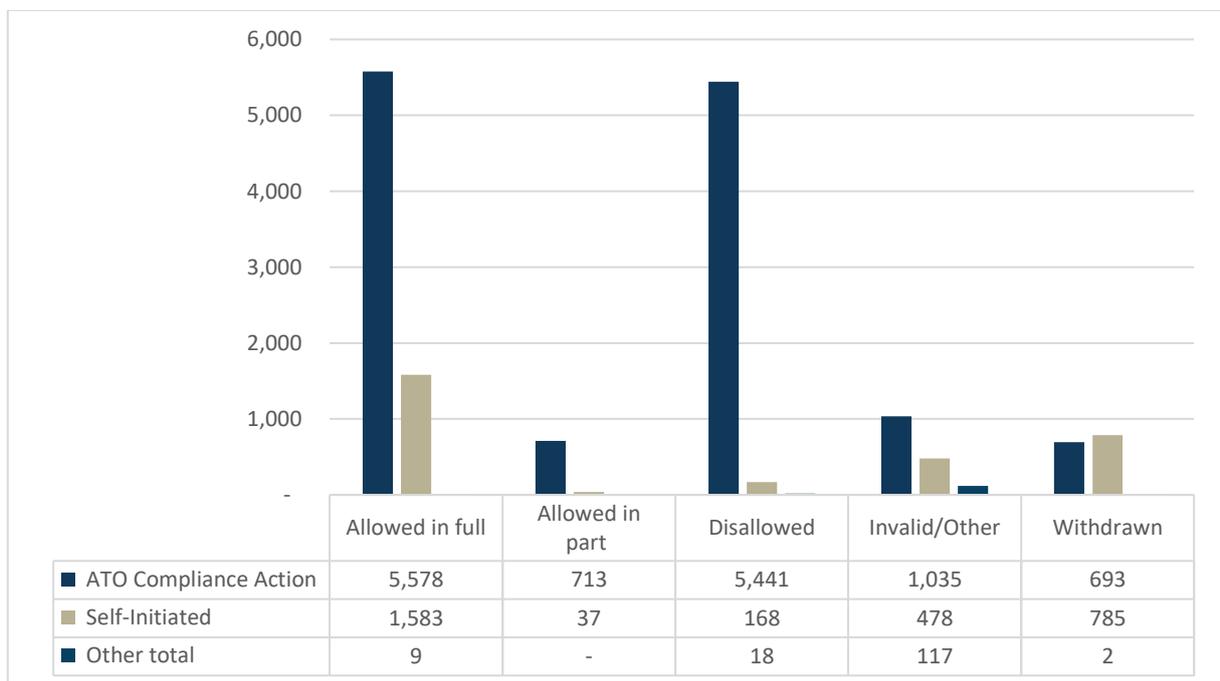
6. OUTCOME OF OBJECTIONS

Figure 6.32: Small business – total breakdown (ATO compliance vs self-initiated) for FY20



Note: Other total includes objections against private rulings and objections which are unable to be classified.

Figure 6.33: Small business – total breakdown (ATO compliance vs self-initiated) for FY21

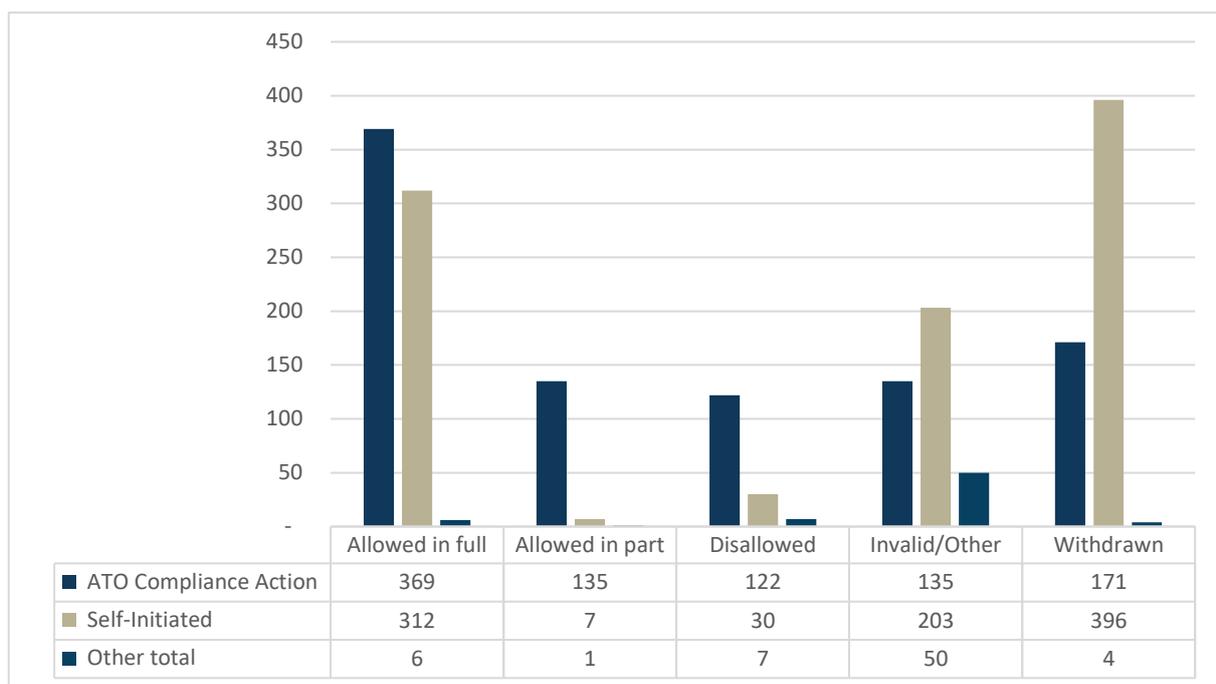


Note: Other total includes objections against private rulings and objections which are unable to be classified.

Privately Owned and Wealthy Groups

- 6.33. Figure 6.34 shows that in FY19, the highest outcome for objections was withdrawn for self-initiated objections followed by allowed in full for objections against ATO compliance action and self-initiated objections.
- 6.34. Referring to Figure 6.35, the number of disallowed objections in FY20 for self-initiated objections was the highest result (due to 335 cases that were disallowed from the Fuel Tax Credit objections cluster). If these cases are set aside (not shown), allowed in full and withdrawn outcomes would have been the equal highest.
- 6.35. Figure 6.36 reveals that in FY21, objections against ATO compliance action which were either allowed in full or disallowed were the highest outcomes.
- 6.36. Furthermore, in FY21, the ATO also finalised an additional 91 self-initiated objections cases as disallowed which related to the GST ITC objections cluster.

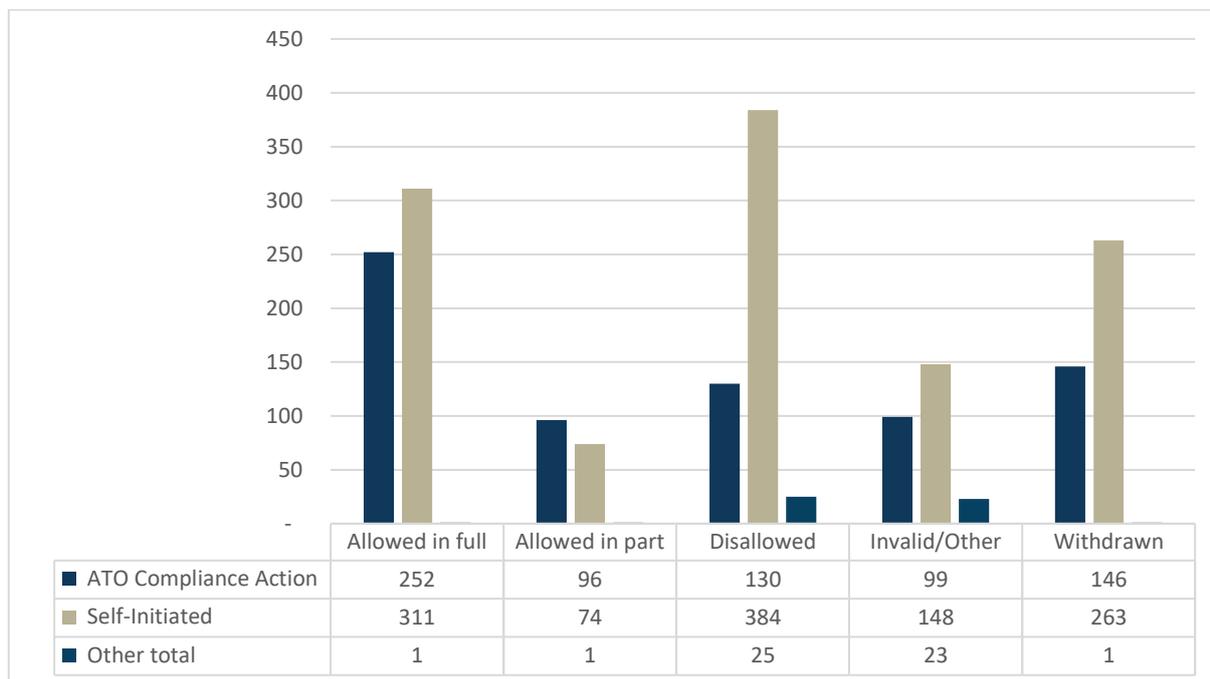
Figure 6.34: Privately owned and wealthy groups – total breakdown (ATO compliance vs self-initiated) for FY19



Note: Other total includes objections against private rulings and objections which are unable to be classified.

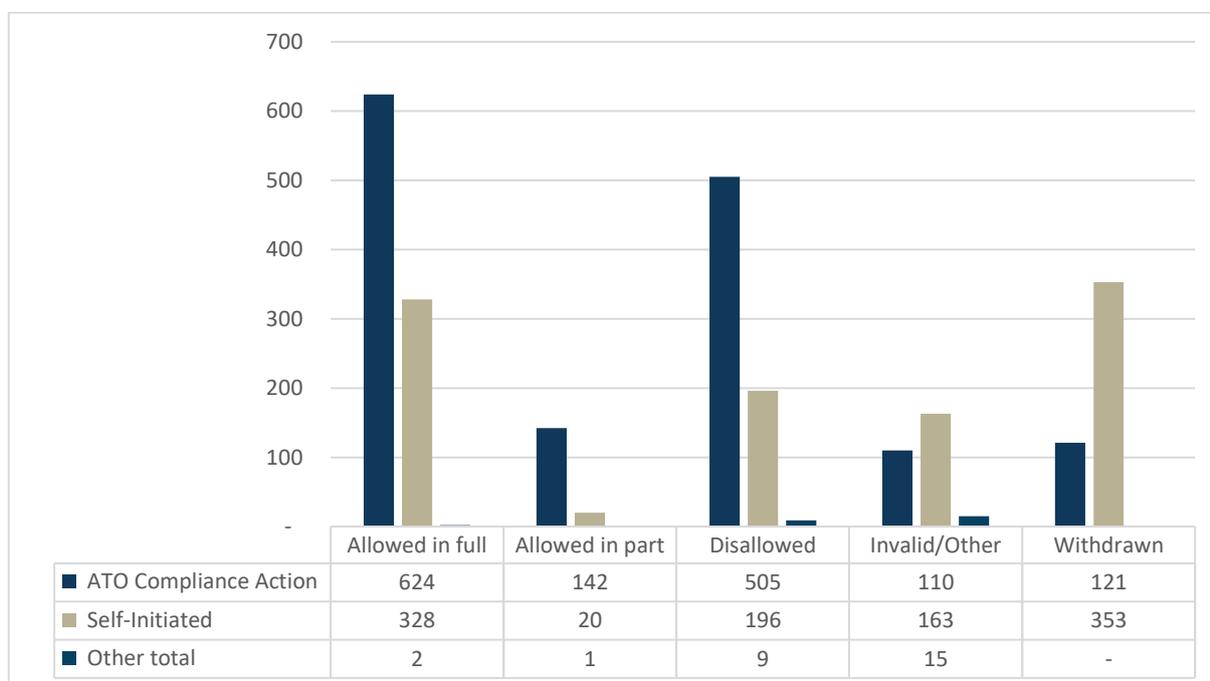
6. OUTCOME OF OBJECTIONS

Figure 6.35: Privately owned and wealthy groups – total breakdown (ATO compliance vs self-initiated) for FY20



Note: Other total includes objections against private rulings and objections which are unable to be classified.

Figure 6.36: Privately owned and wealthy groups – total breakdown (ATO compliance vs self-initiated) for FY21

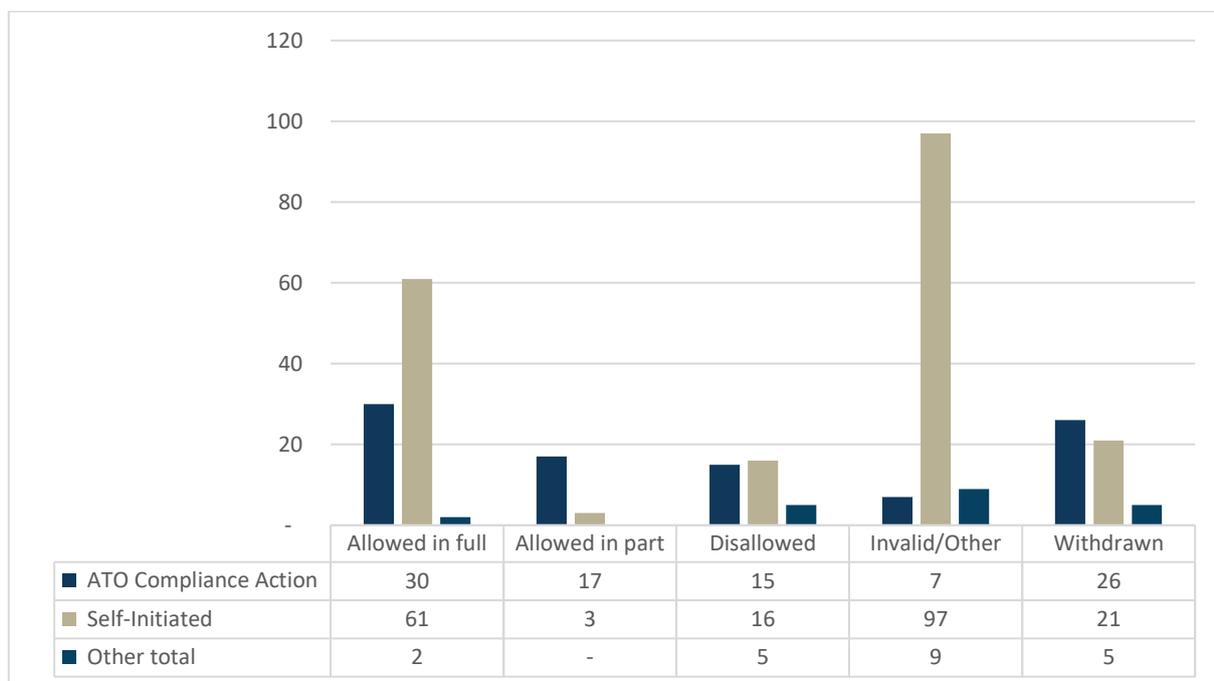


Note: Other total includes objections against private rulings and objections which are unable to be classified.

Public and Multinational Businesses

- 6.37. Figures 6.37 to 6.39 shows that in FY19, the highest outcome for objections were self-initiated objections that were finalised as invalid/other. In FY20, the number of disallowed self-initiated objections was considerably the highest outcome. These outcomes were largely attributed to the Fuel Tax Credit objections cluster which significantly overrepresented invalid/other outcomes in FY19 (78 cases) and disallowed outcomes in FY20 (128 cases). Setting aside these outcomes, self-initiated objections that were allowed in full would be the most common outcome across FY19 and FY20.
- 6.38. In FY21, disallowed and invalid/other outcomes were overrepresented by the GST ITC cluster. When these cases are removed, allowed in full becomes the most common outcome.

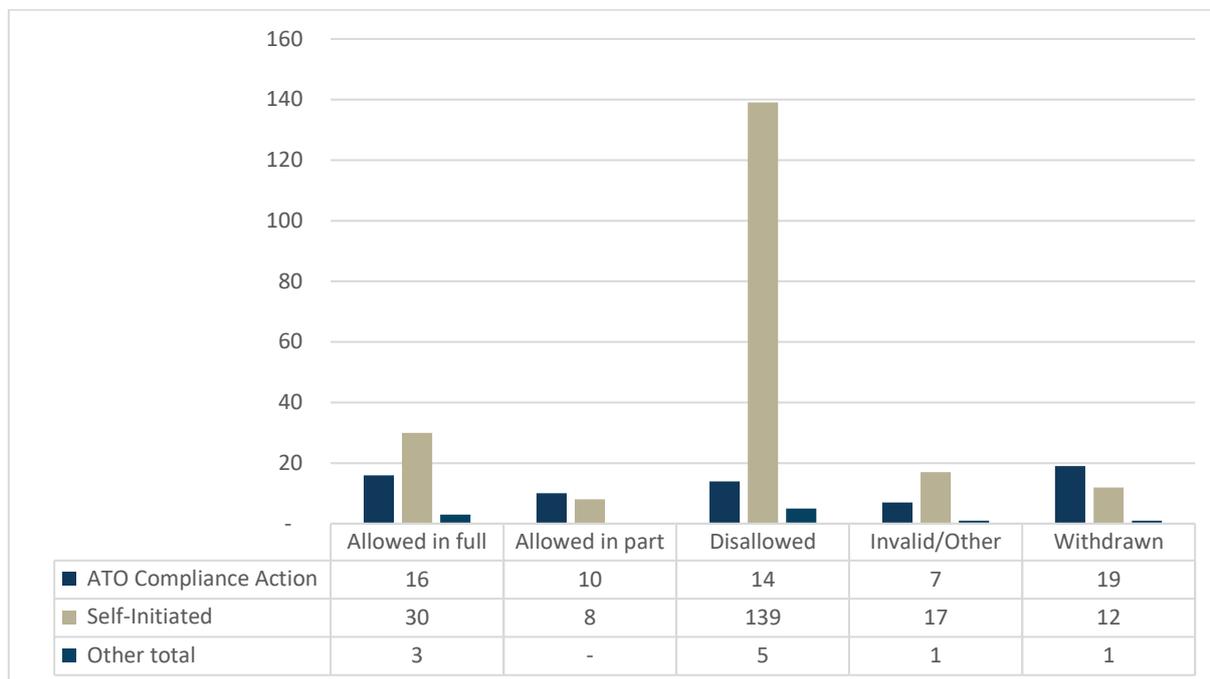
Figure 6.37: Public and multinational businesses – total breakdown (ATO compliance vs self-initiated) for FY19



Note: Other total includes objections against private rulings and objections which are unable to be classified.

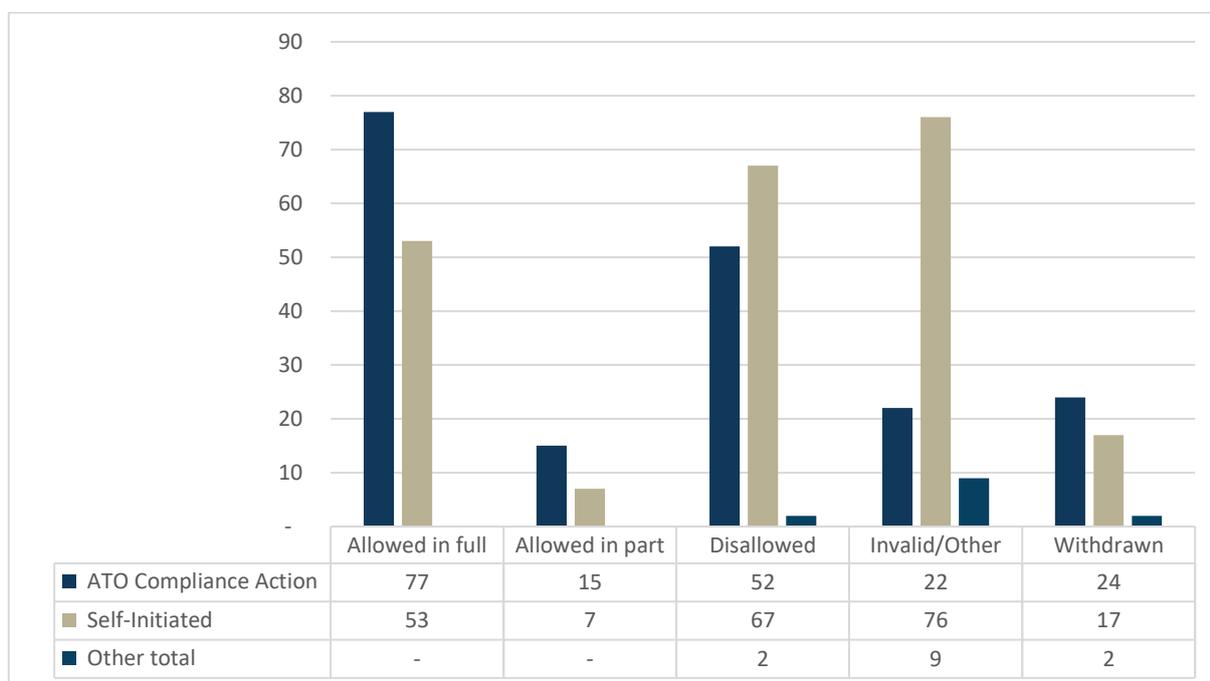
6. OUTCOME OF OBJECTIONS

Figure 6.38: Public and multinational businesses – total breakdown (ATO compliance vs self-initiated) for FY20



Note: Other total includes objections against private rulings and objections which are unable to be classified.

Figure 6.39: Public and multinational businesses – total breakdown (ATO compliance vs self-initiated) for FY21

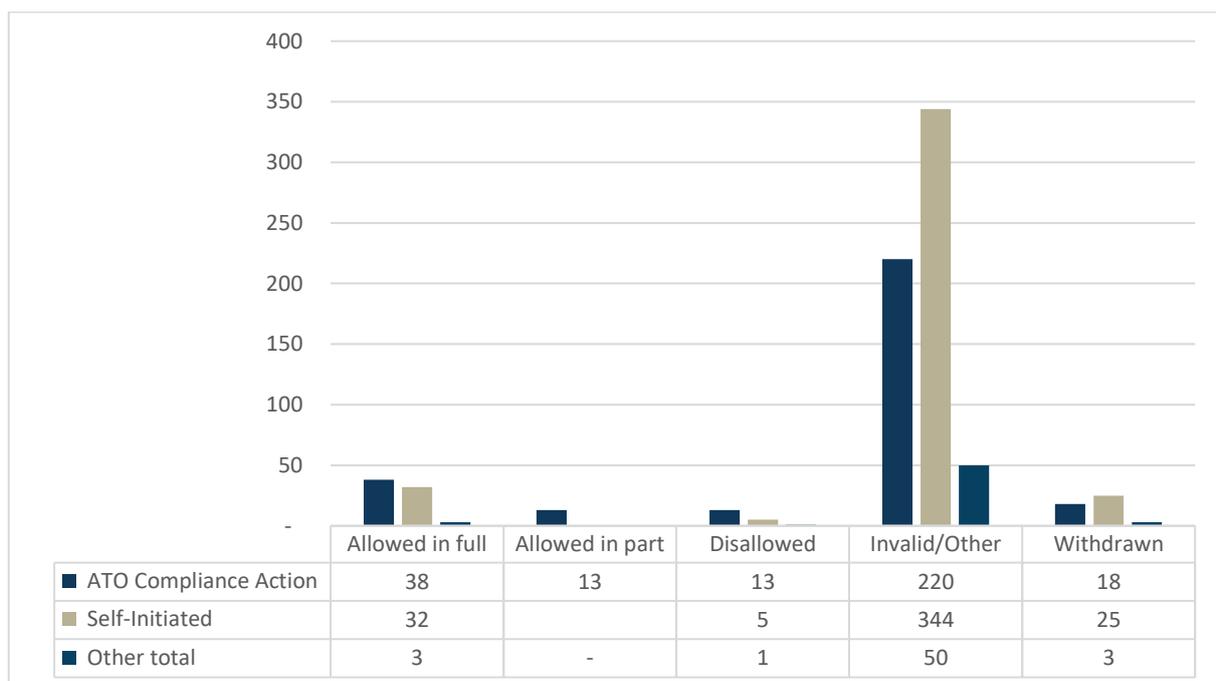


Note: Other total includes objections against private rulings and objections which are unable to be classified.

Super Funds and NFPs

- 6.39. As seen in Figure 6.40, in FY19, the majority of objections were finalised by the ATO as invalid/other for self-initiated objections. This high number of self-initiated objections finalised as invalid/other was due to the Fuel Tax Credit objections cluster. Setting aside these cases, objections against ATO compliance action finalised as invalid/other would have been the highest outcome.
- 6.40. The ATO has explained that there are a number of reasons for the high incidence of “Invalid/Other” outcomes being recorded in relation to Super Funds and NFPs, including:
- taxpayers purporting to lodge objections where no rights to object under Part IVC are available in relation to the particular issue. In such cases, regardless of whether the informal resolution of the matter results in a favourable or unfavourable outcome to the taxpayer, the outcome is registered as “Other”; and
 - in the case of some superannuation guarantee objections involving components with no rights to object, the outcome is listed as “Invalid” even if the matter is resolved either by withdrawal or the issue being conceded by the employer following engagement with the ATO.
- 6.41. It is noted under Figures 6.41 and 6.42 (below), that the outcome with the highest number of objections in FY20 and FY21 were objections against ATO compliance action which was finalised as invalid/other. It is unclear what would have contributed to these outcomes, which necessarily result from ATO Compliance action.

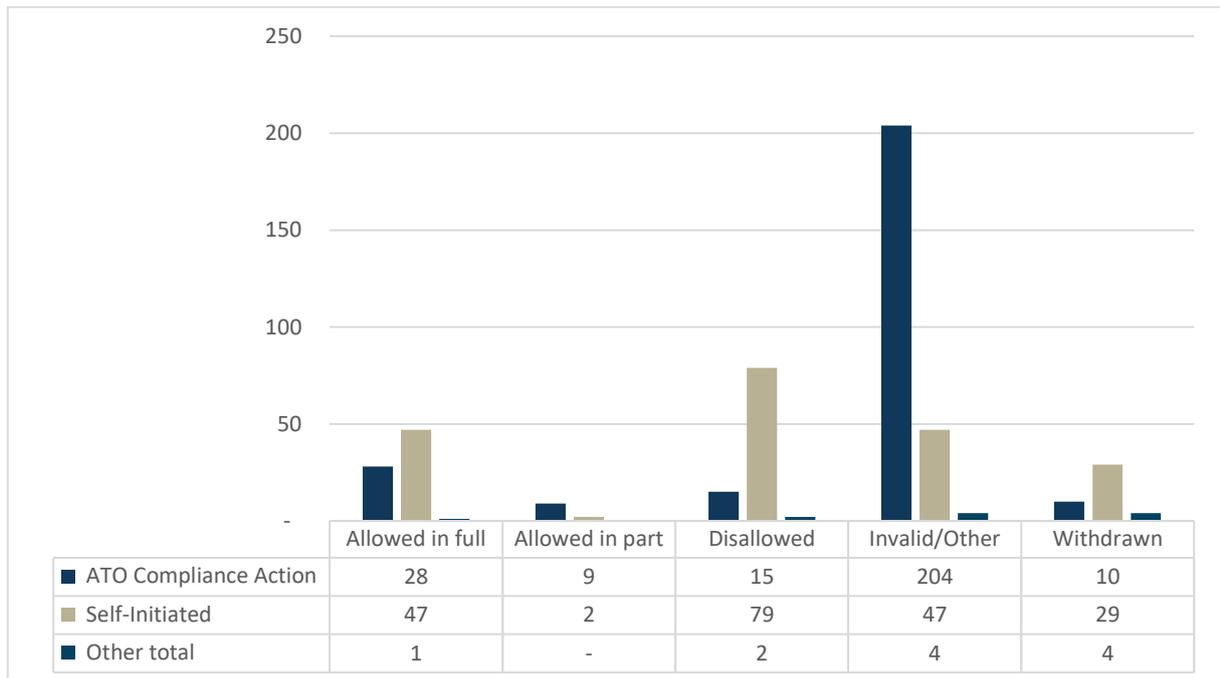
Figure 6.40: Super Funds and NFPs – total breakdown (ATO compliance vs self-initiated) for FY19



Note: Other total includes objections against private rulings and objections which are unable to be classified.

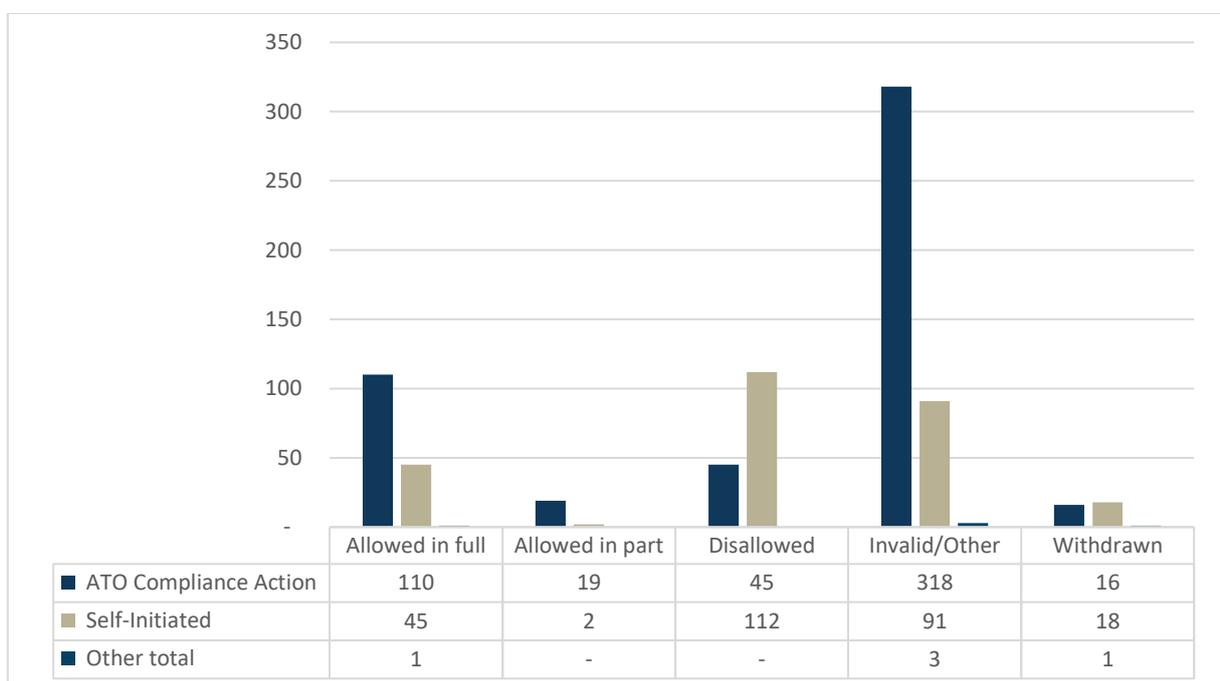
6. OUTCOME OF OBJECTIONS

Figure 6.41: Super Funds and NFPs – total breakdown (ATO compliance vs self-initiated) for FY20



Note: Other total includes objections against private rulings and objections which are unable to be classified.

Figure 6.42: Super Funds and NFPs – total breakdown (ATO compliance vs self-initiated) for FY21

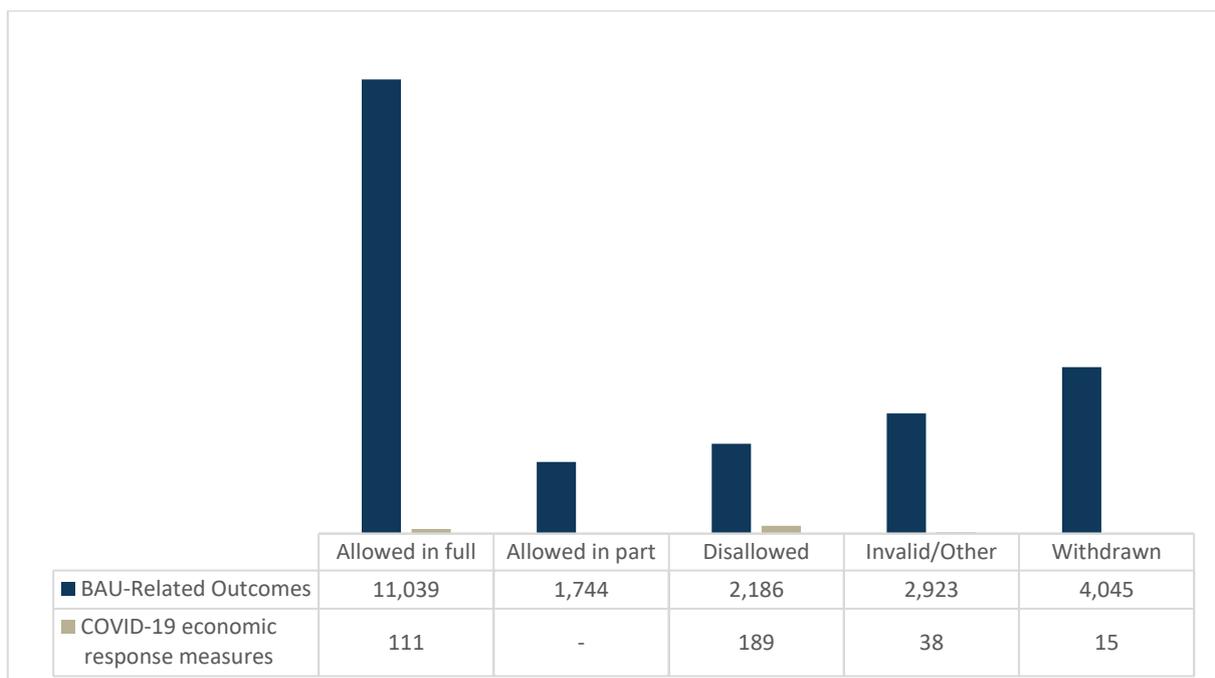


Note: Other total includes objections against private rulings and objections which are unable to be classified.

Breakdown of total outcomes of finalised objections for FY20 to FY21 (Business as usual vs COVID-19 economic response measures)

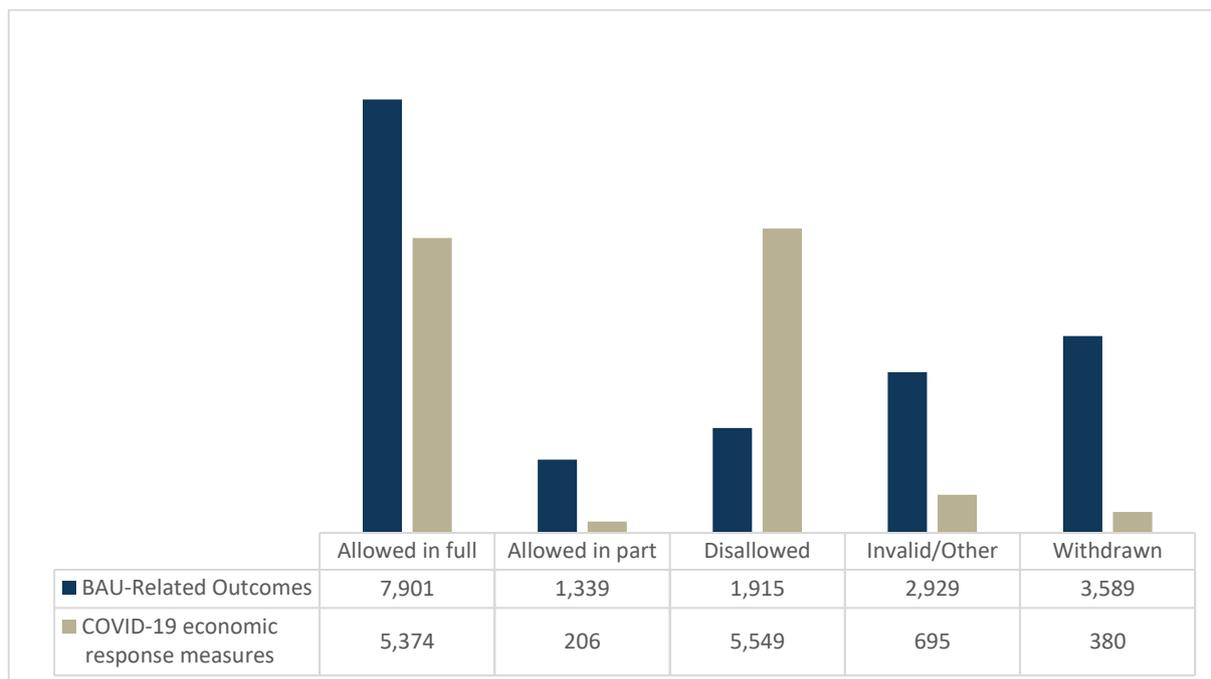
- 6.42. These charts are not intended to present a one to one comparison between these two categories as the total number of outcomes in each category are not equivalent. These charts express raw numbers of outcomes rather than the proportion of outcomes against total numbers of objections within each category.
- 6.43. Figures 6.43 and 6.44 provides a breakdown of the outcomes in objections in FY20 and FY21 that were in relation to the COVID-19 economic response measure, in comparison with all other objections business-as-usual (BAU) that were finalised by the ATO during those years.
- 6.44. Figure 6.44 shows that in FY21, there were similar number of objections finalised as allowed in full and disallowed which were in relation to COVID-19 economic response measures. In contrast, the number of disallowed objections about COVID-19 economic response measures was significantly greater than BAU objections.

Figure 6.43: Outcomes of BAU objections vs COVID-19-related objections in FY20



6. OUTCOME OF OBJECTIONS

Figure 6.44: Outcomes of BAU objections vs COVID-19-related objections in FY21



Breakdown of total outcomes of finalised objections for FY20 to FY21 (Business as usual vs COVID-19 economic response measures), by Client Experience Group

6.45. The following charts provides the outcomes of BAU and COVID-19 related objections outcomes for each client experience group.

Individuals

6.46. Whilst there were small numbers of objections relating to COVID-19 economic response measures for individuals, Figure 6.46 shows that more objections were disallowed than allowed in each of FY20 and FY21.

Figure 6.45: Individuals – outcomes of BAU objections vs COVID-19 related objections in FY20

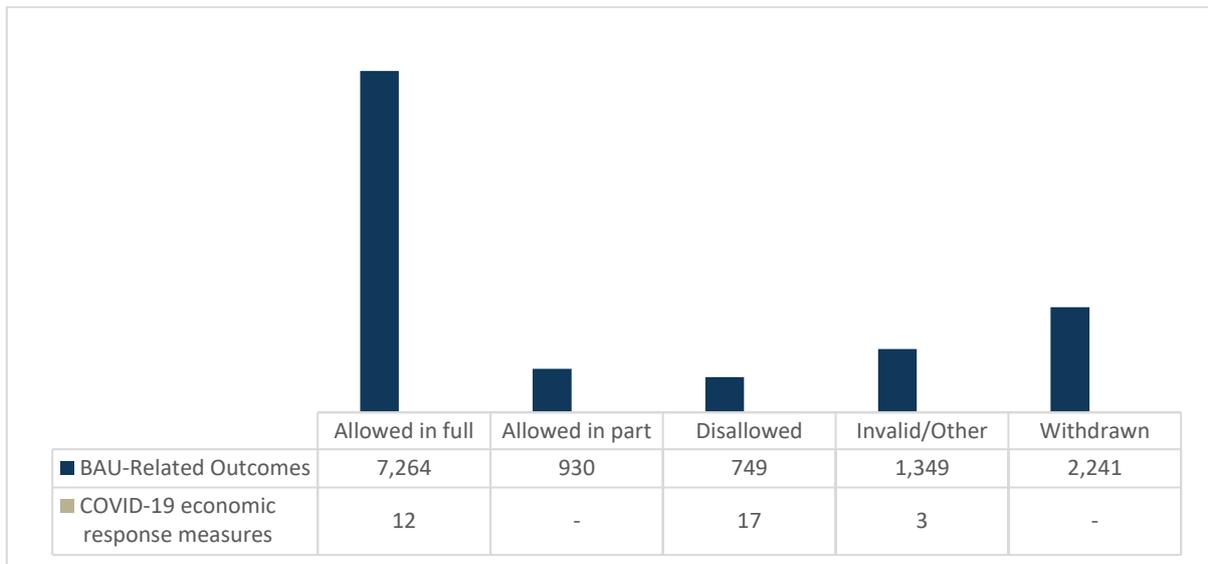
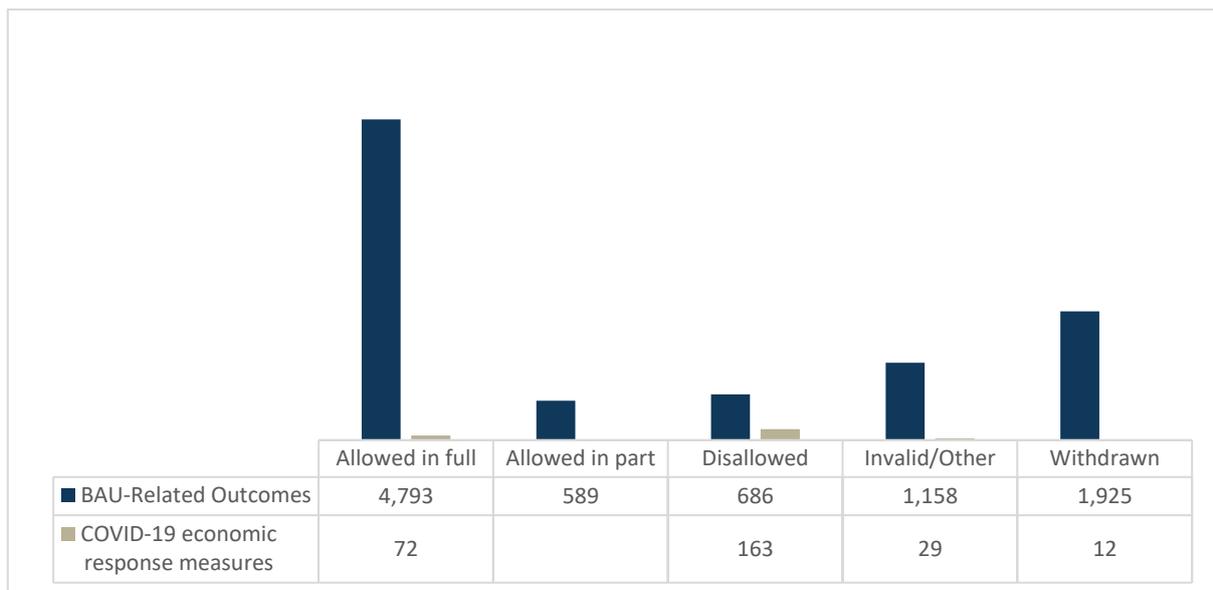


Figure 6.46: Individuals – outcomes of BAU objections vs COVID-19 related objections in FY21



6. OUTCOME OF OBJECTIONS

Small Business

6.47. As shown in Figure 6.48, the number of objections allowed in full and disallowed relating to COVID-19 economic response measures objections in FY21 were similar. Generally, with BAU objection allowed in full is more common than disallowed as an outcome. However, with COVID-19 related objections the proportion of disallowed and allowed in full outcomes are equally common in FY21. This may suggest that COVID-19 objections were more likely to be disallowed than BAU objections.

Figure 6.47: Small business – outcomes of BAU objections vs COVID-19 related objections in FY20

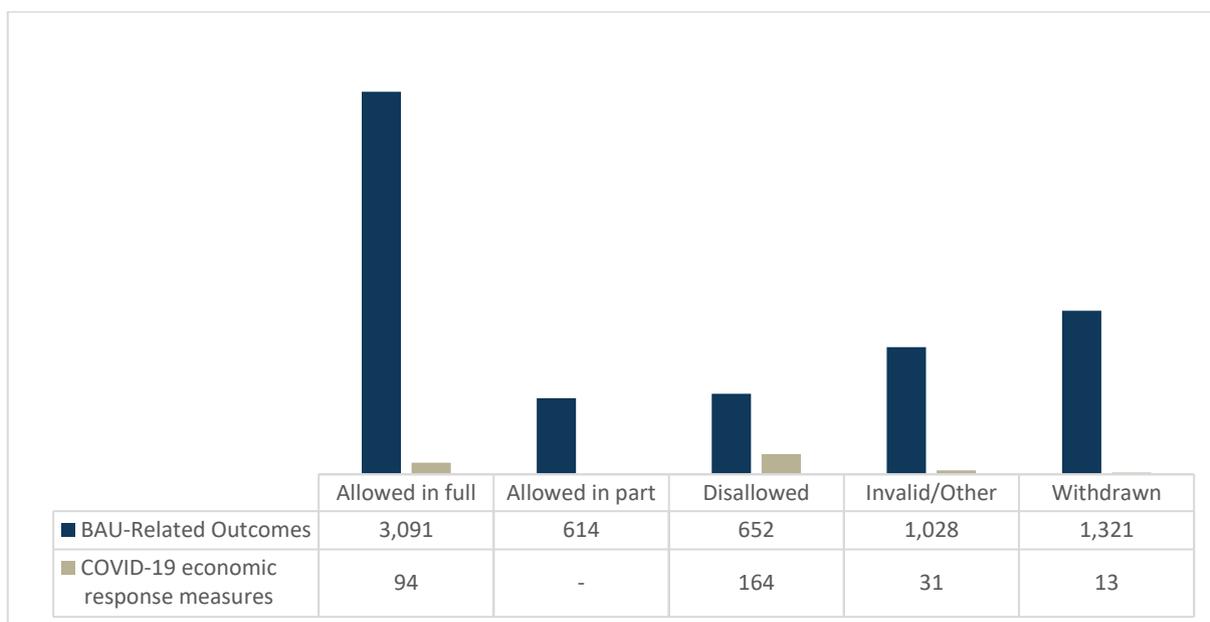
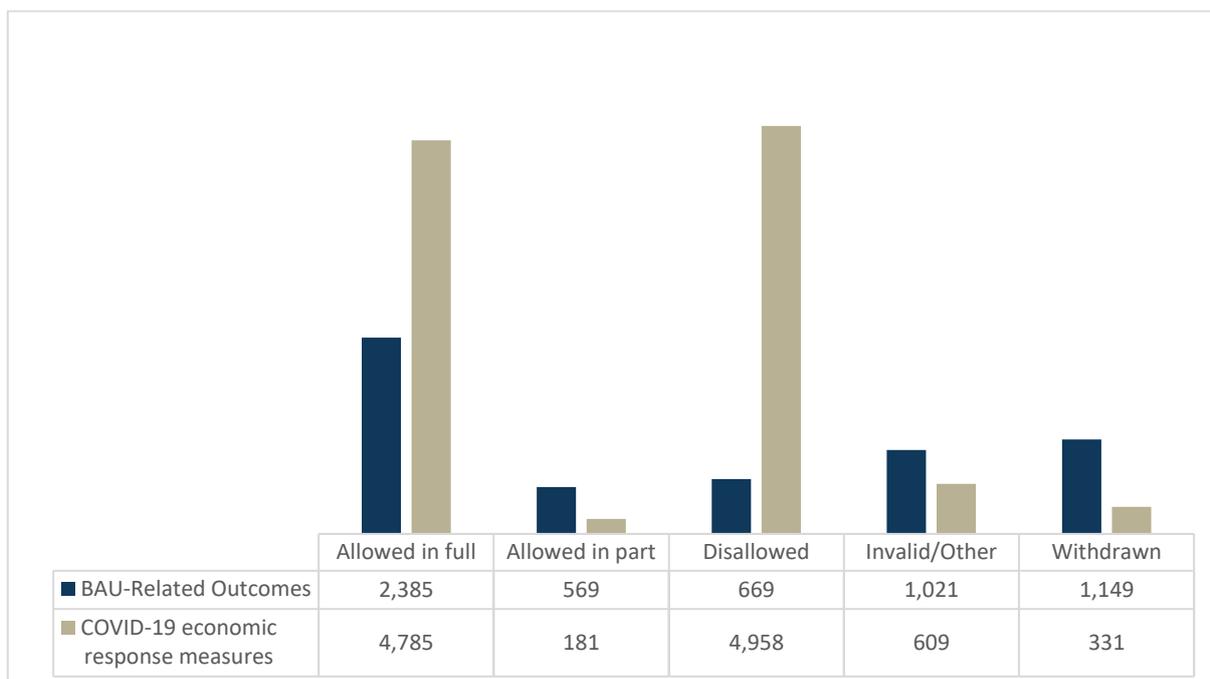


Figure 6.48: Small business – outcomes of BAU objections vs COVID-19 related objections in FY21



Privately Owned and Wealthy Groups

6.48. Figure 6.50 shows that in FY21, allowed in full is a more common outcome than disallowed. However, with COVID-19 related objections the proportion of disallowed and allowed in full are equally common. This may suggest that COVID-19 objections were more likely to be disallowed than BAU objections, noting that Withdrawn outcomes may also include objections which were advancing to be disallowed.

Figure 6.49: Privately owned and wealthy groups – outcomes of BAU objections vs COVID-19 related objections in FY20

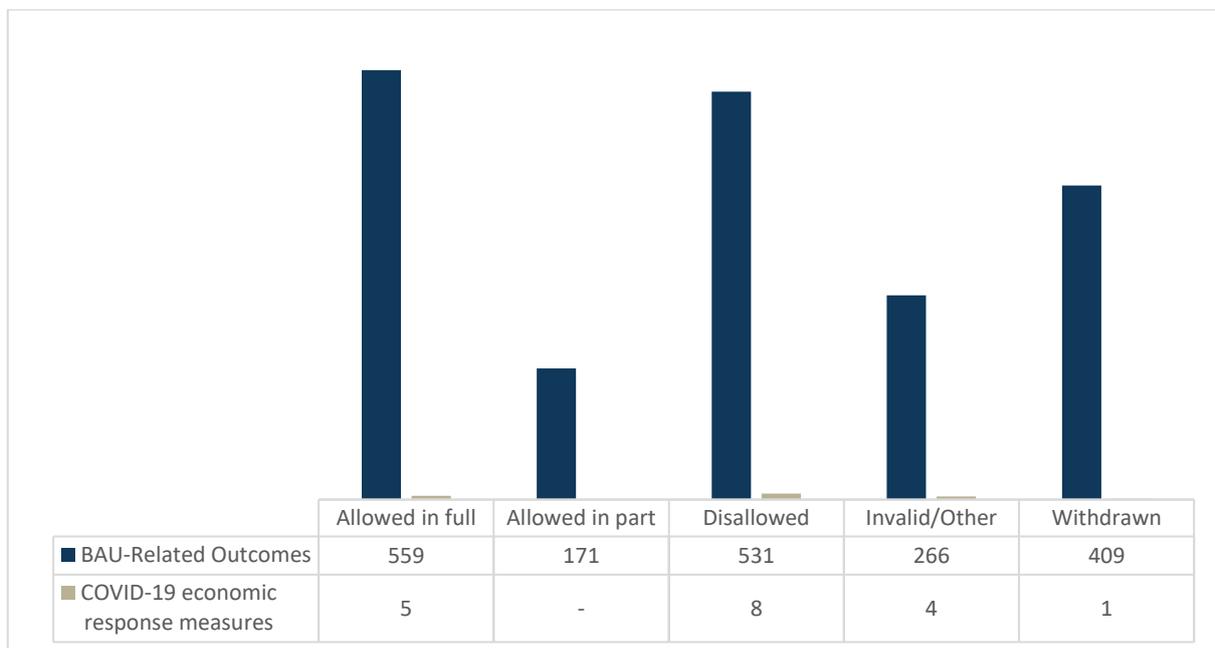
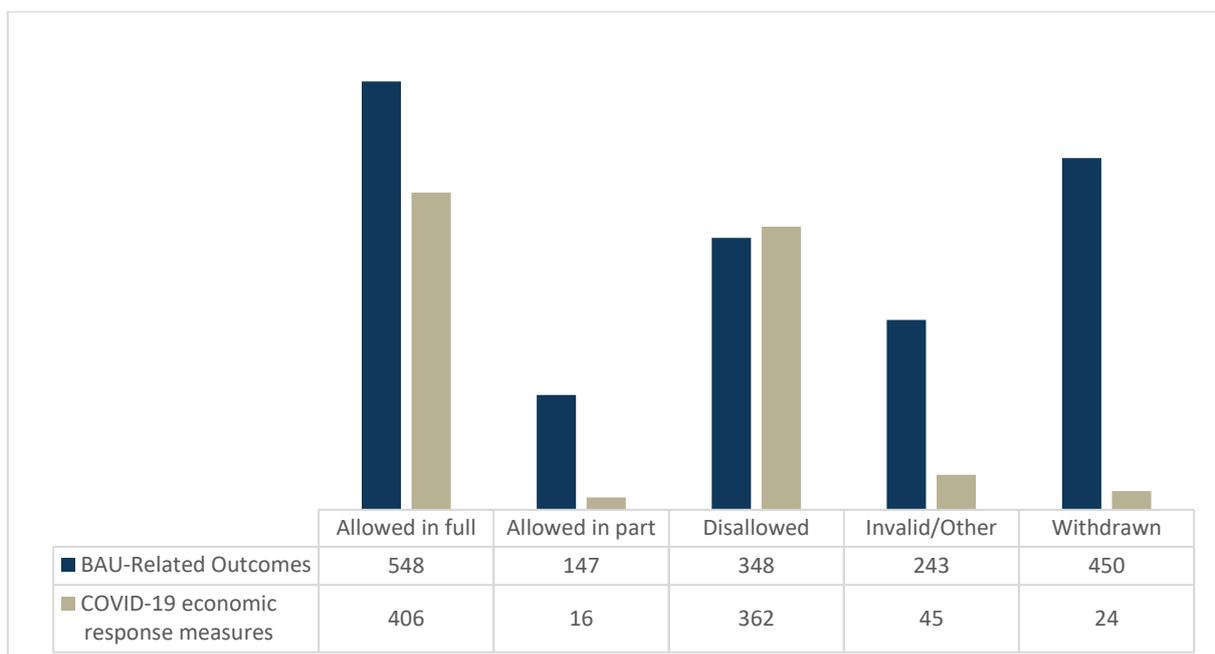


Figure 6.50: Privately owned and wealthy groups – outcomes of BAU objections vs COVID-19 related objections in FY21



6. OUTCOME OF OBJECTIONS

Public and Multinational Businesses

6.49. When outcomes of the GST ITC objections cluster are removed from the Figure 6.52 data for FY21 (not shown), the relative proportion of allowed in full against disallowed are comparable between BAU objections and COVID-19 objections. This contrasts with observations made in relation to small businesses and privately owned and wealthy groups.

Figure 6.51: Public and multinational businesses – outcomes of BAU objections vs COVID-19 related objections in FY20

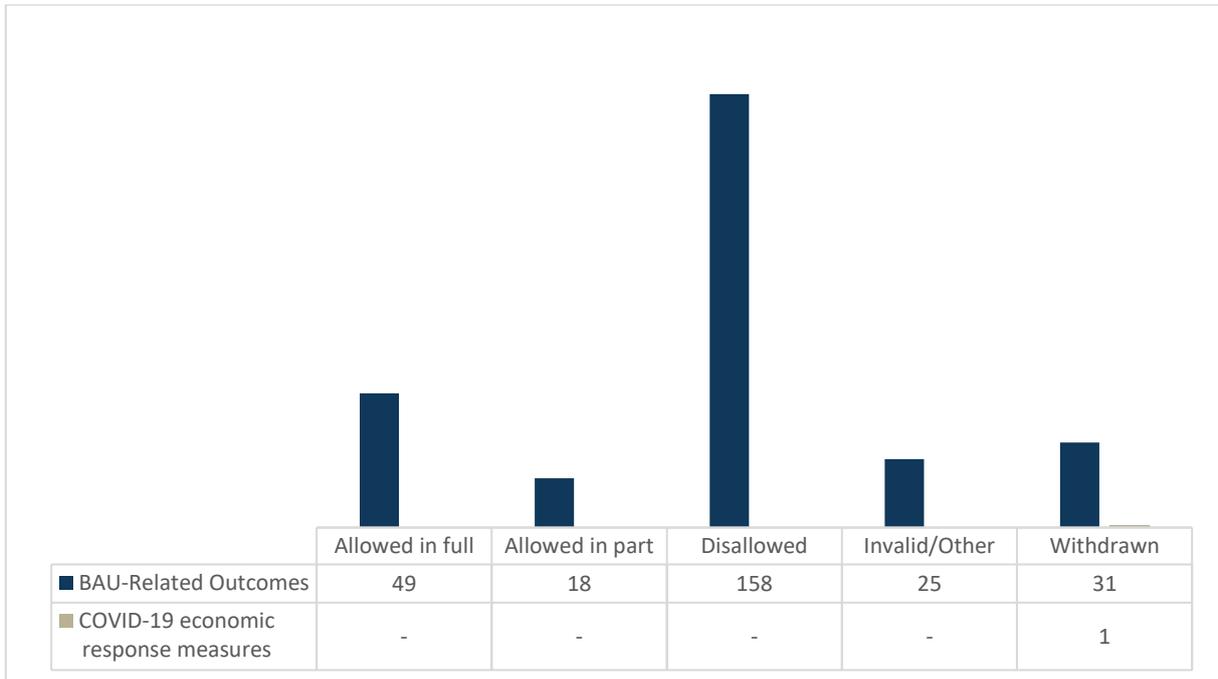
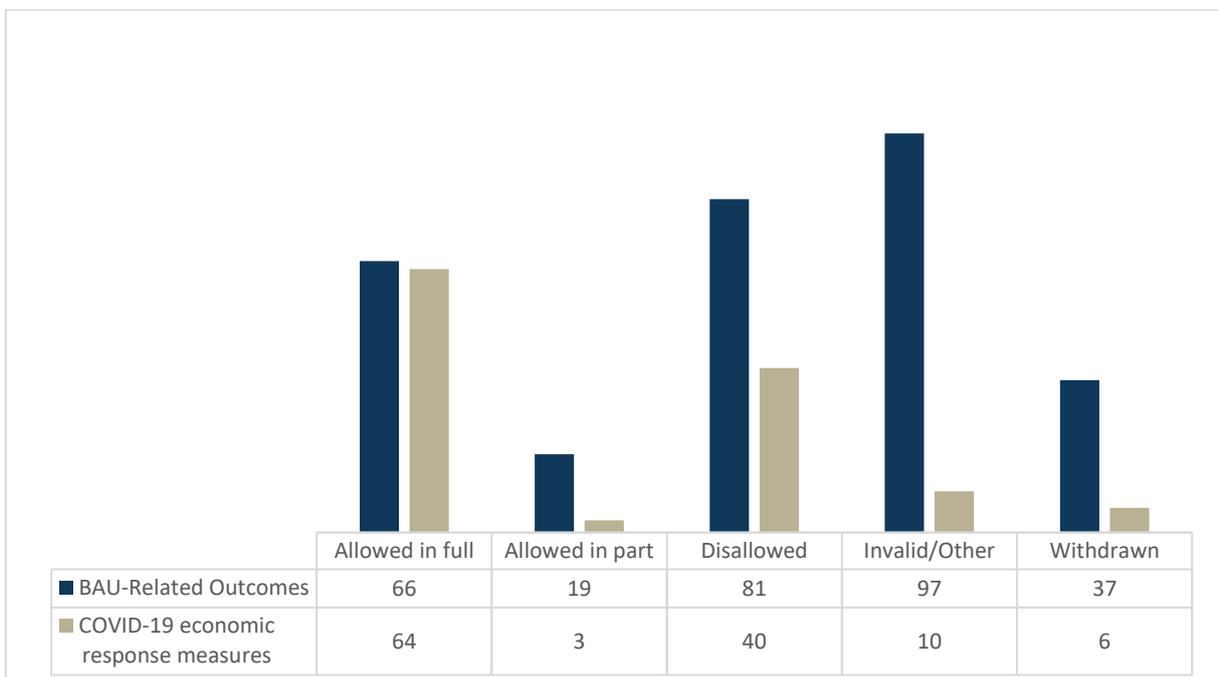


Figure 6.52: Public and multinational businesses – outcomes of BAU objections vs COVID-19 related objections in FY21



Super Funds and NFPs

6.50. Based on the outcomes for FY21 under Figure 6.54, similar to public and multinational businesses when outcomes of the GST ITC objections cluster are removed (not shown), the relative proportion of allowed in full against disallowed are comparable between BAU objections and COVID-19 objections.

Figure 6.53: Super Funds and NFPs – outcomes of BAU objections vs COVID-19 related objections in FY20

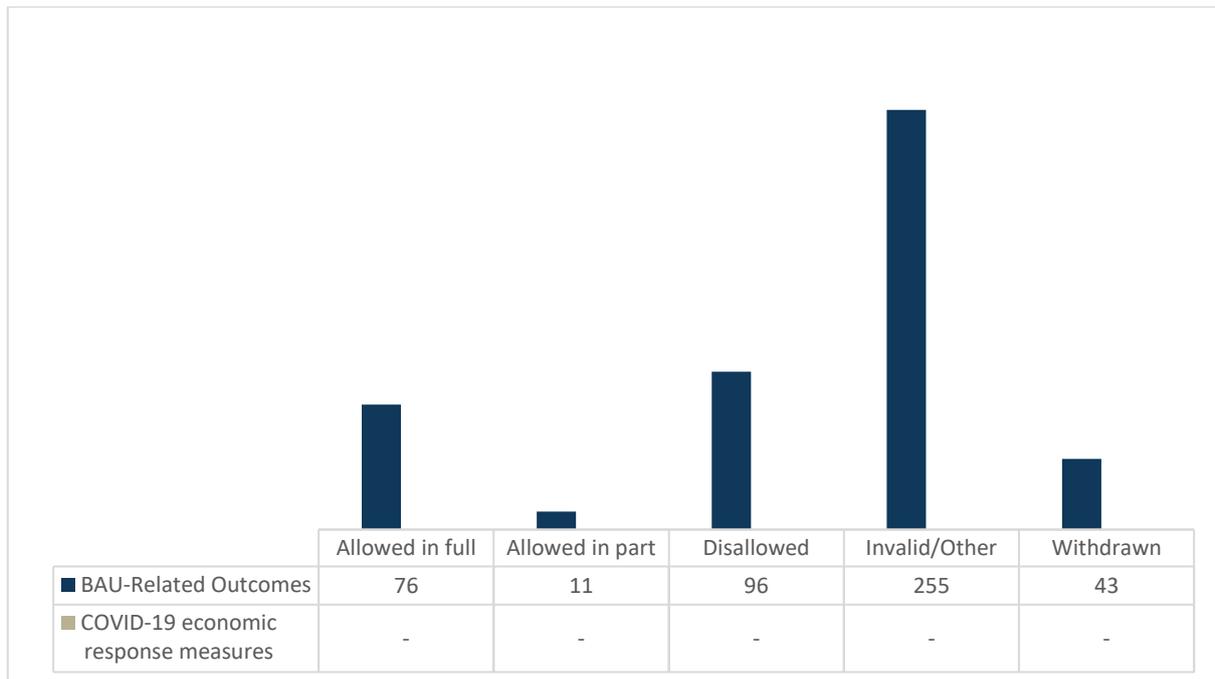
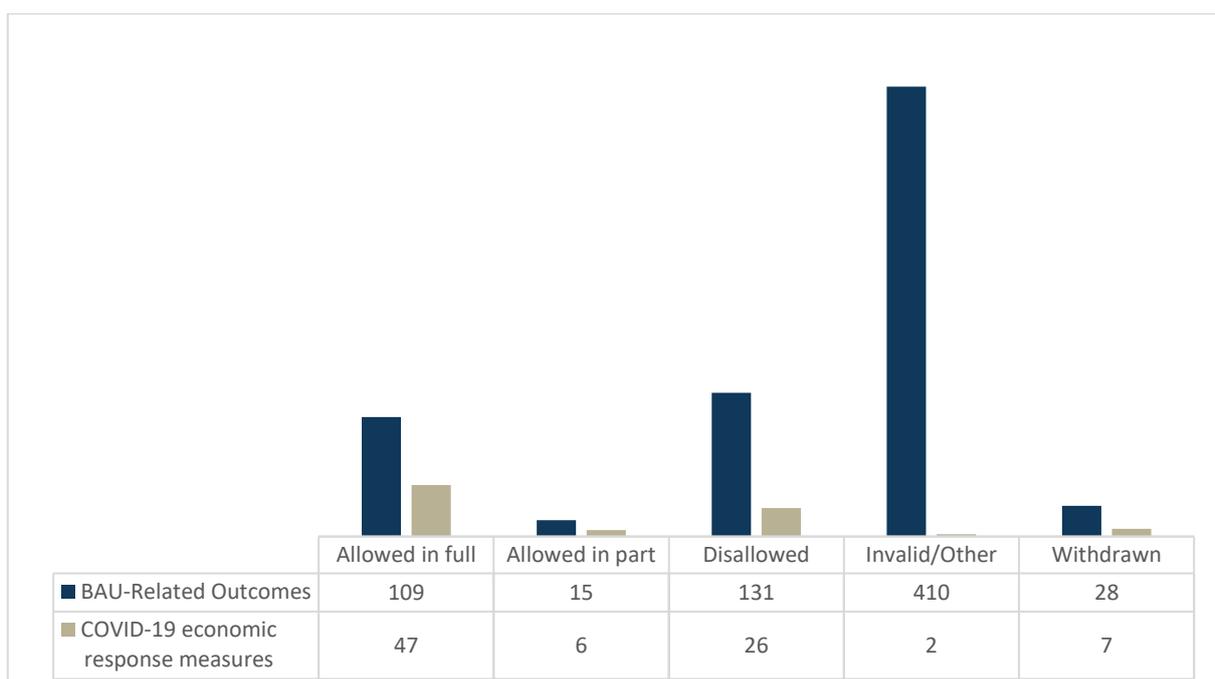


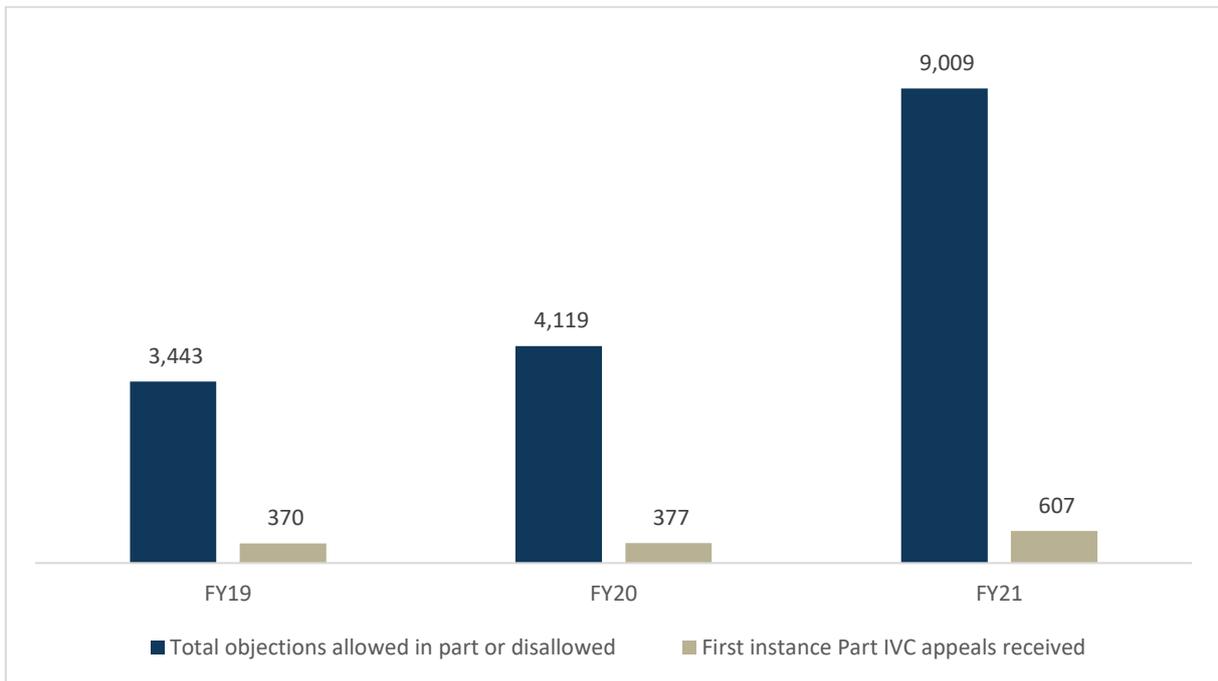
Figure 6.54: Super Funds and NFPs – outcomes of BAU objections vs COVID-19 related objections in FY21



Number of applications for review lodged with the Administrative Appeals Tribunal or appeals to the Federal Court of Australia

6.51. Figure 6.55 shows the number of applications for review to the AAT or appeals to the Federal Court of Australia in comparison with the number of objections which were not finalised wholly in the taxpayer’s favour. Although the number of applications are low compared with the number of unfavourable objection outcomes for taxpayers, it is interesting to note that appeals to the tribunals and Courts more than doubled in FY21 compared with FY20.

Figure 6.55: Finalised objections vs Part IVC appeals commenced in the AAT or Federal Court



Note: The number of appeals/reviews includes some cases where there was no objection decision made (and the Tribunal has no jurisdiction to make a decision).

7

TIMEFRAMES FOR MANAGING OBJECTIONS

This chapter provides data in relation to timeframes for allocating and finalising objections.

7. TIMEFRAMES FOR MANAGING OBJECTIONS

Introduction

- 7.1. This chapter presents Tables and Charts which help the reader to understand how long the end-to-end process for an objection typically takes in FY19 to FY21, across the ATO as a whole and broken down by each Client Experience Group. The end-to-end process spans the period from receipt of the objection to finalisation and includes time where the case is awaiting allocation to an ATO officer.
- 7.2. The first group of Tables and Charts breaks down the total number of objections finalised in each financial year by duration, showing the number and proportion of cases where the end-to-end process was:
- less than 3 months
 - 3 to 6 months
 - 6 to 9 months
 - 9 to 12 months
 - greater than 12 months.
- 7.3. The second group of Tables and Charts presents the arithmetic mean and median duration of the end-to-end process for objections finalised in each of the income years.
- 7.4. The data in this chapter has also been broken down to examine whether there are material differences in the timeframes to finalise objections against ATO compliance action compared to the timeframes to finalise self-initiated objections. An observation can be made that in FY19 and FY20, objections against ATO compliance actions generally took substantially longer to finalise when compared against self-initiated objections. However, in FY21, self-initiated objections generally took longer to finalise.

Glossary of Terms

7.5. A glossary of terms used throughout this Chapter is included for reference and interpretation purposes

Abbreviation or term	Definition
ATO compliance decisions	Decisions made by the ATO in activities which amend the taxpayer's original assessment or results in a default assessment.
ATO private binding rulings	Binding advice from the ATO that sets out how a tax law applies to a taxpayer in relation to a specific scheme or circumstance.
Client Experience	Broadly, the ATO divides taxpayers into client experience groups. All taxpayers are allocated to a primary client experience population for reporting purposes. The client experience allocation is based on definitions and hierarchical approach. It is also subject to the information the ATO has for a particular taxpayer.
Client Experience - Individuals (IND)	Individual clients who have no: <ul style="list-style-type: none"> ▪ business or personal services income; or ▪ links to an active micro entity, excluding a link type of "member of an SMSF" if they receive passive income it is from investments or distributions only.
Client Experience - Private and Wealthy Groups (PWG)	The ATO views privately owned and wealthy groups as: <ul style="list-style-type: none"> ▪ companies and their associated subsidiaries (often referred to as economic groups) with an annual turnover greater than \$10 million, that are not public groups or foreign owned; or ▪ resident individuals who, together with their business associates, control net wealth over \$5 million.
Client Experience - Public and Multinational Businesses (PMB)	Includes Australian public companies, listed and unlisted; widely held Australian partnerships, superannuation funds and managed investment trusts; and majority foreign owned entities.
Client Experience - Small Business (SB)	A business with less than \$10 million aggregated turnover in the previous financial year. Prior to 2016-17, the threshold was \$2 million. This group may include individual taxpayers by reason of their association with another entity – for example, director of a company, or a partner in a partnership.
Client Experience – Super Funds and Not for Profit (NFP)	Superannuation funds, including Self-Managed Superannuation Funds, and Not for Profits.
Fuel Tax Credits cluster	Taxpayer-initiated objections lodged following the decision in <i>Linfox Australia Pty Ltd v Commissioner of Taxation of the Commonwealth of Australia</i> [2019] FCAFC 131.
GST Input Tax Credit cluster	Taxpayer-initiated objections attempting to claim input tax credits for meal entertainment and expenses connected to employee allowances.
Military Superannuation cluster	Taxpayer-initiated objections received from former personnel of the Australian Defence Force in early 2020.
Self-education Expense cluster	Taxpayer-initiated objections received from members of law enforcement to claim self-education expenses.
Self-initiated by taxpayers	An objection lodged by a taxpayer that was not against an ATO compliance decision – for example, a self-amendment to a return that is out of time. It also includes objections to assessments that the taxpayer lodged in accordance with the view in a private ruling that they are seeking to challenge, as well as debt recovery and some superannuation activities.

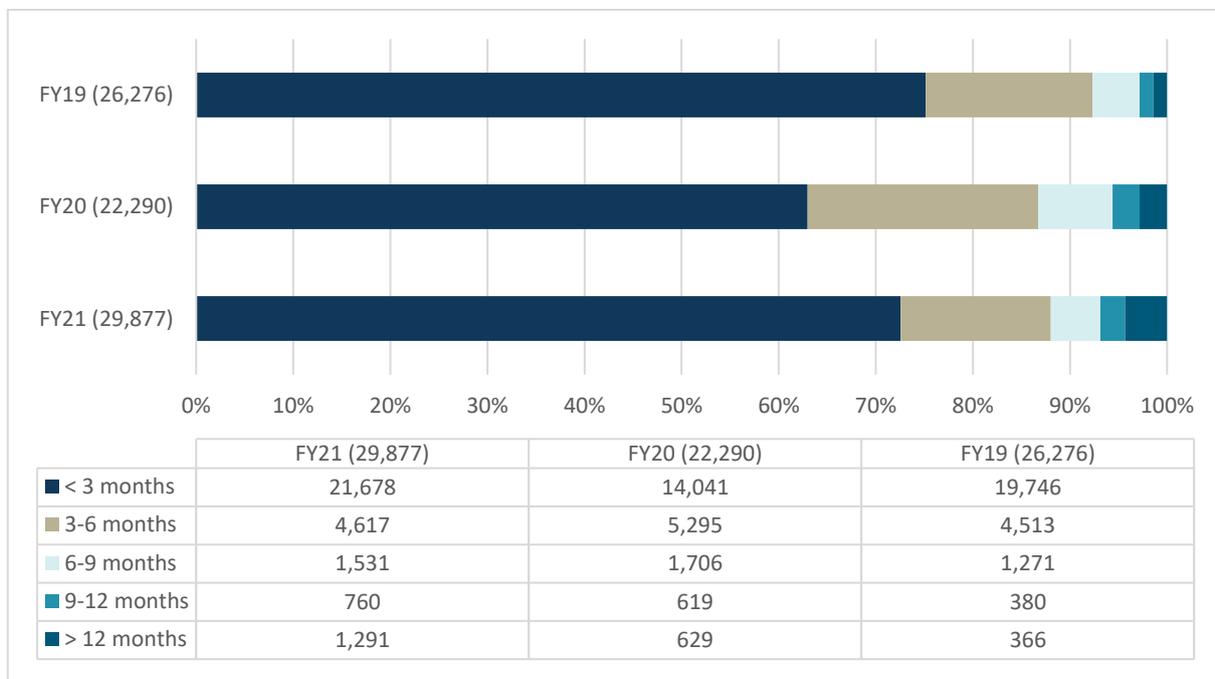
7. TIMEFRAMES FOR MANAGING OBJECTIONS

Abbreviation or term	Definition
Superannuation Guarantee cluster	A cluster of objections relating to liability to pay superannuation guarantee for certain personnel within the racing industry.
Timeframes for finalised objections	Number of days between the date that the objection was received by Review and Dispute Resolutions and the date when the objection case was recorded on ATO systems as 'finalised' or 'closed'
	(Note: A period of time may elapse between the date when an objection is received by the ATO and when it was received by Review and Dispute Resolutions)
Working Holiday Maker cluster	Objections that were on hold pending the outcome of the outcome of <i>Addy v Federal Commissioner of Taxation</i> [2020] FCAFC 135.

Time elapsed between the date the objection was first received and when it was finalised (FY19 to FY21)

7.6. As with many of the charts shown earlier in this report, the results in Figure 7.1, which depicts timeframes for finalised objections for the whole of the ATO, is heavily influenced by the supporting data for Individuals and Small Businesses, the two largest client experience groups. A higher proportion of objections from individuals were finalised within 3 months during FY19 compared to the other two financial years (see Figure 7.2). Similarly, a higher proportion of objections from small businesses were finalised within 3 months during FY21 compared to the other two financial years (see Figure 7.3).

Figure 7.1: Breakdown of finalised objections by timeframes (Overall)

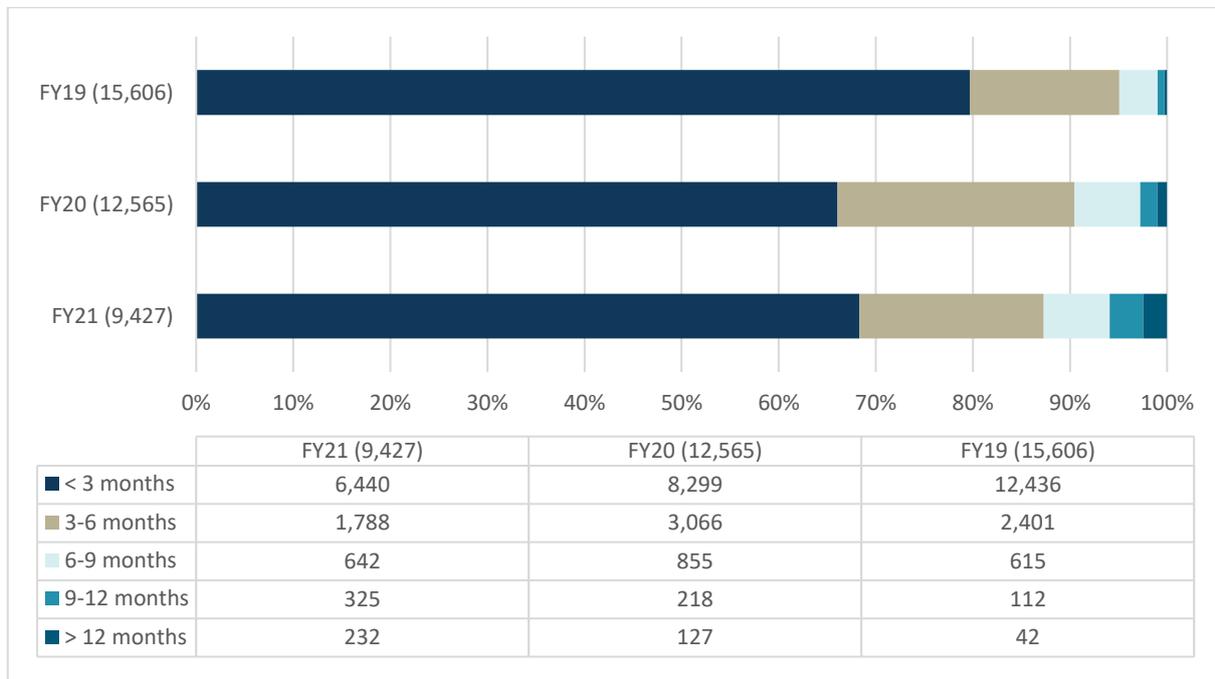


Individuals

7.7. 2524, or 16%, of all finalised objections from FY19 relate to the Self-education Expense cluster. While most cases from this cluster were typically finalised quickly, it does not skew the overall data. Even if these cases were set aside, the proportion of cases finalised within 3 months only drops to 78% (from 80%). It is thus unclear what caused the proportion of objections that were finalised within 3 months and within 6 months to reduce in FY20 and FY21.

Self-education Expense cluster	Objections finalised	< 3 months	3-6 months	6-9 months
FY19	2,524	2,226	297	1

Figure 7.2: Breakdown of finalised objections by timeframes – Individuals

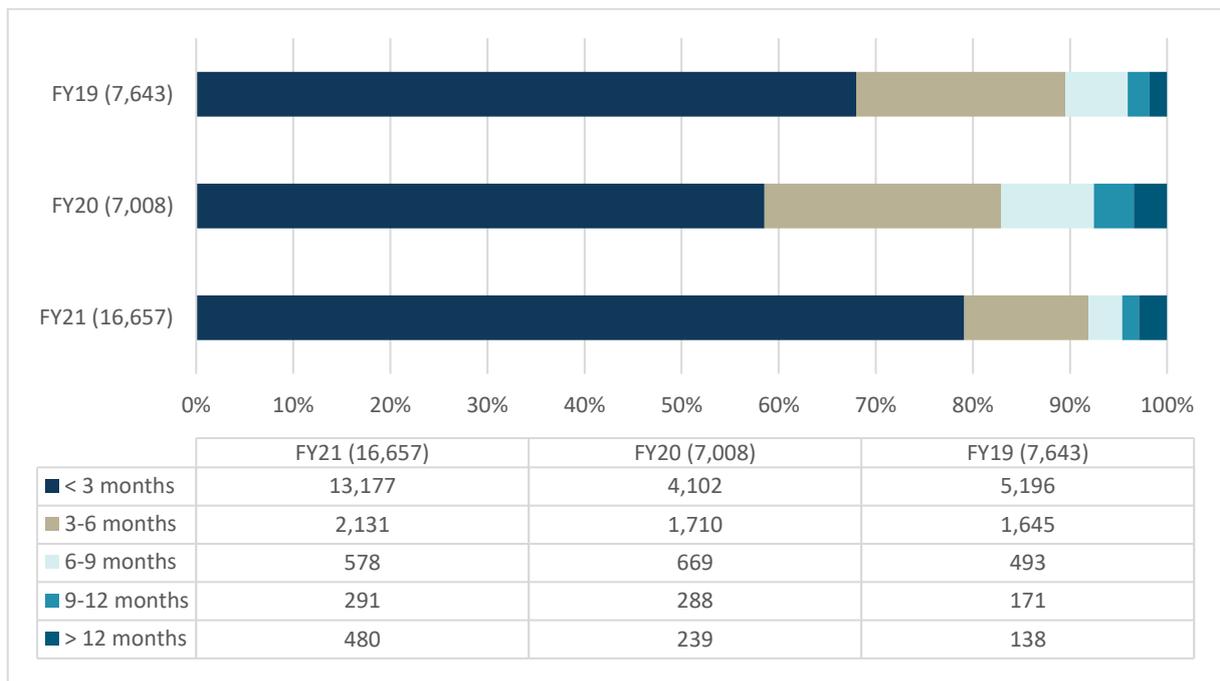


7. TIMEFRAMES FOR MANAGING OBJECTIONS

Small Business

- 7.8. 10,864, or 65%, of all finalised small business objections from FY21 were objections against decisions in relation to COVID-19 economic response measures. The data for FY21 in Figure 7.3 suggests that these types of objections were more likely to be finalised quickly, and within 3 months, compared to objections against BAU topics.
- 7.9. Similar to Individuals, FY20 saw a reduction in the proportion of small business objections that were finalised within 3 months and within 6 months compared to FY19.

Figure 7.3: Breakdown of finalised objections by timeframes –Small business



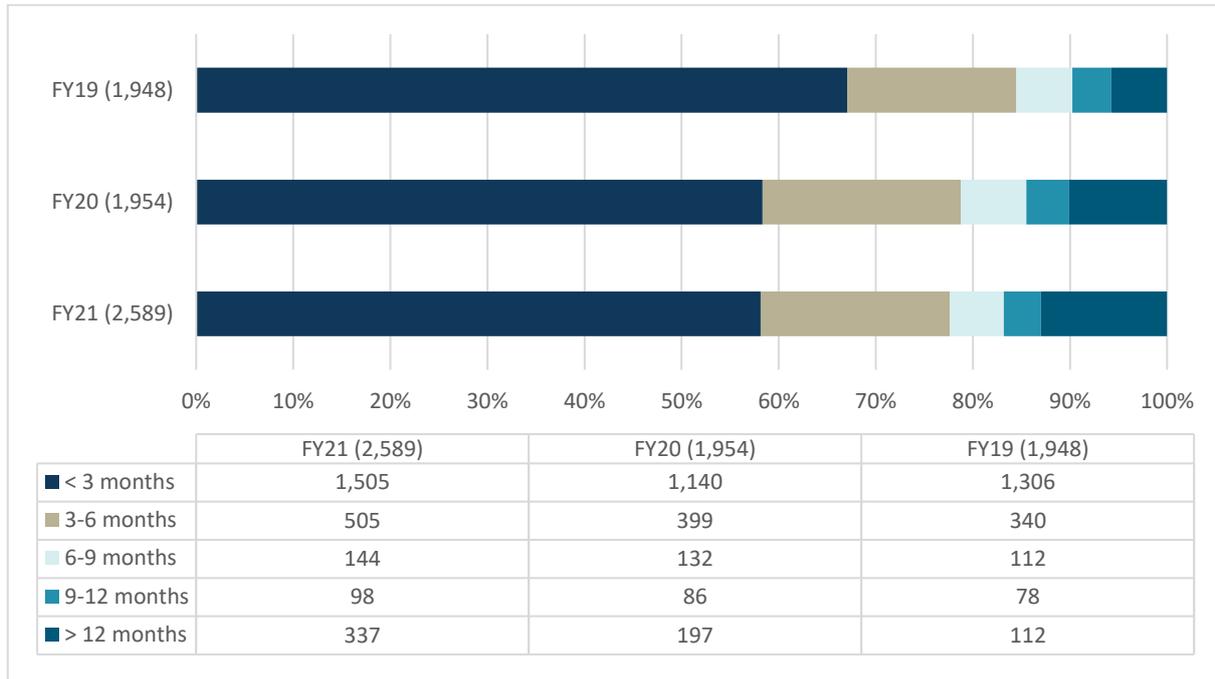
Privately Owned and Wealthy Groups

- 7.10. 406, or 21%, of all objections finalised in FY20 from privately owned and wealthy group taxpayers were objections that relate to the Fuel Tax Credits Cluster. Most cases from this cluster were finalised within 3 months. Accordingly, setting aside the cases from this cluster will actually have the effect of reducing the proportion of cases finalised within 3 months in FY20 from 58% to 53%.

Fuel Tax Credits Cluster	Objections finalised	< 3 months	3-6 months	6-9 months	9-12 months	>12 months
FY20	406	313	56	0	7	30

- 7.11. Like the Individuals and Small Business client experience groups, Privately Owned and Wealthy Groups also saw a reduction between FY19 and FY20 in the proportion of objections finalised within 3 months and within 6 months.

Figure 7.4: Breakdown of finalised objections by timeframes –Privately owned and wealthy groups



Public and Multinational Businesses

7.12. Due to the small number of objections received from public and multinational businesses, cases belonging to objection clusters can represent a significant portion of total finalised cases and skew the data. In FY21, 19% (80) of all finalised objections from public and multinational businesses were objections that relate to the GST ITC cluster. In FY20, 51% (143) of all finalised objections from public and multinational businesses were objections that relate to the Fuel Tax Credits cluster. In FY19, 26% (81) of all finalised objections from public and multinational businesses were objections that relate to the Fuel Tax Credits cluster.

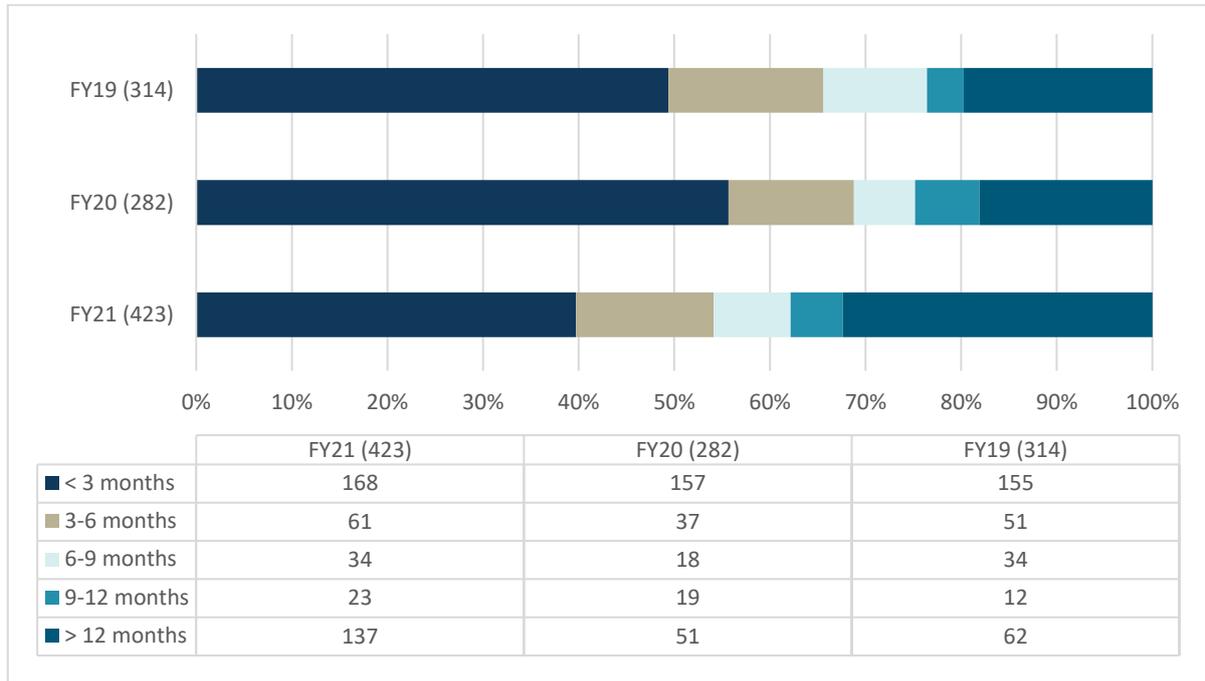
Fuel Tax Credits Cluster	Objections finalised	< 3 months	3-6 months	6-9 months	9-12 months	>12 months
FY19	81	81	0	0	0	0
FY20	143	115	14	1	3	10

GST ITC Cluster	Objections finalised	< 3 months	3-6 months	6-9 months	9-12 months	>12 months
FY21	80	3	0	1	1	75

7.13. Once the Fuel Tax Credits cluster results are removed (not shown), we see that the timeframes for FY19 and FY20 are quite similar, with 32% and 30% of objections finalised < 3 months and 27% and 29% of objections finalised > 12 months. However, the timeframes for FY21 look quite different to previous years, with 48% of objections finalised < 3 months and 18% of objections finalised > 12 months (after the GST ITC cluster cases have been set aside).

7. TIMEFRAMES FOR MANAGING OBJECTIONS

Figure 7.5: Breakdown of finalised objections by timeframes – Public and multinational businesses



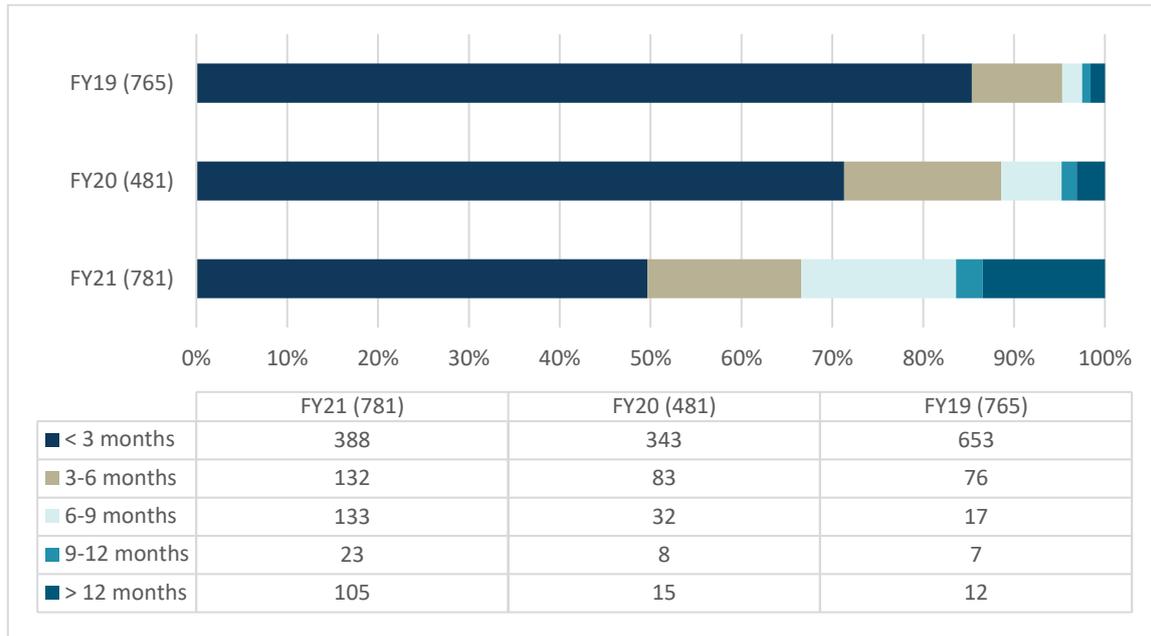
Super Funds and NFPs

7.14. Cases belonging to objection clusters also represent a significant portion of total finalised objections for Super Funds and NFPs. In FY21, 10% (79) of all finalised objections from Super Funds and NFPs were objections that relate to the GST ITC cluster. In FY20, 14% (67) of all finalised objections from Super Funds and NFPs were objections that relate to the Fuel Tax Credits cluster. In FY19, 42% (321) of all finalised objections from Super Funds and NFPs were objections that relate to the Fuel Tax Credits cluster.

Fuel Tax Credits Cluster	Objections finalised	< 3 months	3-6 months	6-9 months	9-12 months	>12 months
FY19	321	321	0	0	0	0
FY20	67	61	3	1	1	1

GST ITC Cluster	Objections finalised	< 3 months	3-6 months	6-9 months	9-12 months	>12 months
FY21	79	52	1	0	0	26

7.15. While these clusters are significant, they do not change the overall narrative in Figure 7.6, which illustrates a reduction in the proportion of cases finalised within 3 months over FY19 to FY21 as well as an increase in the proportion of cases that look longer than 12 months to finalise over the same period of time. Setting aside the objection clusters, we still see a reduction in the proportion of cases finalised within 3 months over FY19 to FY21 from 75% to 48% and an increase in the proportion of cases that took longer than 12 months to finalise from 3% to 11%.

Figure 7.6: Breakdown of finalised objections by timeframes – Super Funds and NFPs

Breakdown of Timeframes for Finalised Objections (ATO Compliance Action vs Self-Initiated vs PBR)

- 7.16. As previously explained in Chapter 4, the objections clusters are comprised entirely, or almost entirely, of self-initiated objections. Accordingly, some of the observed variance in timeframes to finalise self-initiated objections in each of the client experience groups may be due to these clusters.
- 7.17. On the other hand, an objection against an ATO decision with respect to the COVID-19 economic response measures is categorised as an objection against ATO compliance action. As these objections tend to be finalised more quickly, finalisation timeframes for objections against ATO compliance action tend to be shorter in FY21. This is most aptly illustrated in the Small Business client experience group (see Figures 7.13 to 7.15 below).
- 7.18. Figures 7.7 to 7.9 provide a comparison of timeframes between finalised objections against ATO compliance action and finalised self-initiated objections across FY19 to FY21.
- 7.19. In FY19, the ATO finalised 97% of self-initiated objections within six months, whereas 86% of objections against ATO compliance action were finalised within the same amount of time.
- 7.20. In FY20, the percentage of self-initiated objections finalised within six months slightly decreased to 95%, and for objections against ATO compliance action it was reduced to 79%. Furthermore, it is noted that less than 50% of objections against ATO compliance actions were finalised within three months which was a contrast to FY19.
- 7.21. In FY21, there was a further decrease in the number of self-initiated objections being finalised within six months, dropping to 85%. However, due to the quicker turnaround to finalise objections against decisions relating to COVID-19 economic response measures, the number of

7. TIMEFRAMES FOR MANAGING OBJECTIONS

objections against ATO compliance action finalised within six months rose to nearly 90%. Furthermore, 66% of objections against ATO compliance action were finalised in FY21 within three months.

Figure 7.7: Timeframes Comparison – FY19

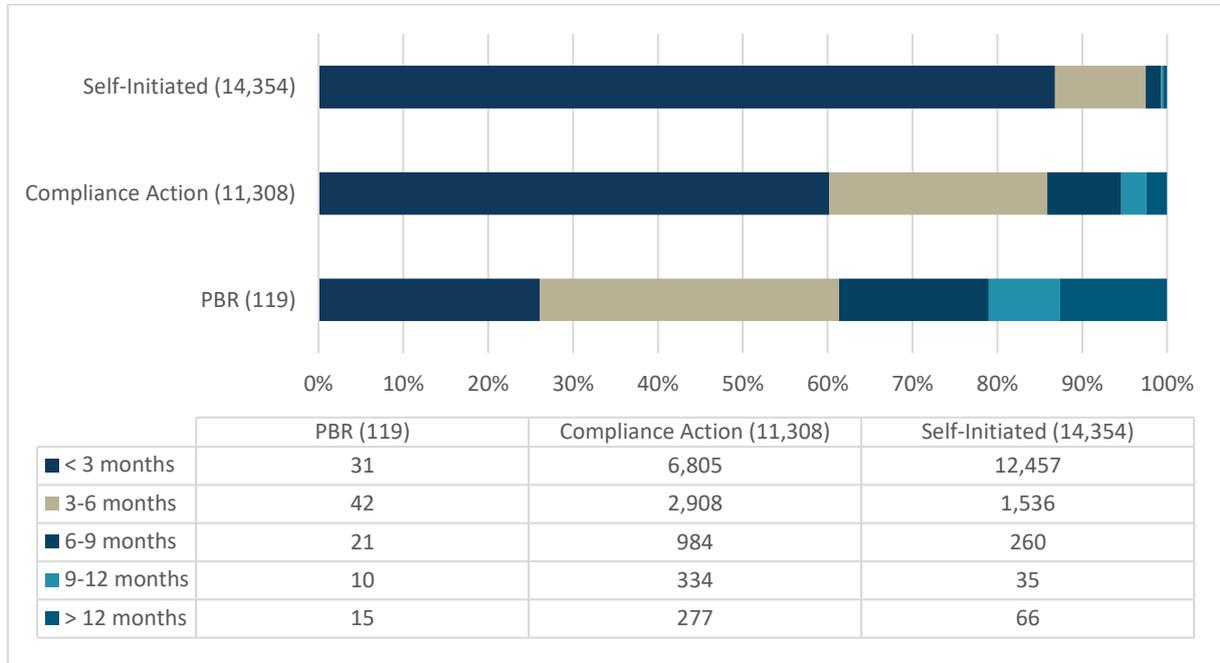


Figure 7.8: Timeframes Comparison – FY20

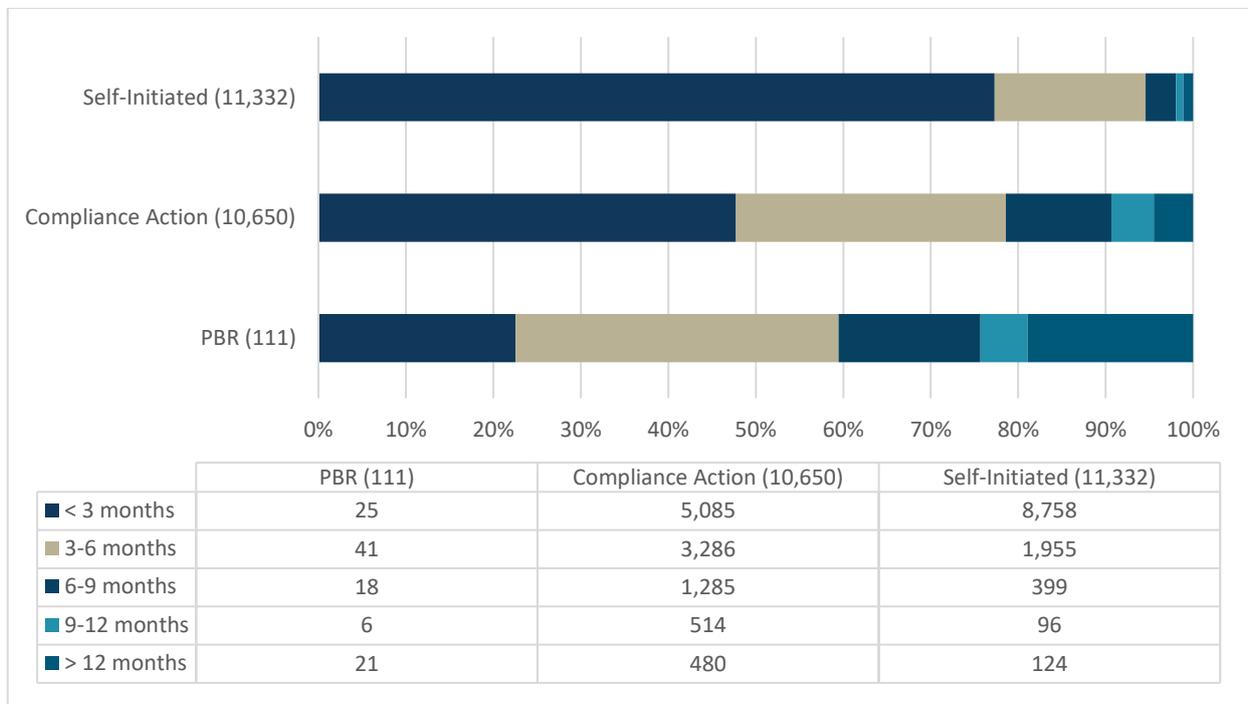
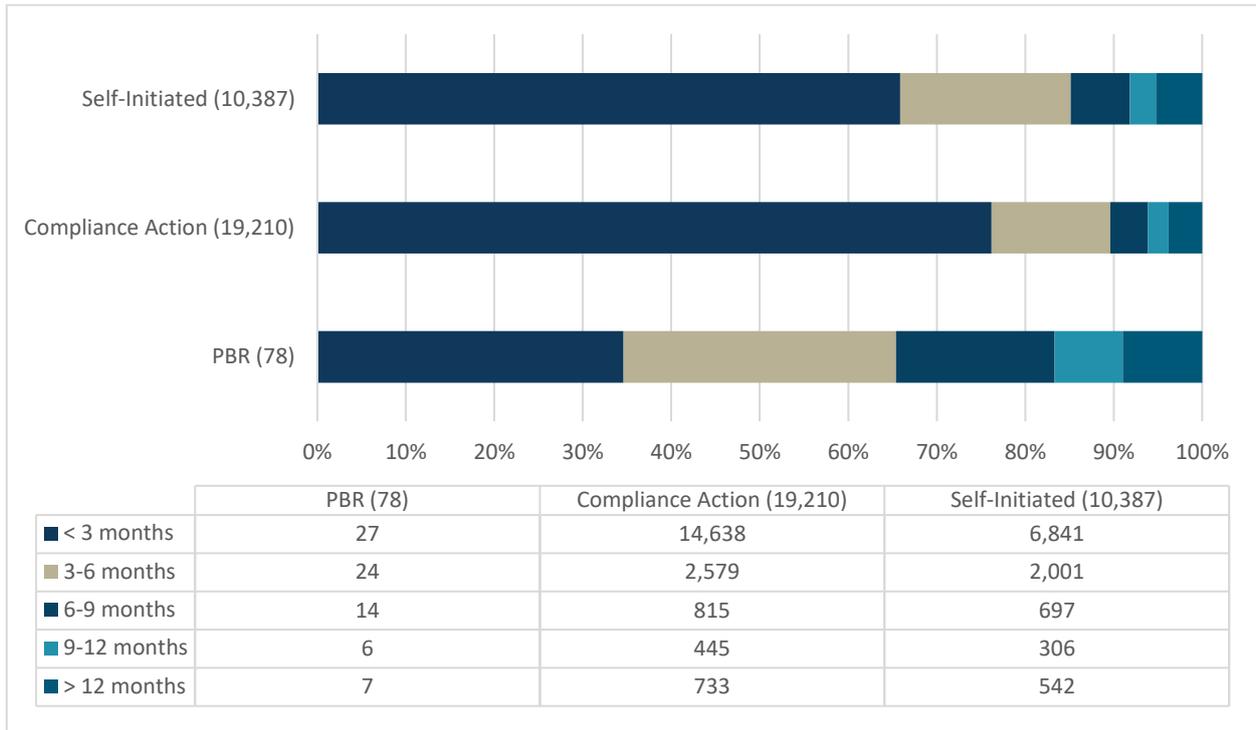


Figure 7.9: Timeframes Comparison – FY21



Individuals

- 7.22. Figure 7.10 shows that in FY19, nearly 99% of self-initiated objections and 90% of objections against ATO compliance action were finalised by the ATO within six months.
- 7.23. As discussed earlier in this chapter, a sizeable proportion of objections that were finalised within this timeframe related to the Self-education Expense cluster. These were almost all self-initiated objections and account for 27% of all self-initiated objections lodged by individual taxpayers. However, as cases in the cluster typically take a similar amount of time to finalise as any other case, this means that the overall effect on timeframes is minimal. If we set aside cases from the cluster, we see that 98% of self-initiated objections were still finalised by the ATO within 6 months.
- 7.24. The number of objections finalised within six months declines in FY20 (as seen in figure 7.11), with 96% of self-initiated objections and 84% of objections against ATO compliance action. Notably, only 51% of objections against compliance action were finalised within three months during FY20. While Figure 7.12 shows a further decrease in FY21 of self-initiated objections being finalised within six months at 89%, the percentage of objections against ATO compliance action in FY21 that were finalised within six months remained similar to the FY20 figure.

7. TIMEFRAMES FOR MANAGING OBJECTIONS

Figure 7.10: Timeframes Comparison – FY19 – Individuals

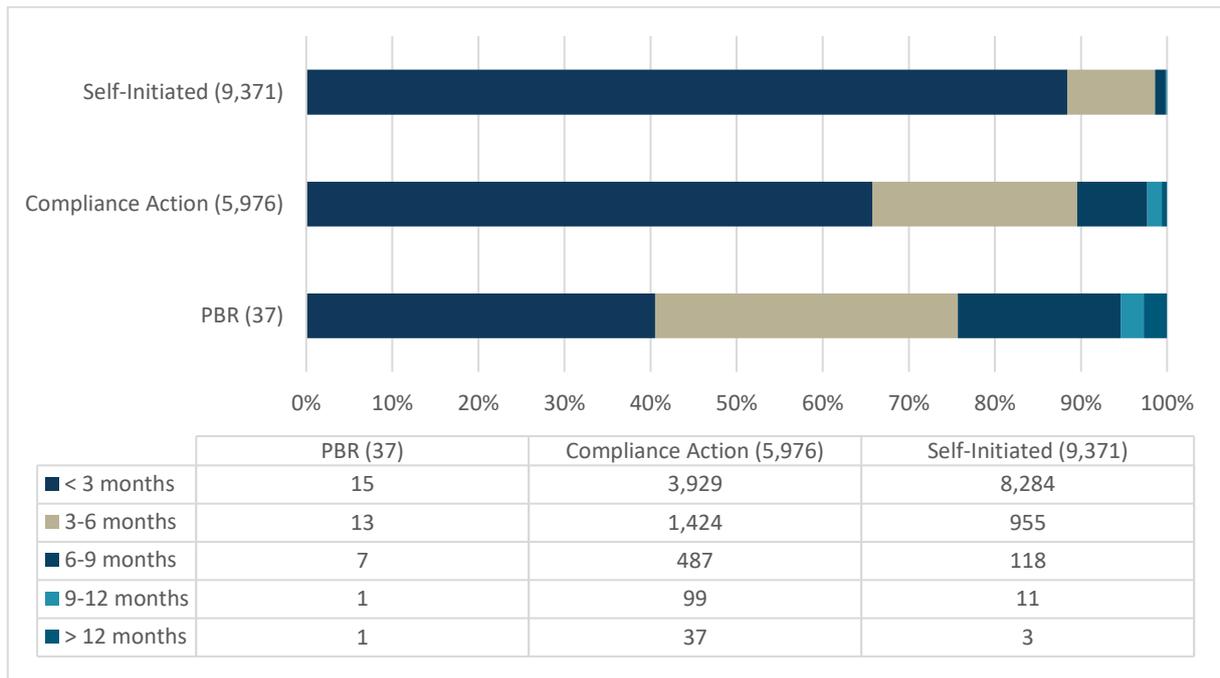


Figure 7.11: Timeframes Comparison – FY20 – Individuals

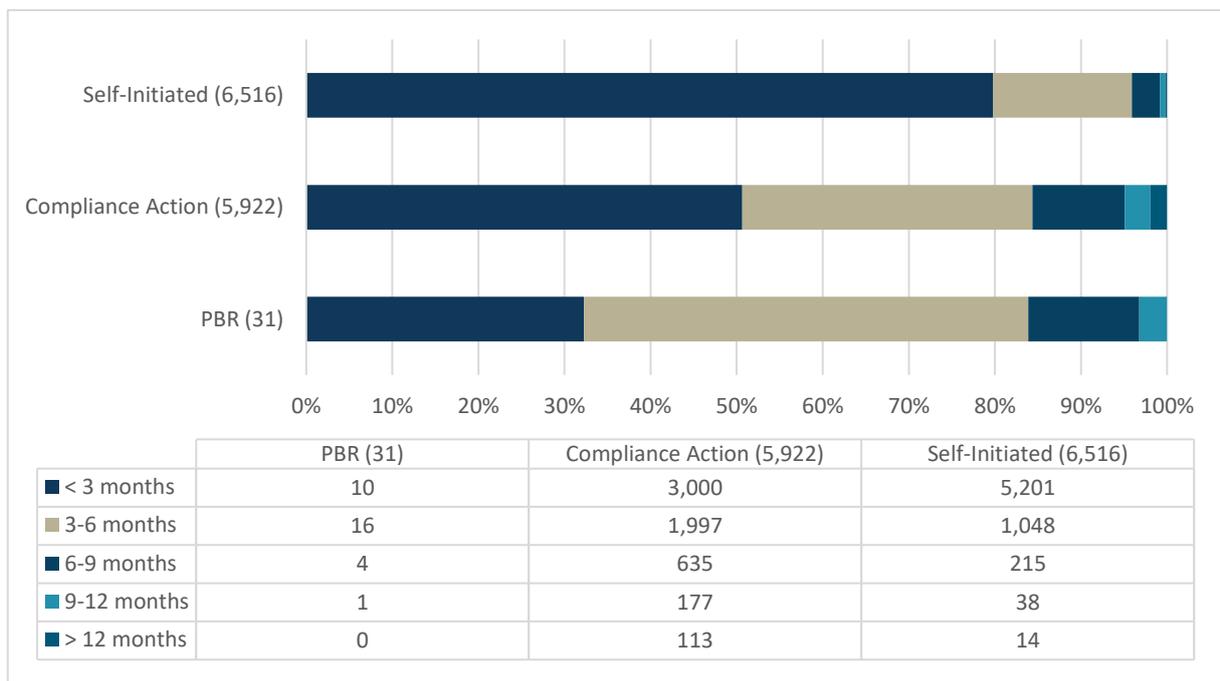
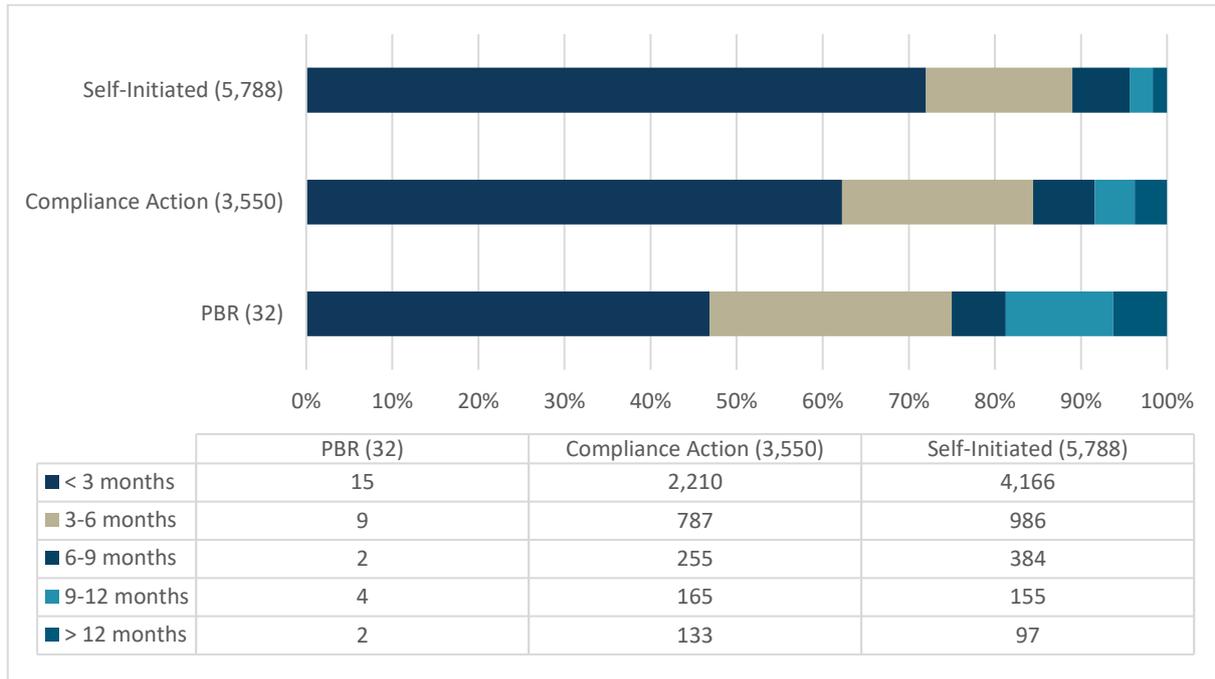


Figure 7.12: Timeframes Comparison – FY21 – Individuals



Small Business

- 7.25. Figure 7.13 shows that 96% of self-initiated objections and 84% of objections against ATO compliance action from small businesses were finalised within six months in FY19. As seen in Figure 7.14, there was a slight decrease of self-initiated objections finalised within six months in FY20, and there was an approximately 11% reduction in the proportion of objections against compliance action that were finalised within the same timeframe. This reduction was due to the fact that only 44% of compliance action objections were finalised within three months in FY20.
- 7.26. Figure 7.15 reveals that for FY21, the proportion of objections against ATO compliance action that were finalised within three months and within six months increased to 82% and 93% respectively. 81% of finalised objections against ATO compliance action from small business taxpayers in FY21 were objections against ATO decisions relating to the COVID-19 economic response measures. The increase in proportion of cases finalised within three and six months suggests that these types of objections were more likely to be finalised quickly compared to objections against BAU topics.
- 7.27. Despite the shift in timeframes for objections against ATO compliance action, FY21 saw a continued decrease in the proportion of self-initiated objections finalised within six months (down to 87%).

7. TIMEFRAMES FOR MANAGING OBJECTIONS

Figure 7.13: Timeframes Comparison – FY19 – Small Business

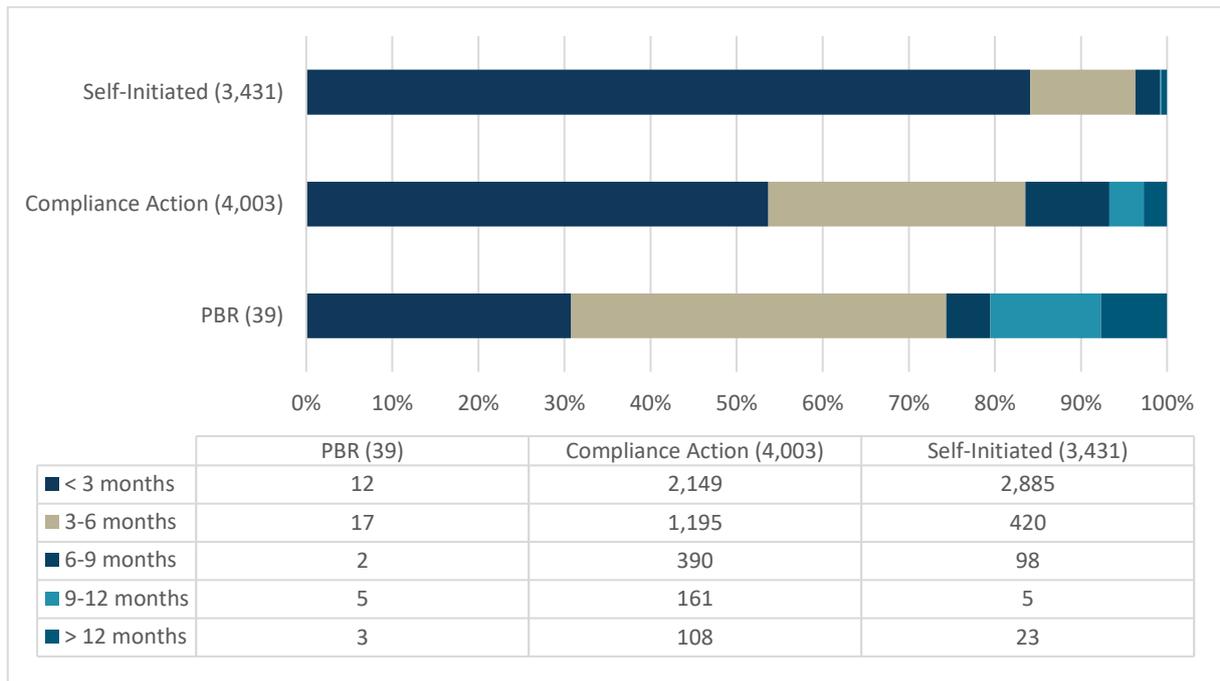


Figure 7.14: Timeframes Comparison – FY20 – Small Business

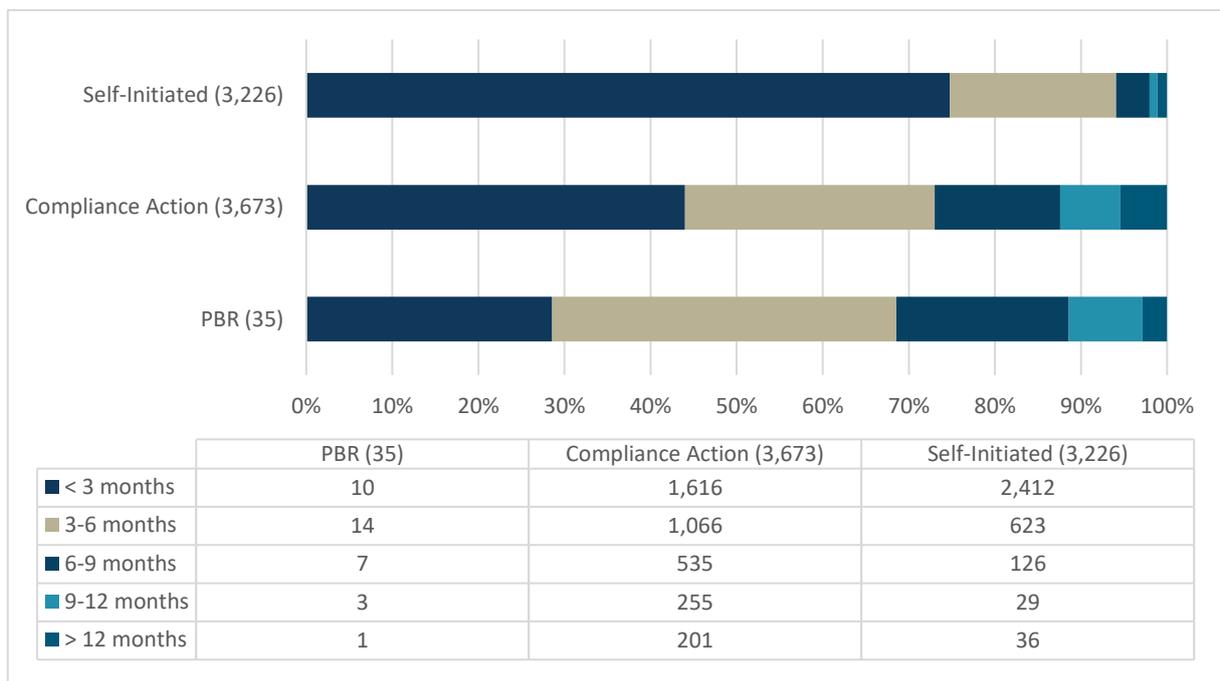
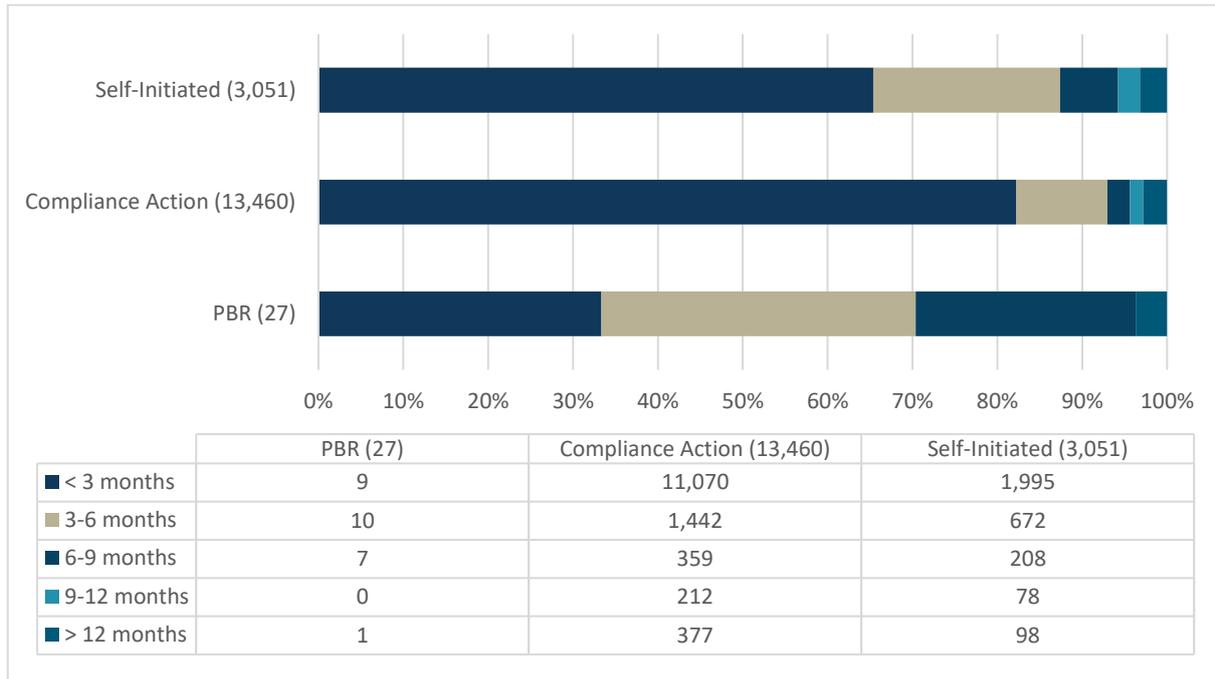


Figure 7.15: Timeframes Comparison – FY21 – Small Business



Privately Owned and Wealthy Groups

- 7.28. Figures 7.16 to 7.18 provides a breakdown of the timeframes to finalise self-initiated and ATO compliance action objections from FY19 to FY21 for privately owned and wealthy groups.
- 7.29. In FY19, 83% of self-initiated objections were finalised within three months. For the same timeframe, 51% of objections against ATO compliance action were finalised and 10% of compliance action objections took more than 12 months to finalise.
- 7.30. In FY20, the number of self-initiated objections finalised within three months reduced to 73%. 406 cases finalised in FY20 relate to the Fuel Tax Credits cluster, which equates to 34% of finalised self-initiated objections. Since cases in this cluster take comparatively less time to finalise, setting aside the cases from this cluster will have the effect of reducing the proportion of self-initiated objections finalised within 3 months even further from 73% to 71%.
- 7.31. A decrease was also seen in objections against ATO compliance action, of which 36% were finalised within three months, whilst the proportion of such objections that took more than 12 months to finalise increased to 18%.
- 7.32. In FY21, it is noted that only 49% of self-initiated objections were finalised within three months. Relevantly, 15% of self-initiated objections took more than 12 months to be finalised in FY21. For objections against ATO compliance action in FY21, the timeframes for these objections improved to 64% finalised within three months. This is consistent with 853 objections against COVID-19 economic response measures being finalised in FY21, which accounts for 57% of all objections against ATO compliance action from privately owned and wealthy group taxpayers finalised in that financial year. As previously noted, objections against ATO decisions with respect to the COVID-19 economic response measures are typically finalised more swiftly.

7. TIMEFRAMES FOR MANAGING OBJECTIONS

Figure 7.16: Timeframes Comparison – FY19 – Privately owned and wealthy groups

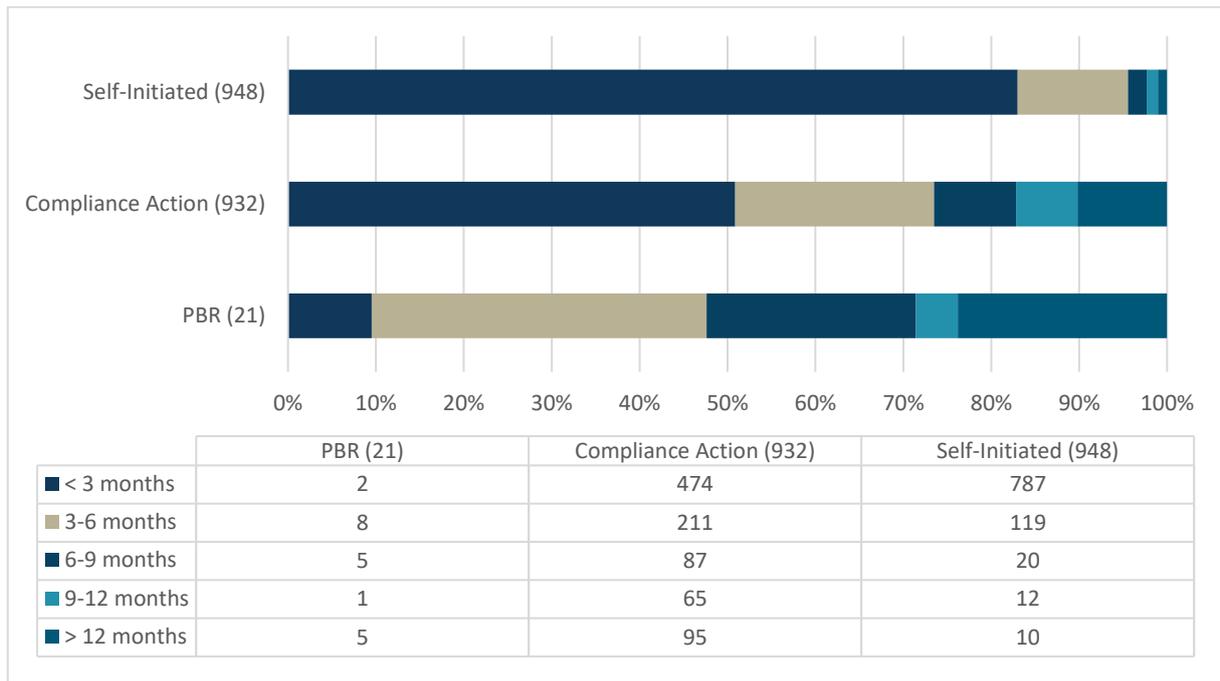


Figure 7.17: Timeframes Comparison – FY20 – Privately owned and wealthy groups

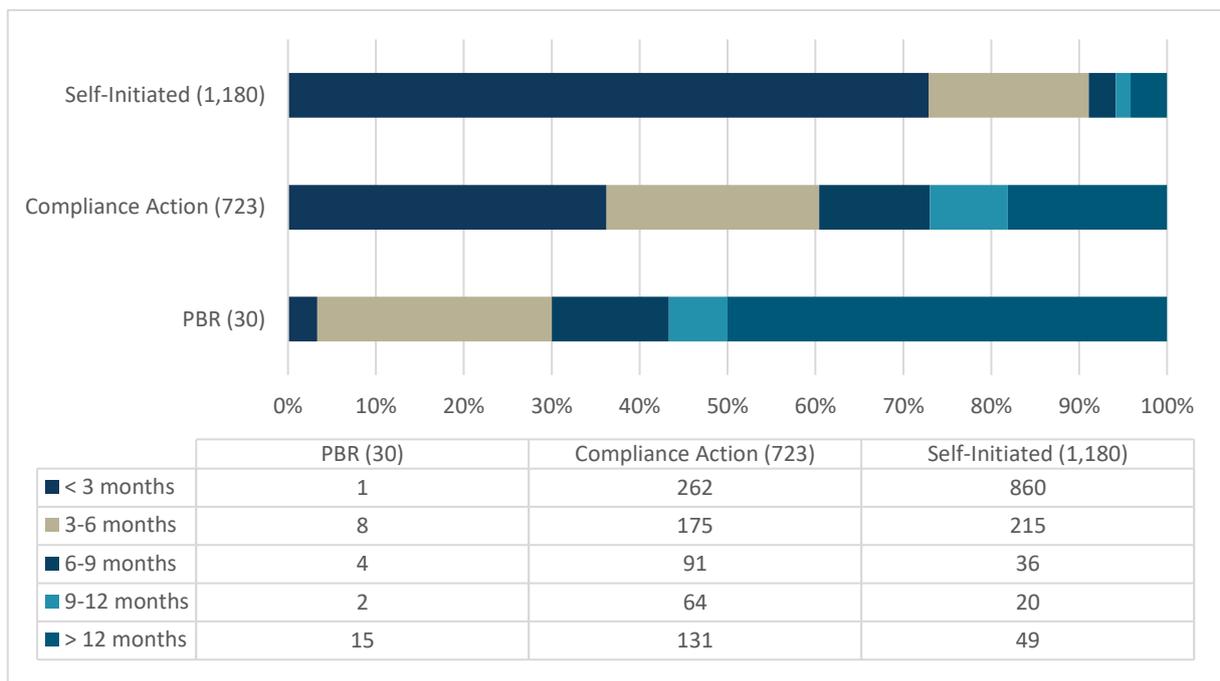
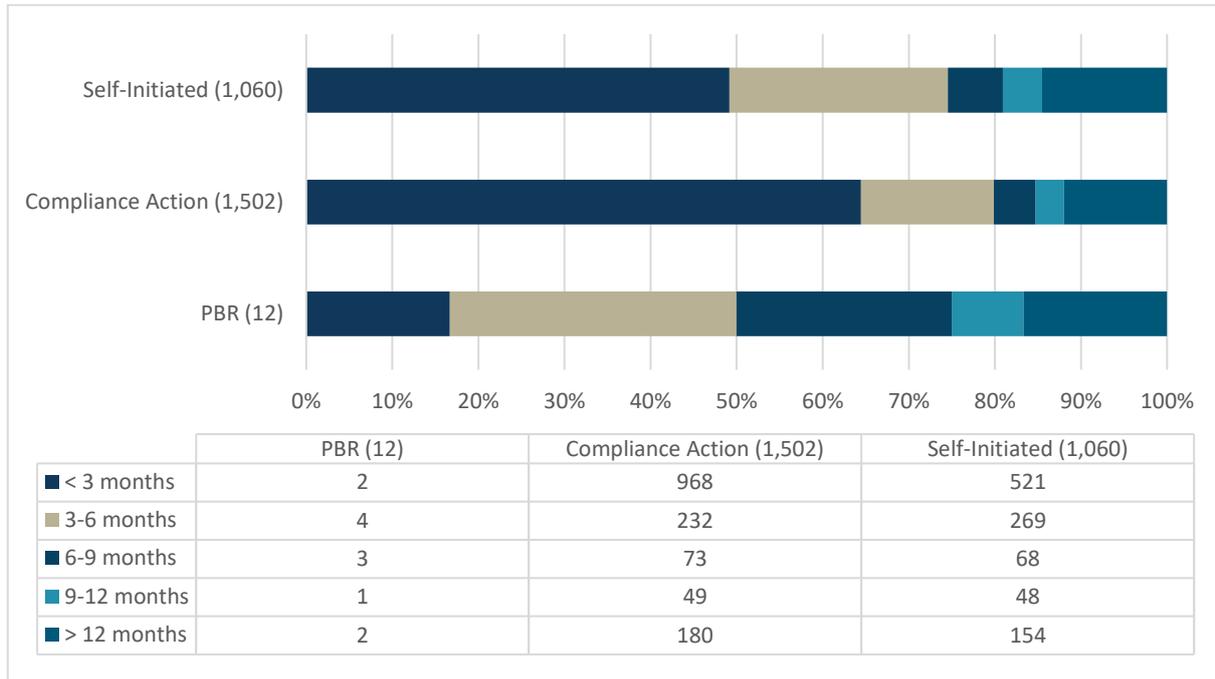


Figure 7.18: Timeframes Comparison – FY21 – Privately owned and wealthy groups



Public and Multinational Businesses

- 7.33. Figures 7.19 to 7.21 (below) show the breakdown and trend in timeframes from FY19 to FY21 for self-initiated and ATO compliance action objections that were finalised for public and multinational businesses. Typically, objections received from taxpayers within this client experience group tend to be more complex, so timeframes can be longer.
- 7.34. In FY19, the majority (53%) of objections against ATO compliance action took longer than six months to finalise, with 32% taking longer than 12 months. In FY20, this figure grew to 70%, with 39% of these objections taking longer than 12 months. In FY21, this figure dropped to 23% and 14% for objections finalised within three and six months respectively. It should be noted that 123 of the 423 objections against ATO compliance action (29%) finalised in FY21 relate to COVID-19 economic response measures, which typically take less time to finalise.

7. TIMEFRAMES FOR MANAGING OBJECTIONS

Figure 7.19: Timeframes Comparison – FY19 – Public and multinational businesses

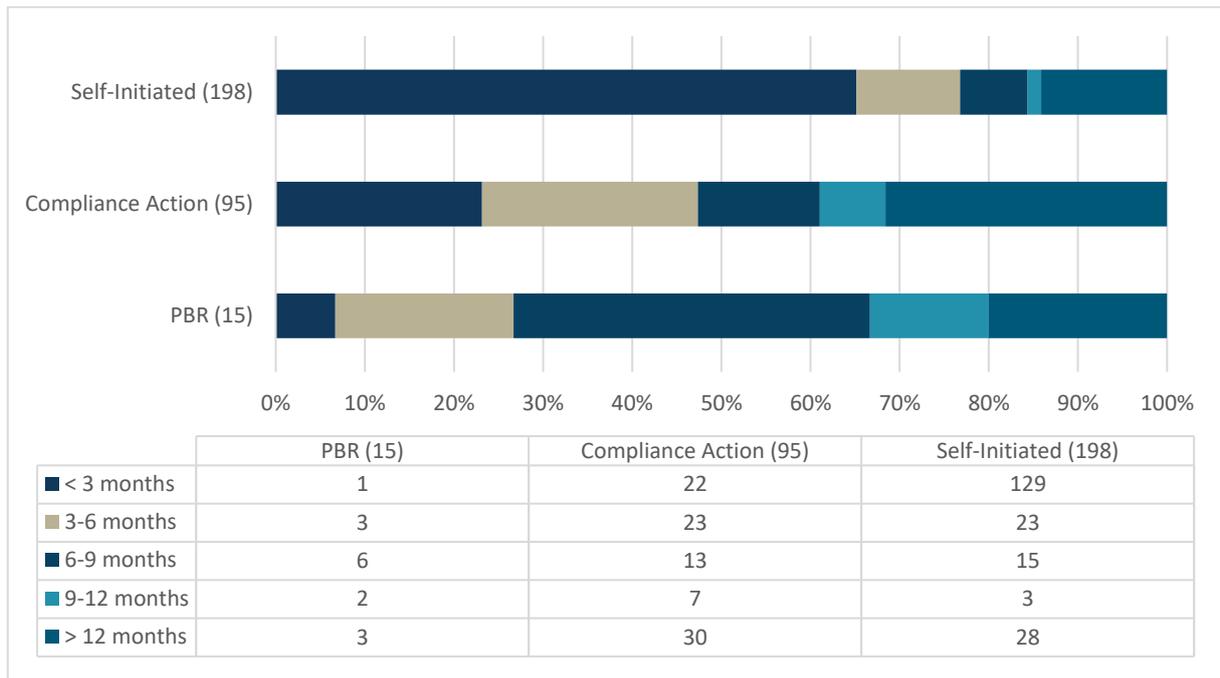


Figure 7.20: Timeframes Comparison – FY20 – Public and multinational businesses

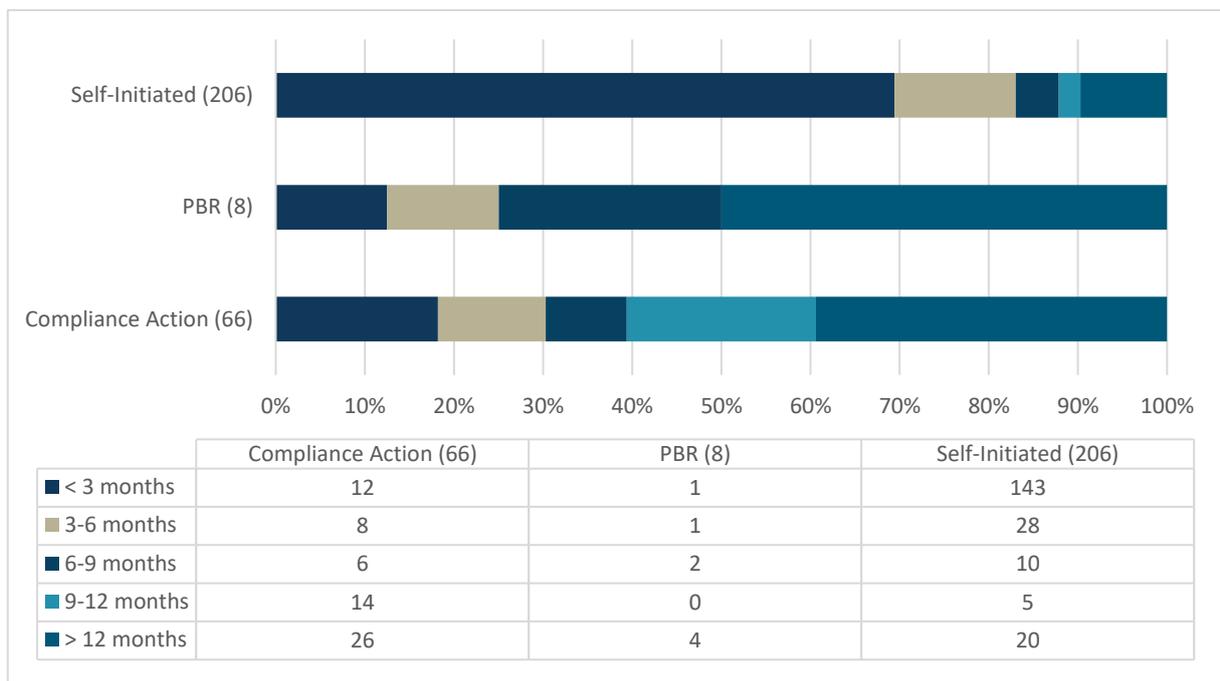
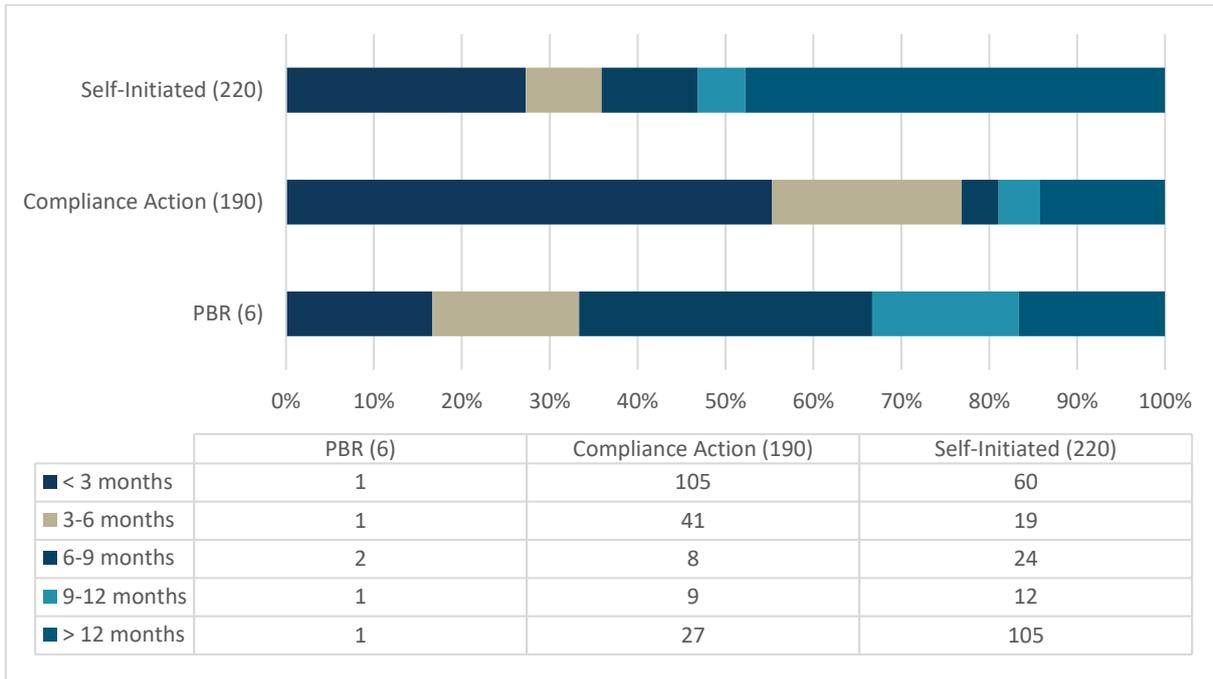


Figure 7.21: Timeframes Comparison – FY21 – Public and multinational businesses



7.35. Cases belonging to objection clusters represent a significant portion of finalised self-initiated objections and thus will skew the data. The Fuel Tax Credit cluster represents a sizeable portion of total self-initiated objections in all 3 income years (11% for FY21, 69% for FY20 and 41% for FY19). The GST ITC cluster represents 36% of all self-initiated objections in FY21.

Fuel Tax Credits Cluster	Self-initiated objections finalised	< 3 months	3-6 months	6-9 months	9-12 months	>12 months
FY19	81	81	0	0	0	0
FY20	143	115	14	1	3	10
FY21	24	4	1	9	6	4

GST ITC Cluster	Self-initiated objections finalised	< 3 months	3-6 months	6-9 months	9-12 months	>12 months
FY21	80	3	0	1	1	75

7.36. Fuel Tax Credit cases tend to be completed much more quickly than average while cases in the GST ITC cases have much longer timeframes. Accordingly, these clusters have the effect of reducing the average case duration in FY19 and FY20, and increasing the average case duration in FY21.

7.37. Once we set aside the objections from these clusters (not shown), we see that the variance in timeframes for finalising self-initiated objections is much smaller than depicted in Figures 7.19 to 7.21, with 61%, 66% and 62% of self-initiated objections from public and multinational taxpayers finalised within 6 months in FY19, FY20 and FY21 respectively.

7. TIMEFRAMES FOR MANAGING OBJECTIONS

Super Funds and NFPs

7.38. The proportion of objections against ATO compliance action that were finalised within 6 months has gradually decreased across FY19 to FY21, falling from 95% in FY19 to 88% in FY20 to 71% in FY21.

Figure 7.22: Timeframes Comparison – FY19 – Super Funds and NFPs

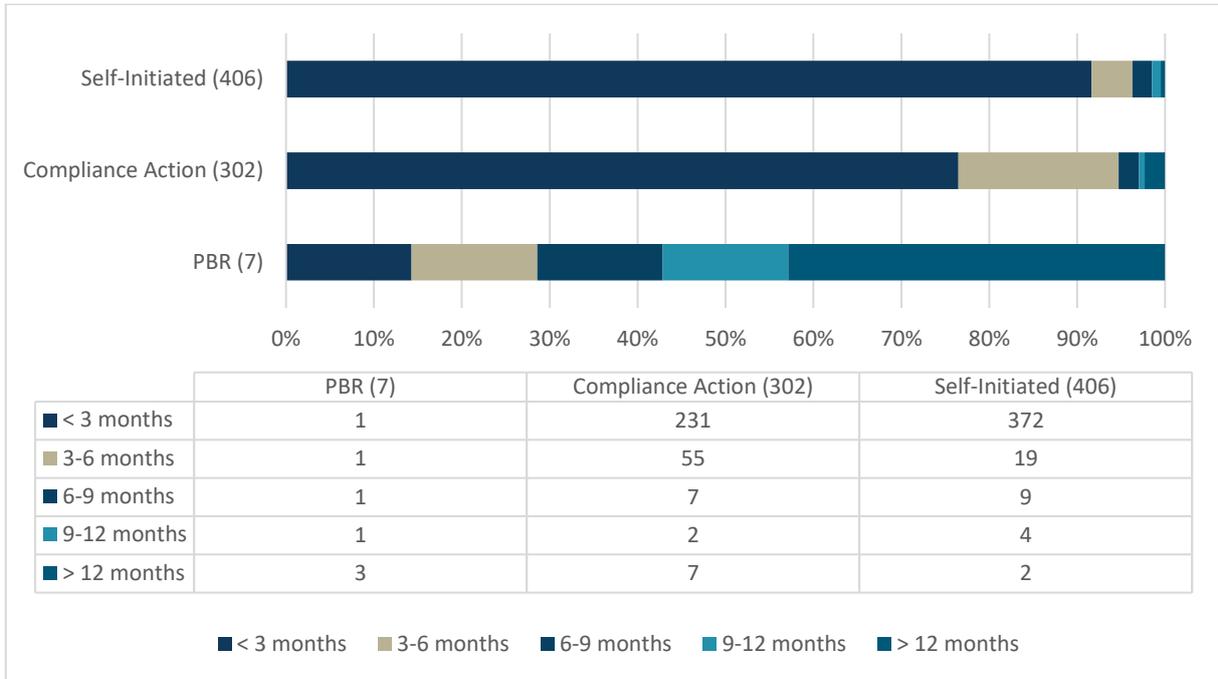


Figure 7.23: Timeframes Comparison – FY20 – Super Funds and NFPs

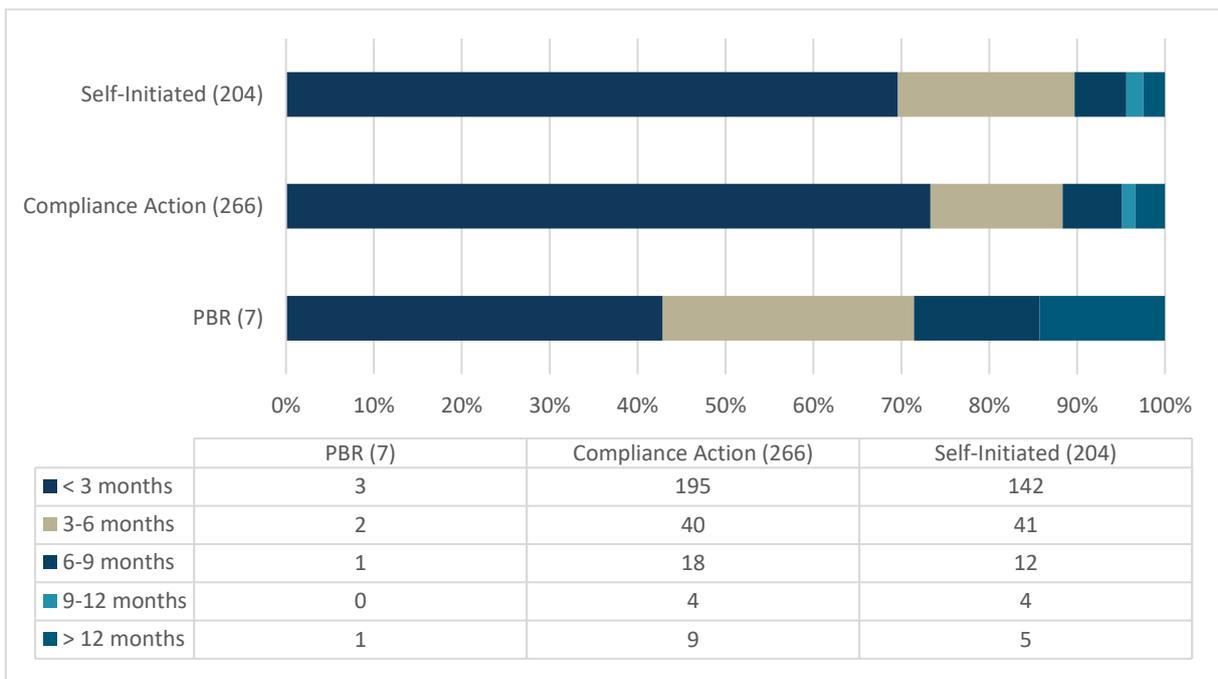
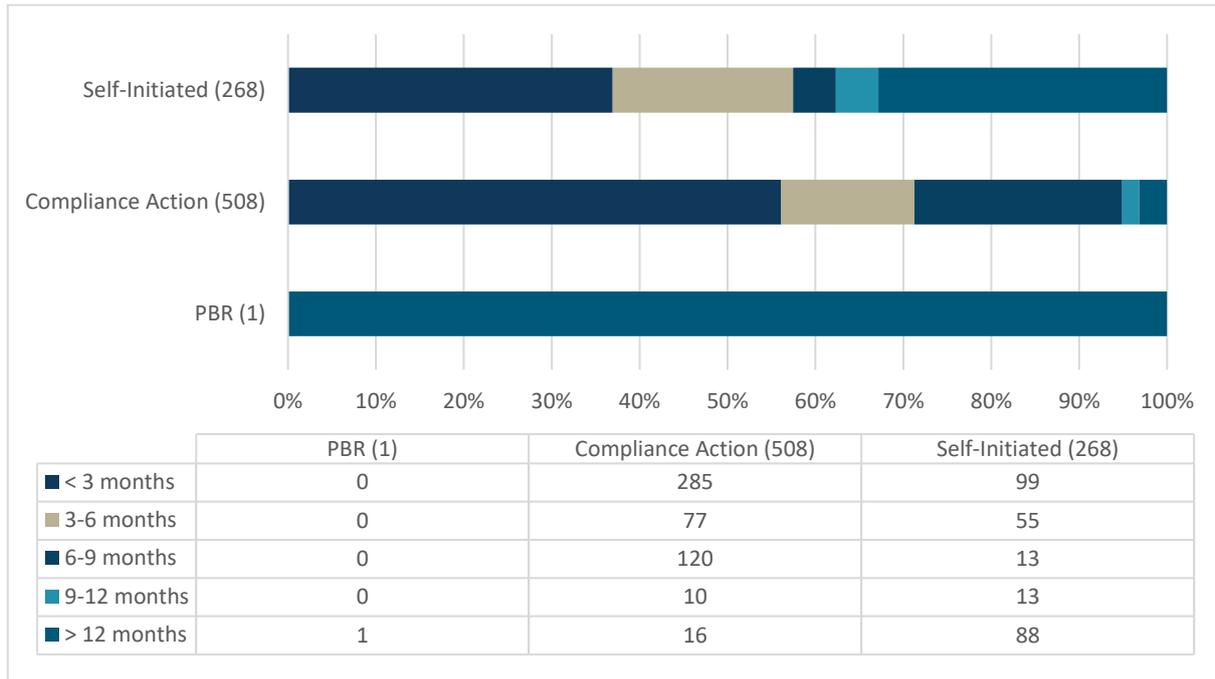


Figure 7.24: Timeframes Comparison – FY21 – Super Funds and NFPs



7.39. With respect to self-initiated objections, it is again noted that cases belonging to objection clusters represent a significant portion of finalised self-initiated objections from these Super Funds and NFPs. The Fuel Tax Credit cluster represents a sizeable portion of total self-initiated objections in FY19 (79%) and FY20 (33%). The GST ITC cluster represents 29% of all self-initiated objections in FY21.²⁶

Fuel Tax Credits Cluster	Self-initiated objections finalised	< 3 months	3-6 months	6-9 months	9-12 months	>12 months
FY19	321	321	0	0	0	0
FY20	67	61	3	1	1	1

GST ITC Cluster	Self-initiated objections finalised	< 3 months	3-6 months	6-9 months	9-12 months	>12 months
FY21	79	52	1	0	0	26

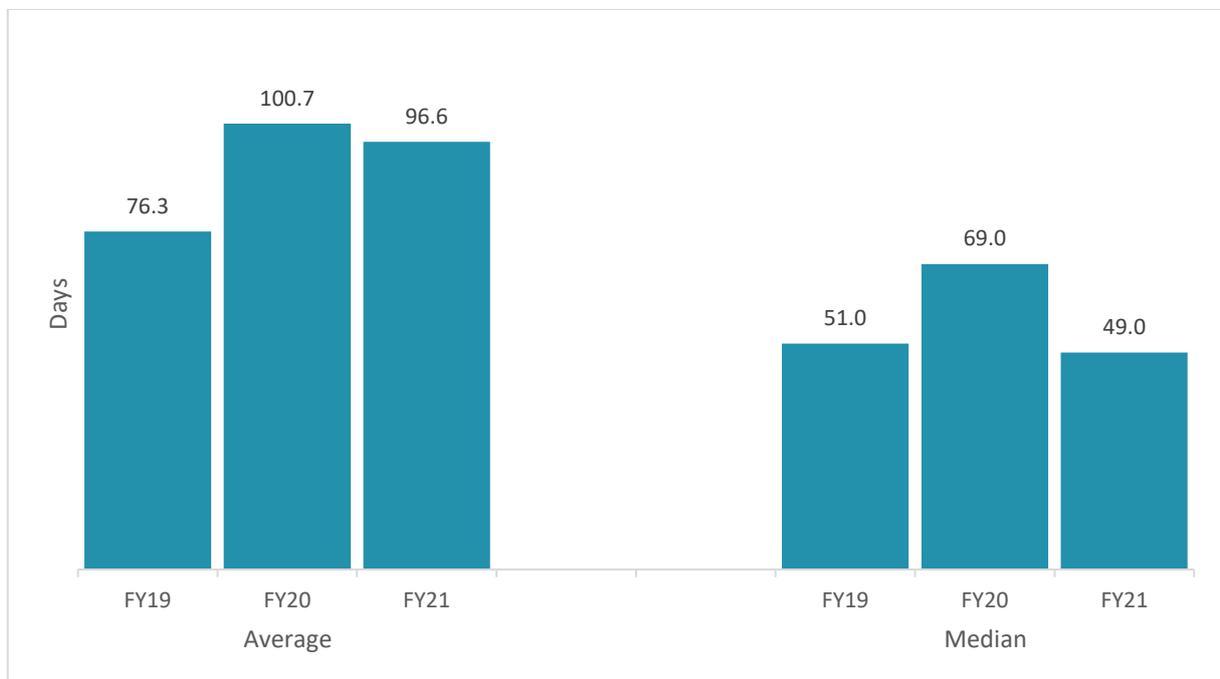
7.40. Once we set aside the objections from these clusters (not shown), we see that the variance in timeframes for finalising self-initiated objections is quite small between FY19 and FY20, with 92% of self-initiated objections finalised within 6 months in FY19 and 87% in FY20. However, in FY21, this drops to 67%.

²⁶ The ATO has advised the IGTO that the Superannuation Guarantee cluster accounted for 31% of finalised self-initiated objections for this client experience group in FY21.

Average and Median time elapsed between the date the objection was first received and when it was finalised

- 7.41. Due to the volume of objections received from individual and small business taxpayers, the timeframes from these two client experience groups have significant impact on the averages and medians for the ATO as a whole. For example, the medians shown in Figure 7.25 for each of the income years sits comfortably in between the medians shown in Figure 7.26 (Individuals) and Figure 7.27 (Small Businesses).
- 7.42. Broadly speaking, both the average and the median time elapsed saw an increase between FY19 and FY20, and then a reduction in FY21.

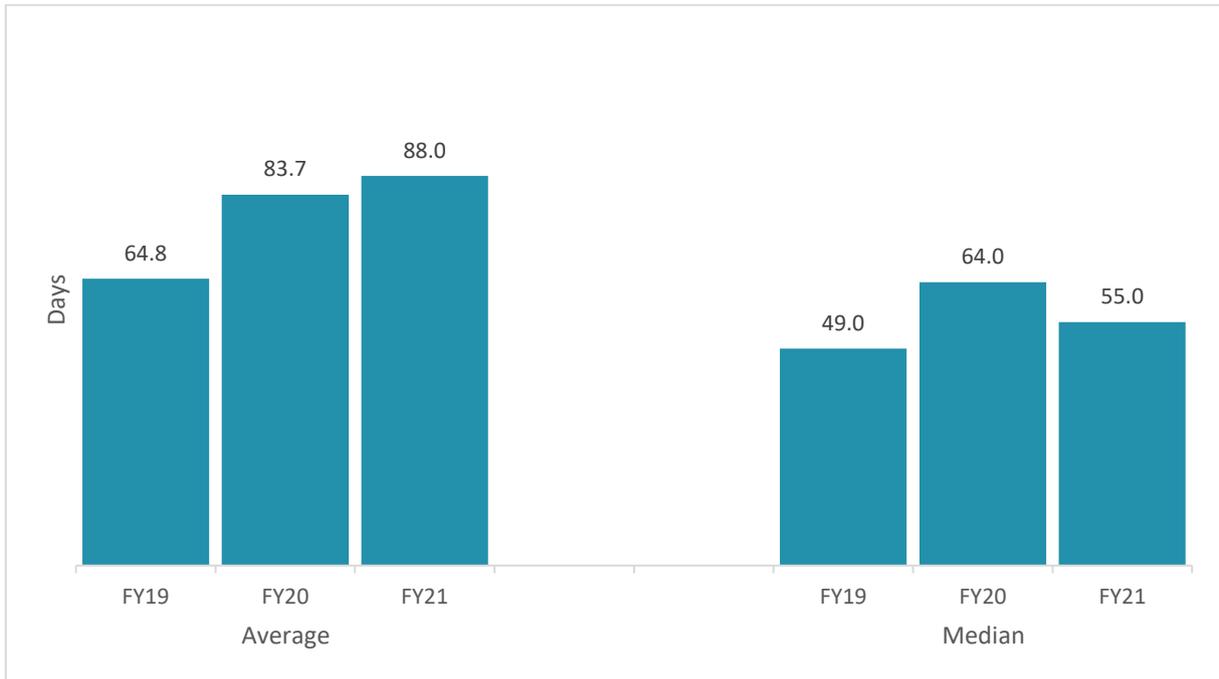
Figure 7.25: Average and median duration of finalised objections



Individuals

- 7.43. Although there are 2,524 (16%) finalised objections from FY19 that relate to the Self-education Expense cluster, the fact that the cases in this cluster took a similar amount of time to finalise as any other case means that the effect on the average and mean is minimal (setting aside cases in the cluster increases the average time elapsed by 1 day).
- 7.44. The large variation between the median and the average for FY21 suggests there were outlier objections that took extended amounts of time to finalise. This was illustrated earlier in Figure 7.2, which shows that in FY21, there was an increase in the number of cases that took longer than 12 months to finalise. Accordingly, the median figures more accurately depict the changes in timeframes over the years: objections in FY20 took longer to finalise than in FY19, while objections in FY21 were somewhere in the middle.

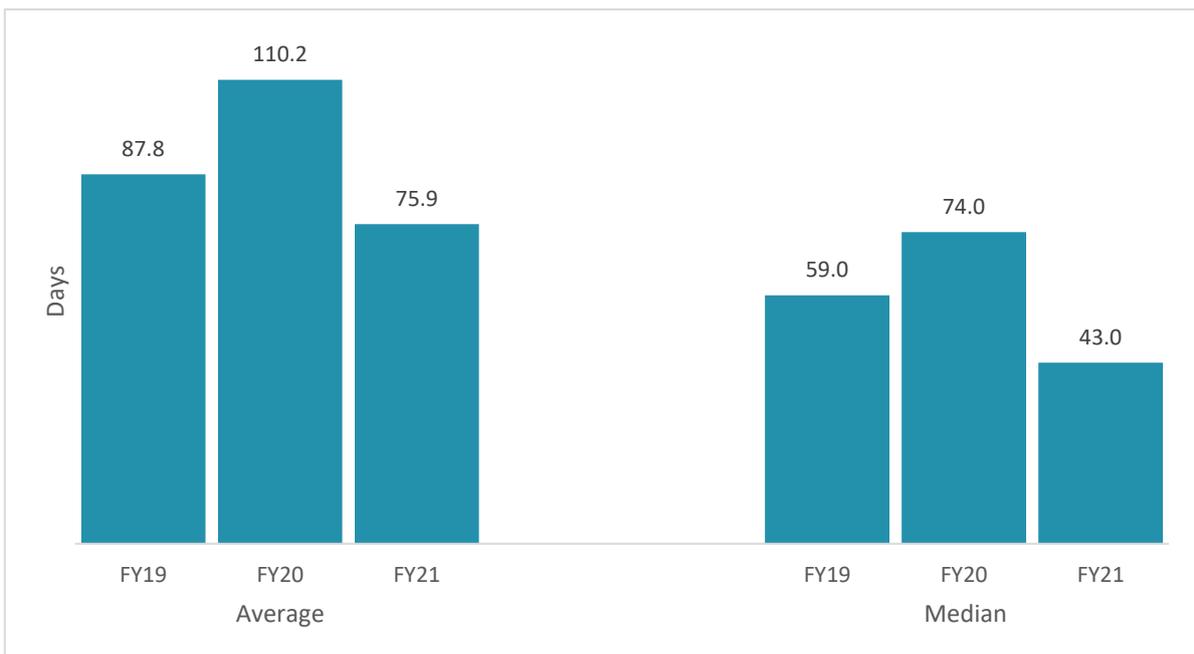
Figure 7.26: Average / median duration of finalised objections – Individuals



Small Business

7.45. 10,864, or 65%, of all finalised small business objections from FY21 were objections against decisions in relation to COVID-19 economic response measures. The data examined in the Chapter (i.e. see Figure 7.3, Figure 7.15 and Figure 7.27 below) suggests that these types of objections were more likely to be finalised quickly.

Figure 7.27: Average / median duration of finalised objections – Small Business



7. TIMEFRAMES FOR MANAGING OBJECTIONS

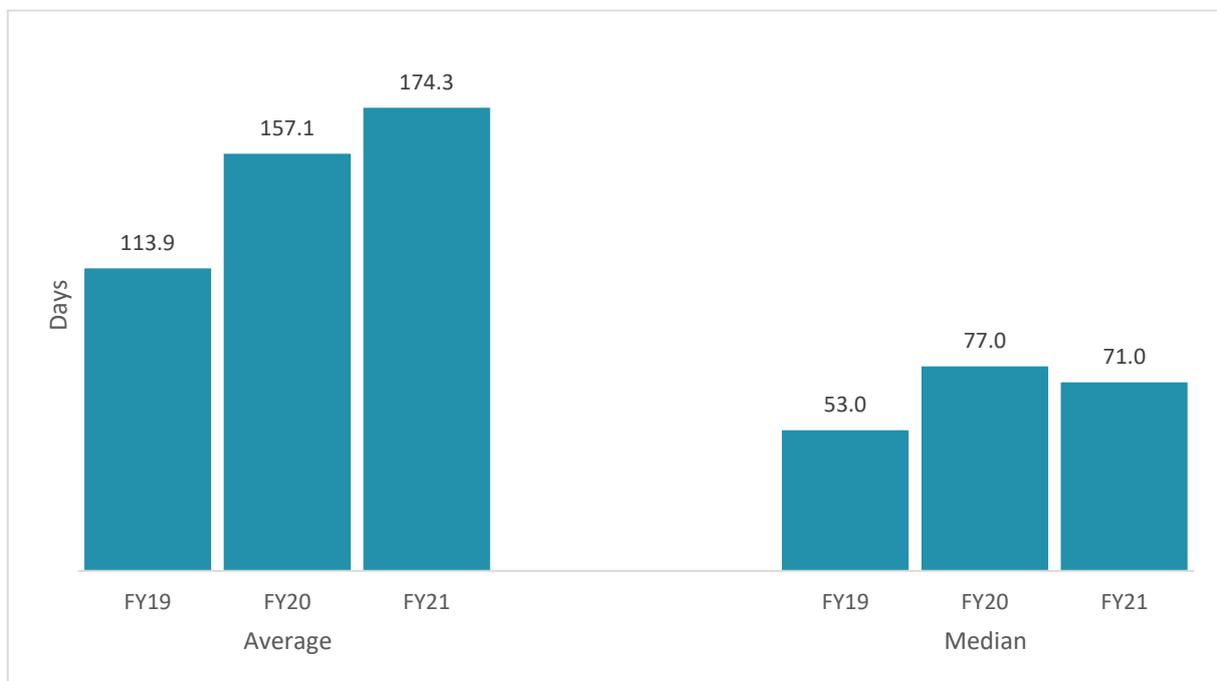
Privately Owned and Wealthy Groups

7.46. 406, or 21%, of all objections finalised in FY20 from privately owned and wealthy group taxpayers were objections that relate to the Fuel Tax Credits Cluster. Cases within this cluster have a comparatively shorter average and median duration. The average time elapsed for non-cluster cases finalised in FY20 is 169 days, which brings the FY20 average much closer to the FY21 average.

Fuel Tax Credits Cluster	Objections finalised	Average time elapsed	Median time elapsed
FY20	406	112	73

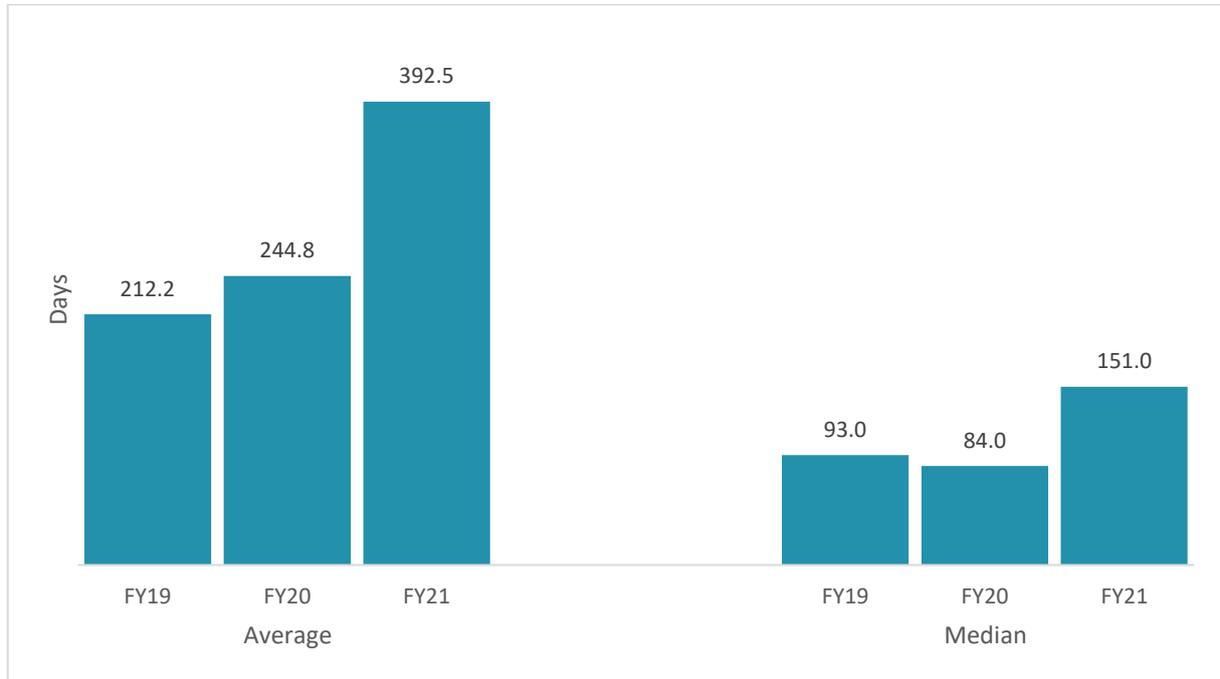
7.47. Figure 7.28 reinforces the trend observed in Super Funds and NFPs (shown below) with respect to increased timeframes between FY19 and FY21.

Figure 7.28: Average / median duration of finalised objections – Privately owned and wealthy groups



Public and Multinational Businesses

Figure 7.29: Average / median duration of finalised objections – Public and multinational businesses



7.48. Due to the small number of objections received from public and multinational businesses, cases belonging to objection clusters can represent a significant portion of total finalised cases and affect the averages and medians depicted in the chart. In FY21, 19% (80) of all finalised objections from public and multinational businesses were objections that relate to the GST ITC cluster. In FY20, 51% (143) of all finalised objections from public and multinational businesses were objections that relate to the Fuel Tax Credits cluster. In FY19, 26% (81) of all finalised objections from public and multinational businesses were objections that relate to the Fuel Tax Credits cluster.

7.49. Fuel Tax Credit cases have the effect of reducing average and median timeframes while GST ITC cases have the effect of increasing the average and median figures.

Fuel Tax Credits Cluster	Objections finalised	Average time elapsed	Median time elapsed
FY19	81	1	0
FY20	143	113	74

GST ITC Cluster	Objections finalised	Average time elapsed	Median time elapsed
FY21	80	955	994

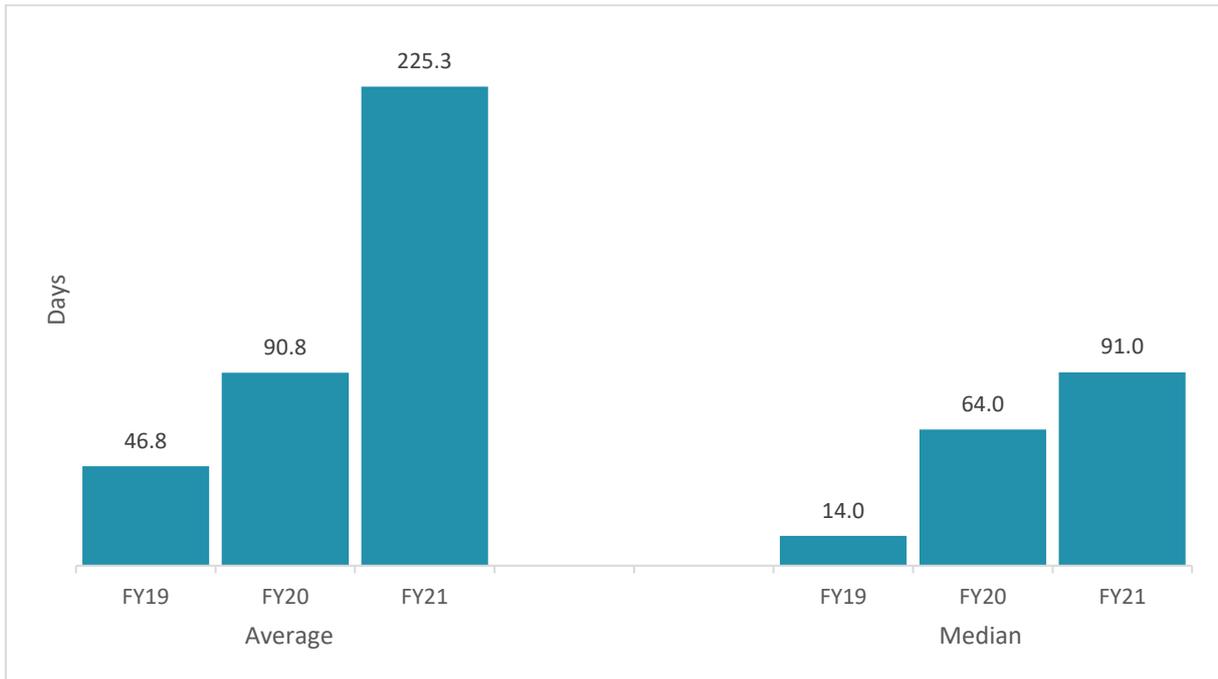
7.50. Once we set aside the cases from these clusters (not shown), the result is very different to what is depicted in Figure 7.29. Public and multinational objections were finalised most swiftly in FY21, with an average of 261 days. This shorter duration is likely due to the fact that 123 of the

7. TIMEFRAMES FOR MANAGING OBJECTIONS

423 objections (29%) finalised in FY21 relate to COVID-19 economic response measures, which typically take less time to finalise. Non-cluster objections finalised in FY19 had an average duration of 286 days while the average duration of non-cluster objections finalised in FY20 was 382 days. These figures reinforce the trend previously observed in Super Funds and NFPs with respect to increased timeframes between FY19 and FY20.

Super Funds and NFPs

Figure 7.30: Average / median duration of finalised objections – Super Funds and NFPs



- 7.51. Cases belonging to objection clusters also represent a significant portion of total finalised objections for Super Funds and NFPs. In FY21, 10% (79) of all finalised objections from Super Funds and NFPs were objections that relate to the GST ITC cluster. In FY20, 14% (67) of all finalised objections from Super Funds and NFPs were objections that relate to the Fuel Tax Credits cluster. In FY19, 42% (321) of all finalised objections from Super Funds and NFPs were objections that relate to the Fuel Tax Credits cluster. The ATO has advised that this client experience group was also impacted by the Superannuation Guarantee cluster across FY19, FY20 and FY21.

7.52. Fuel Tax Credit cases have the effect of reducing average and median timeframes while GST ITC cases have the effect of increasing the average and median figures.

Fuel Tax Credits Cluster	Objections finalised	Average time elapsed	Median time elapsed
FY19	321	0.2	0
FY20	67	57.6	69

GST ITC Cluster	Objections finalised	Average time elapsed	Median time elapsed
FY21	79	386.2	76

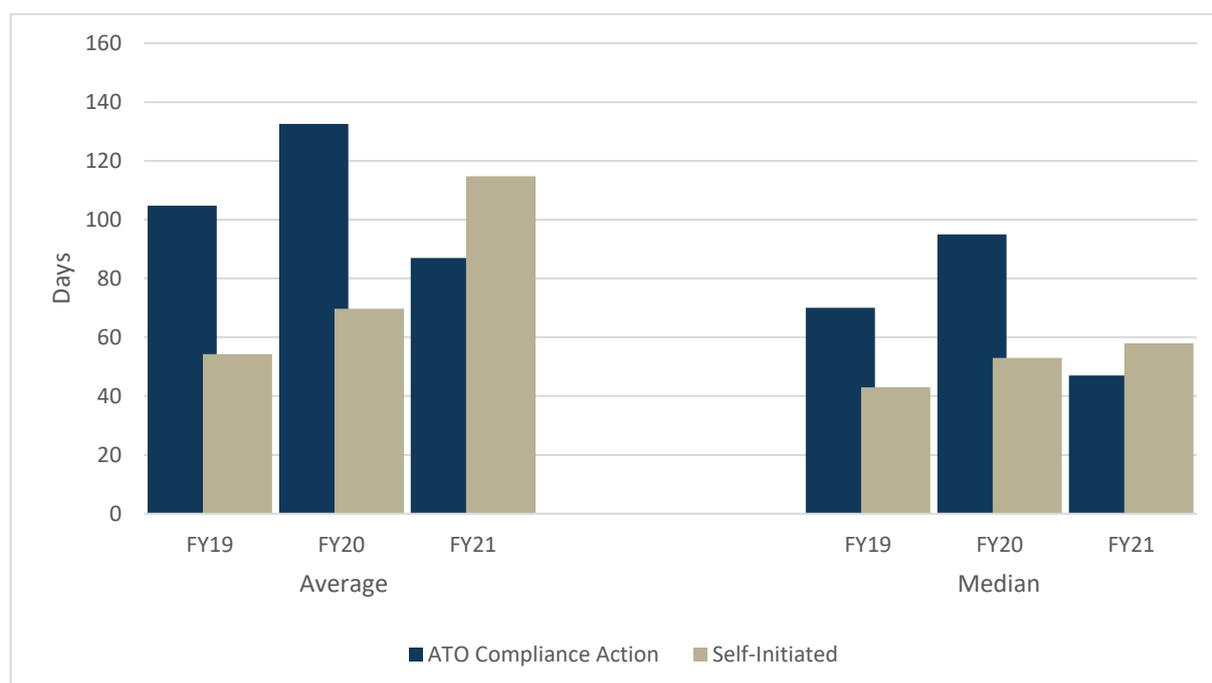
7.53. Once we set aside the cases from these clusters (not shown), the result is simply a less pronounced version of Figure 7.30. We see a small increase in average duration from FY19 to FY20 (81 days to 96 days) and then a significant increase in average duration from FY20 to FY21 (207 days).

Average and Median time elapsed between the date the objection was first received and when it was finalised (ATO Compliance Action vs Self-Initiated)

7.54. Figure 7.31 presents a comparison of the average and median number of days to finalise objections for FY19 – FY21 – i.e. objections against ATO compliance action and self-initiated objections. It shows that from FY19 to FY20, the average and median days for objections against ATO compliance action increased and was greater than self-initiated objections. However, this changed in FY21 with a significant decrease in the average days and median days for compliance action objections. This is because a high proportion of objections in FY21 were objections against ATO decisions that relate to COVID-19 economic response measures (which are categorised as objections against ATO compliance action). As previously noted, these objections tend to be finalised more quickly, which reduces the average and median timeframes.

7. TIMEFRAMES FOR MANAGING OBJECTIONS

Figure 7.31: Comparison of average / median durations of finalised objections



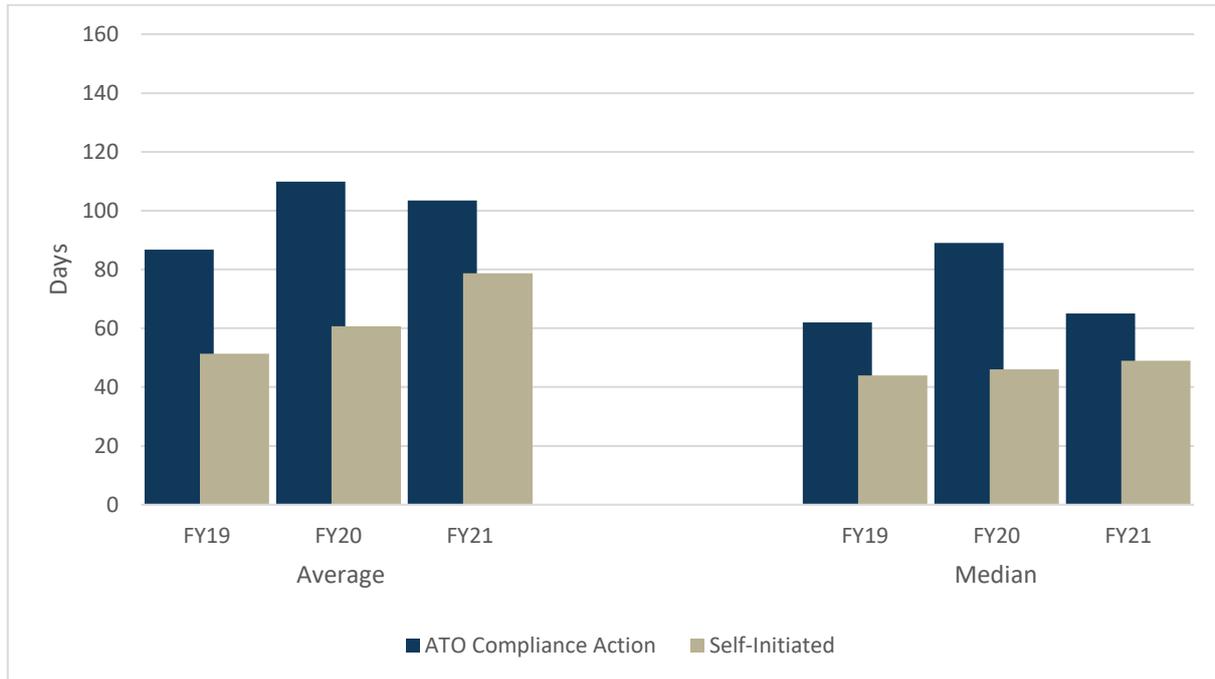
Note: Objections against ATO compliance action and self-initiated objections together account for 97.8% of total objections. The average and median time elapsed to finalise other types of objections are provided in the table below.

Additional data related to Figure 7.31

	Average Days			Median Days		
	FY19	FY20	FY21	FY19	FY20	FY21
ATO Compliance Action	104.8	132.5	86.9	70	95	47
Self-Initiated	54.3	69.7	114.8	43	53	58
Private Binding Rulings	188.0	298.3	170.3	144	155	121
Other	39.4	48.5	57.7	12	7	14

Individuals

- 7.55. Figure 7.32 shows that the average number of days for self-initiated objections to finalise from FY19 to FY21 gradually increased. Objections against ATO compliance action also gradually increased, except in FY21 where there was a slight decrease. The same can be seen for the median days, however, the decrease in FY21 for objections against ATO compliance action is more prominent as it is reduced to nearly the median for FY19. This suggests that the FY21 average has been skewed by the existence of outlier objections against ATO Compliance action that took extended amounts of time to finalise. This is confirmed in Figure 7.12 earlier, which showed a higher proportion of cases that took longer than 12 months to finalise.
- 7.56. A significant portion of self-initiated objections from FY19 were objections that formed part of the Self-education Expense cluster. As discussed previously, the impact of these cases on the average timeframe is considered minimal.

Figure 7.32: Comparison of average / median durations of finalised objections – Individuals

Note: Objections against ATO compliance action and self-initiated objections together account for 98.2% of total objections in the Individuals Client Experience Group. The average and median time elapsed to finalise other types of objections are provided in the table below.

Additional data related to Figure 7.32

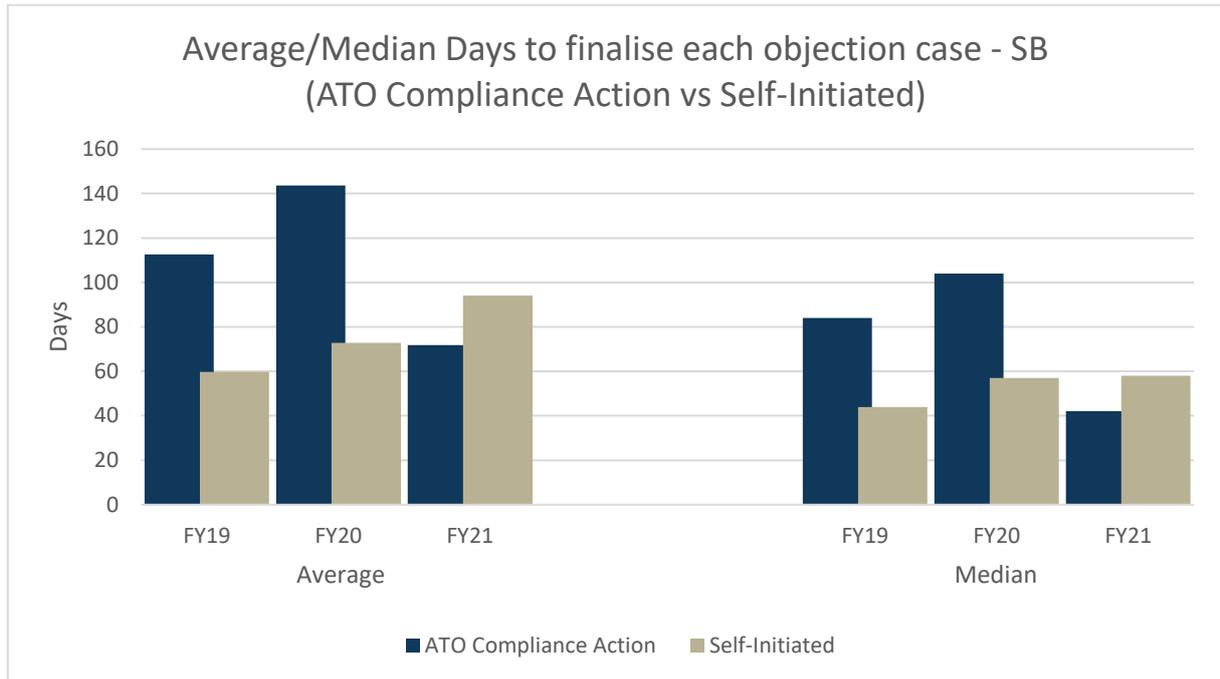
	Average Days			Median Days		
	FY19	FY20	FY21	FY19	FY20	FY21
ATO Compliance Action	86.8	109.8	103.5	62	89	65
Self-Initiated	51.3	60.6	78.8	44	46	49
Private Binding Rulings	136.3	128.7	139.6	116	127	91
Other	28.5	27.8	30.5	7	5	5

Small Business

7.57. As seen in figure 7.33, there was a significant decrease in the average and median days to finalise ATO compliance action objections in FY21. As discussed previously, this is due to the fact that 81% of objections against ATO compliance action from small business taxpayers in FY21 were objections against ATO decisions relating to the COVID-19 economic response measures, which have the effect of reducing average and median timeframes. By contrast, the timeframes for self-initiated objections have steadily increased from FY19 to FY21.

7. TIMEFRAMES FOR MANAGING OBJECTIONS

Figure 7.33: Comparison of average / median durations of finalised objections – Small Business



Note: Objections against ATO compliance action and self-initiated objections together account for 97.9% of total objections in the Small Business Client Experience Group. The average and median time elapsed to finalise other types of objections are provided in the table below.

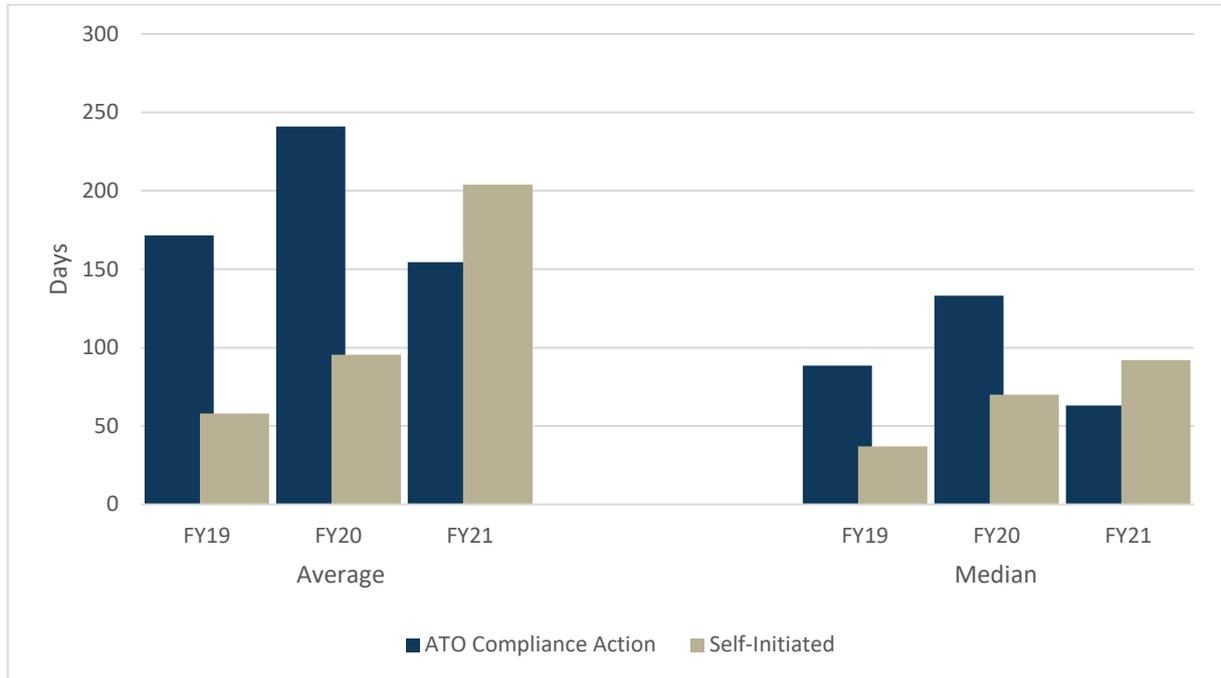
Additional data related to Figure 7.33

	Average Days			Median Days		
	FY19	FY20	FY21	FY19	FY20	FY21
ATO Compliance Action	112.6	143.6	71.8	84	104	42
Self-Initiated	59.7	72.9	94.1	44	57	58
Private Binding Rulings	160.8	199.3	149.1	128	119	130
Other	53.3	40.5	59.5	21	8	17

Privately Owned and Wealthy Groups

- 7.58. Consistent with the trend observed with Small Business, Figure 7.34 shows an increase in average and median timeframes to finalise objections against ATO compliance action between FY19 and FY20, and a reduction in FY21. This is because 57% of all finalised objections against ATO compliance action from privately owned and wealthy group taxpayers were objections that relate to COVID-19 economic response measures.
- 7.59. Consistent with the trends observed in both small business and individuals, Privately Owned and Wealthy Group taxpayers saw an increase in average and median timeframes for self-initiated objections from FY19 to FY21. As previously discussed in this chapter, timeframes in FY20 were reduced by cases in the Fuel Tax Credits objections cluster, with typically took less time to finalise. Setting aside the cases from this cluster makes the trend even more pronounced.

Figure 7.34: Comparison of average / median durations of finalised objections – Privately owned and wealthy groups



Note: Objections against ATO compliance action and self-initiated objections together account for 96.8% of total objections in the Privately owned and wealthy groups Client Experience Group. The average and median time elapsed to finalise other types of objections are provided in the table below.

Additional data related to Figure 7.34

	Average Days			Median Days		
	FY19	FY20	FY21	FY19	FY20	FY21
ATO Compliance Action	171.6	241.0	154.4	89	133	63
Self-Initiated	58.0	95.5	203.9	37	70	92
Private Binding Rulings	237.4	592.4	214.7	192	644	203
Other	41.4	107.9	40.3	21	13	12

7. TIMEFRAMES FOR MANAGING OBJECTIONS

Public and Multinational Businesses

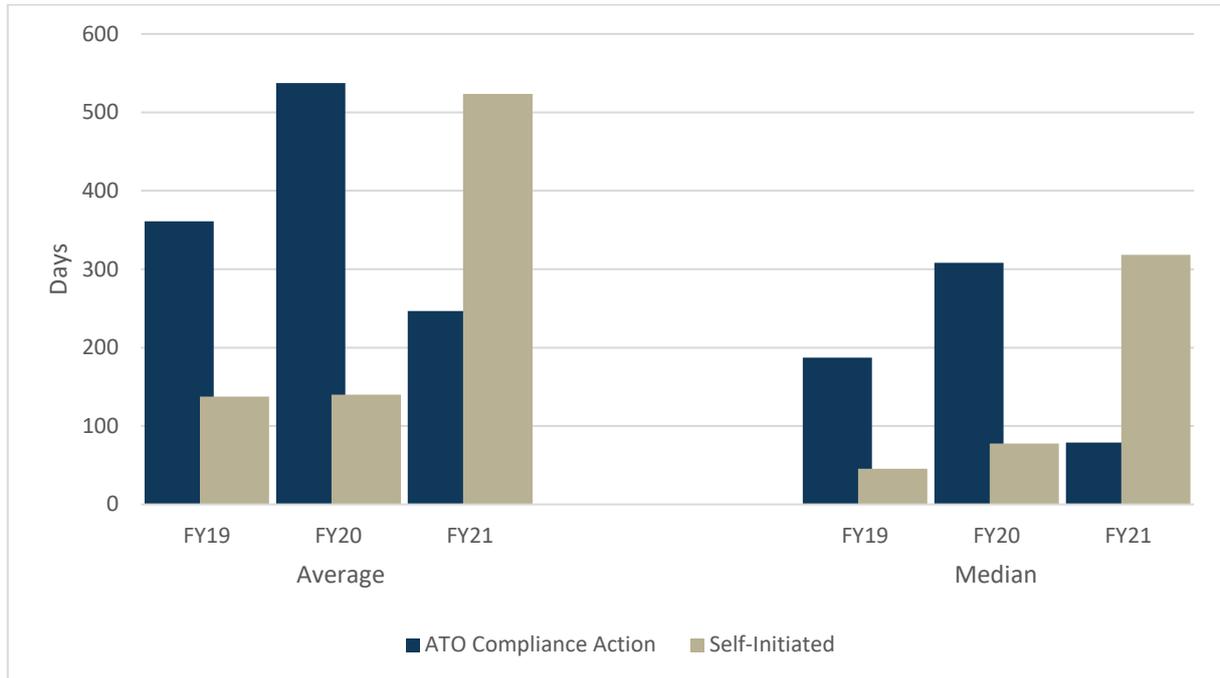
7.60. In reviewing the data in Figure 7.35, the effect of both the Fuel Tax Credit (in FY19 and FY20) and GST ITC (in FY21) objections cluster had on the average and median days for self-initiated objections should be considered. Fuel Tax Credit cases tend to be completed much more quickly than average while cases in the GST ITC cases have much longer timeframes. Accordingly, these clusters have the effect of reducing the average case duration in FY19 and FY20 (not shown), and increasing the average case duration in FY21 (not shown).

Fuel Tax Credits Cluster	Self-initiated objections finalised	Average time elapsed	Median time elapsed
FY19	81	1	0
FY20	143	113	74
FY21	24	294	233

GST ITC Cluster	Self-initiated objections finalised	Average time elapsed	Median time elapsed
FY21	80	955	994

- 7.61. Once we set aside the cases from these clusters, much of the variance is removed. Non-cluster self-initiated objections were finalised on average in 232 days in FY19, 200 days in FY20 and 278 days in FY21. Nevertheless, an increase in finalisation durations for self-initiated objections can still be observed for FY21, as is the case with Super Funds and NFPs.
- 7.62. On the other hand, there was a decrease in the FY21 average and median timeframes for objections against ATO compliance action. This is likely attributed to the finalisation of objections about COVID-19 economic response measures.

Figure 7.35: Comparison of average / median durations of finalised objections – Public and multinational businesses



Note: Objections against ATO compliance action and self-initiated objections together account for 93.4% of total objections in the Public and multinational businesses Client Experience Group. The average and median time elapsed to finalise other types of objections are provided in the table below.

Additional data related to Figure 7.35

	Average Days			Median Days		
	FY19	FY20	FY21	FY19	FY20	FY21
ATO Compliance Action	361.1	537.2	246.5	187	308	79
Self-Initiated	137.4	140.0	523.6	46	78	319
Private Binding Rulings	253.1	422.0	307.2	262	317	217
Other	224.0	685.5	310.1	76	686	444

Super Funds and NFPs

- 7.63. Figure 7.36 illustrates a steady increase in timeframes for objections against ATO compliance action across FY19 to FY21.
- 7.64. The median duration of a self-initiated objection from FY19 is 0 days. This is because of the effect of the Fuel Tax Credit cluster, which represents 79% of all self-initiated objections received that year. Cases within the cluster took on average 0.2 days to finalise.²⁷

²⁷ The ATO has advised that in FY21, this client experience group was also impacted by the Superannuation Guarantee cluster.

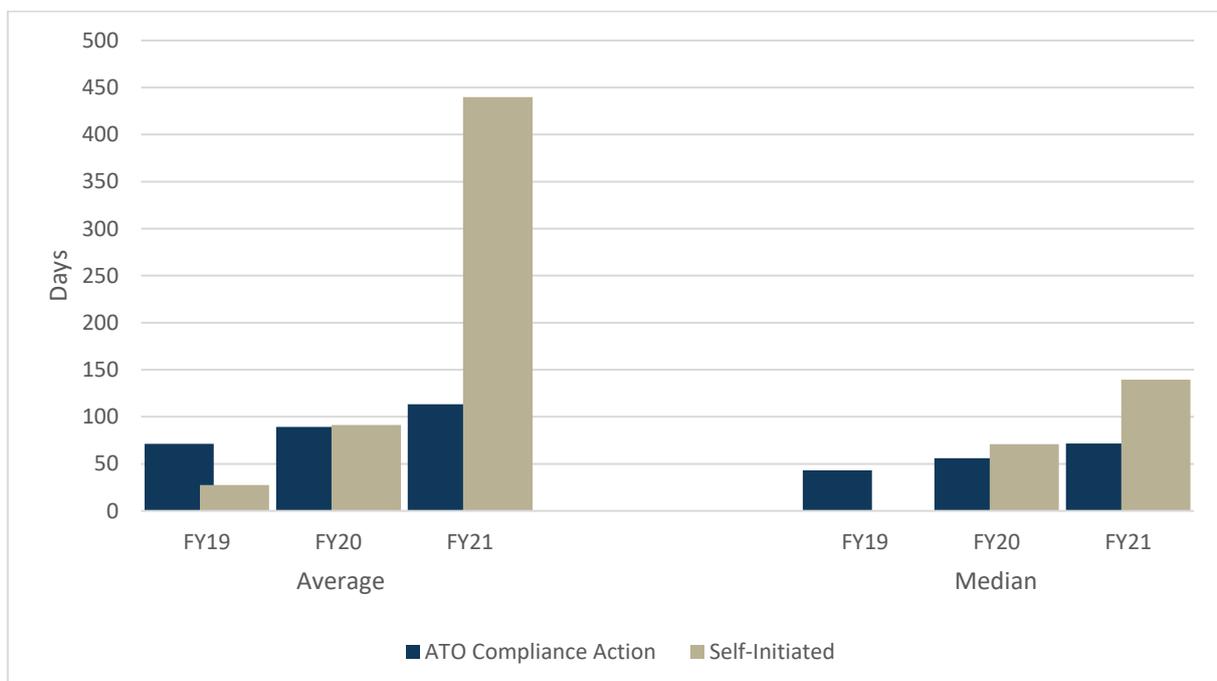
7. TIMEFRAMES FOR MANAGING OBJECTIONS

Fuel Tax Credits Cluster	Self-initiated objections finalised	Average time elapsed	Median time elapsed
FY19	321	0.2	0
FY20	67	57.6	69

GST ITC Cluster	Self-initiated objections finalised	Average time elapsed	Median time elapsed
FY21	79	386	76

7.65. Once we set aside the objections from these clusters, we see that the variance in timeframes for finalising self-initiated objections is quite small between FY19 and FY20, with non-cluster self-initiated objections being finalised on average in 131 and 108 days respectively. However, it still took on average 462 days to finalise a non-cluster self-initiated objection in FY21. This suggests that the large timeframes in that year were not related to the cases within the GST ITC cluster.

Figure 7.36: Comparison of average / median durations of finalised objections – Super Funds and NFPs



Note: Objections against ATO compliance action and self-initiated objections together account for 94.9% of total objections in Super Funds and NFPs. The average and median time elapsed to finalise other types of objections are provided in the table below.

Additional data related to Figure 7.36

	Average Days			Median Days		
	FY19	FY20	FY21	FY19	FY20	FY21
ATO Compliance Action	71.2	89.4	113.5	43	56	72
Self-Initiated	27.6	91.3	439.9	0	71	140
Private Binding Rulings	325.4	143.1	371.0	323	122	371
Other	16.7	65.5	15.5	12	29	14

8

OTHER DISPUTE RESOLUTION

This chapter provides data in relation to a select number of dispute resolution mechanisms used by the ATO at the objection stage.

8. OTHER DISPUTE RESOLUTION

Introduction

- 8.1. The ATO provides a number of dispute resolution and assistance services to help taxpayers resolve their disputes without resorting to the formal objection process or without proceeding to litigation. Some of these options originated from recommendations made following IGTO review investigations.²⁸
- 8.2. This chapter provides data on some of the dispute resolution options provided in-house by the ATO for certain taxpayers (as distinct from dispute resolution processes that are engaged or provided externally such as mediation...etc.). These options include:
- Dispute Assist;
 - Independent Reviews for Small Business taxpayers;
 - Independent Reviews for Public and Multinational Businesses taxpayers; and
 - In-house facilitation.
- 8.3. The data contains the number of requests and completed reviews for the various dispute resolution options as well as their outcomes. The data also includes the number of objections received by the ATO following the completion of these dispute resolution options.

Glossary of Terms

- 8.4. A glossary of terms used throughout this Chapter is included for reference and interpretation purposes

Abbreviation or term	Definition
Client Experience	Broadly, the ATO divides taxpayers into client experience groups. All taxpayers are allocated to a primary client experience population for reporting purposes. The client experience allocation is based on definitions and hierarchical approach. It is also subject to the information the ATO has for a particular taxpayer.
Client Experience - Individuals (IND)	Individual clients who have no: <ul style="list-style-type: none"> ▪ business or personal services income; or ▪ links to an active micro entity, excluding a link type of "member of an SMSF" if they receive passive income it is from investments or distributions only.

²⁸ Inspector-General of Taxation, Review into the Australian Taxation Office's use of early and alternative dispute resolution (2012) p 44; Inspector-General of Taxation, Report into the Australian Taxation Office's large business risk review and audit policies, procedures, and practices (2011) p 45.

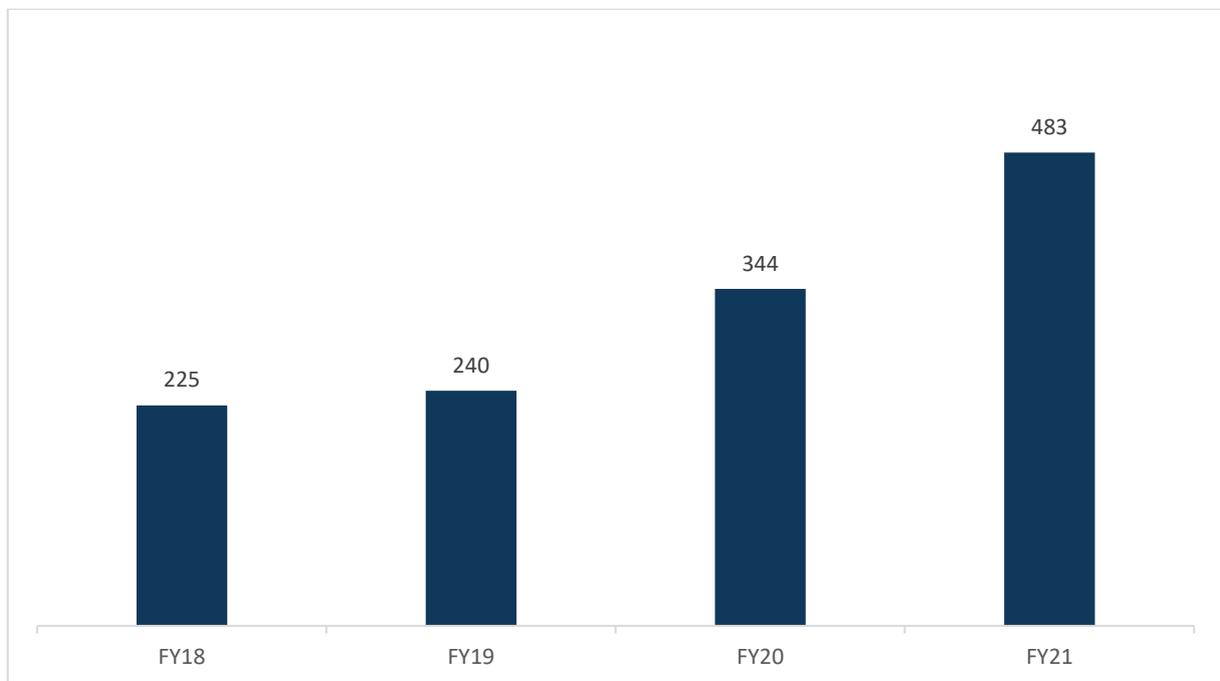
Abbreviation or term	Definition
Client Experience - Private and Wealthy Groups (PWG)	<p>The ATO views privately owned and wealthy groups as:</p> <ul style="list-style-type: none"> ▪ companies and their associated subsidiaries (often referred to as economic groups) with an annual turnover greater than \$10 million, that are not public groups or foreign owned; or ▪ resident individuals who, together with their business associates, control net wealth over \$5 million.
Client Experience - Public and Multinational Businesses (PMB)	Includes Australian public companies, listed and unlisted; widely held Australian partnerships, superannuation funds and managed investment trusts; and majority foreign owned entities.
Client Experience - Small Business (SB)	A business with less than \$10 million aggregated turnover in the previous financial year. Prior to 2016-17, the threshold was \$2 million. This group may include individual taxpayers by reason of their association with another entity – for example, director of a company, or a partner in a partnership.
Client Experience – Super Funds and Not for Profit (NFP)	Superannuation funds, including Self-Managed Superannuation Funds, and Not for Profits.
Dispute Assist	A free service provided by the ATO that assists with the objection process for individuals and small businesses who are unrepresented and are suffering from significant or exceptional circumstances.
In-house facilitation	A mediation process involving an impartial ATO facilitator. It is available to individuals or small businesses with a tax or superannuation dispute.
Public and Multinational Businesses Independent Reviews	A discretionary independent review for entities with turnover or income greater than \$250 million and have been issued with an ATO Statement of Audit Position regarding their income tax, excise, goods and services tax, or other forms of tax.
Small Business Independent Reviews	<p>An independent review available for small businesses, with a turnover less than \$10 million with a current dispute following the ATO's final audit letter being issued. The dispute can only relate to:</p> <ul style="list-style-type: none"> ▪ income tax ▪ GST ▪ excise ▪ luxury car tax ▪ wine equalisation tax ▪ fuel tax credits <p>This commenced on 1 July 2018.</p>

8. OTHER DISPUTE RESOLUTION

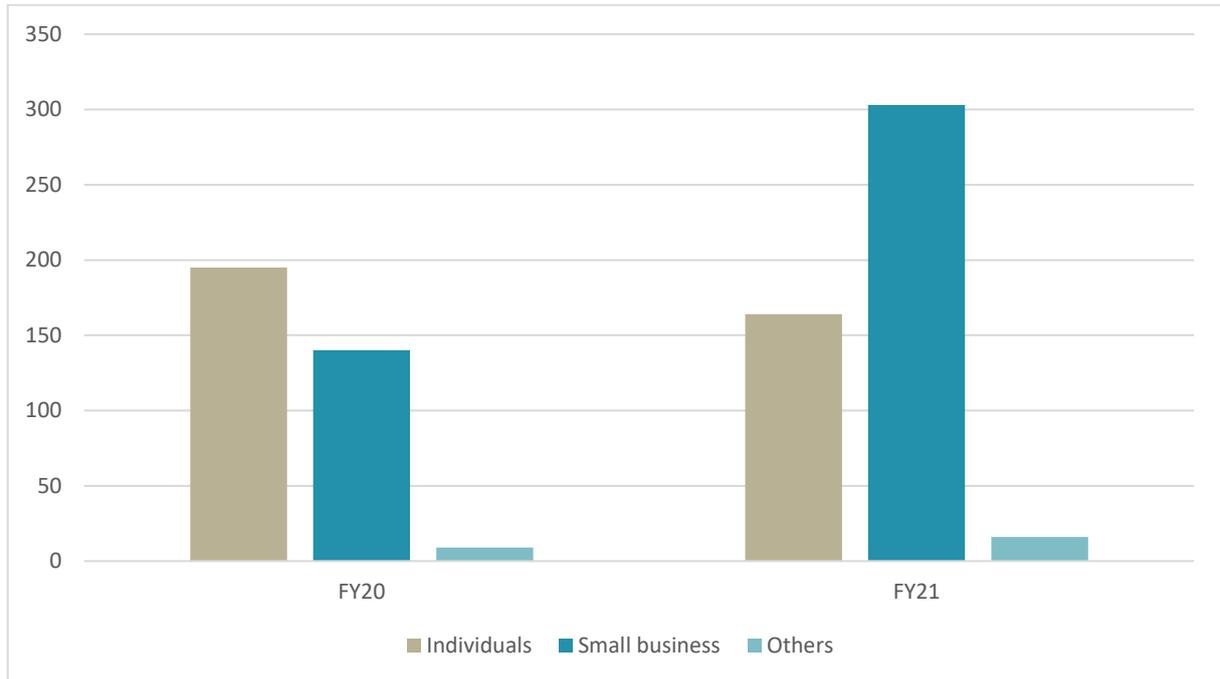
Dispute Assist Requests

- 8.5. Figure 8.1 shows the total number of Dispute Assist requests received from FY18 to FY21. It is noted that there was a gradual increase in the number of requests from 225 in FY18 to 483 in FY21.

Figure 8.1: Total requests for Dispute Assist for FY18 to FY21



- 8.6. Figure 8.2 and Table 8.1 provides the total number of Dispute Assist requests from each client experience group in FY20 and FY21. They show that in FY20, individuals had the higher number of requests for Dispute Assist. However, this changed in FY21 as the number of requests from small businesses more than doubled the number from FY20.

Figure 8.2: Requests for Dispute Assist by Client Experience Group for FY20 to FY21**Table 8.1: Breakdown of requests for Dispute Assist by Client Experience Group for FY20 to FY21**

	FY20	FY21
Individuals	195	164
Small business	140	303
Others	9	16
Privately owned and wealthy groups	4	11
Public and Multinational businesses		1
Super Funds and NFPs	5	4

Small Business Independent Reviews

8.7. Figures 8.3 and 8.4 show the number of Small Business Independent Reviews completed by the ATO in FY19 to FY21 which is further broken down into client experience groups. As seen in Figure 8.3, there was an increase in the number of Small Business Independent Reviews completed in FY20 compared to FY19, however, this was followed by a significant decrease in FY21. Figure 8.4 reveals that, as expected, small businesses formed the majority of completed Small Business Independent Reviews from FY19 to FY21.

8. OTHER DISPUTE RESOLUTION

Figure 8.3: Total number of completed ‘Small Business Independent Reviews’ for FY19 to FY21

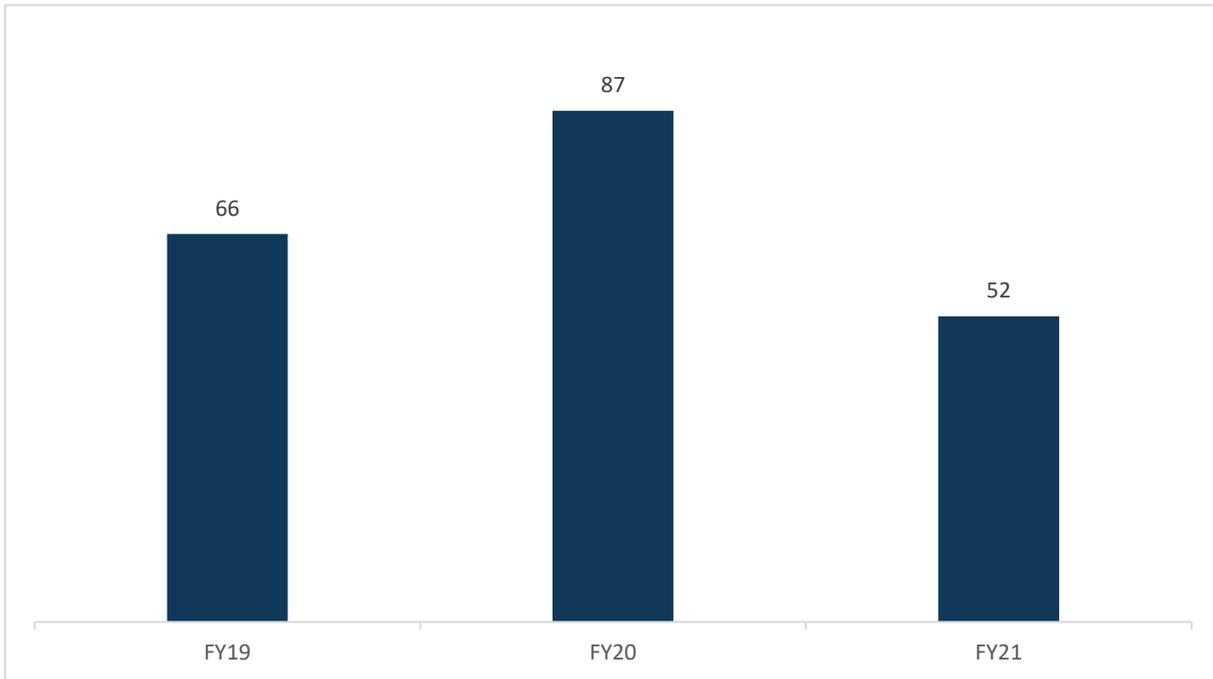
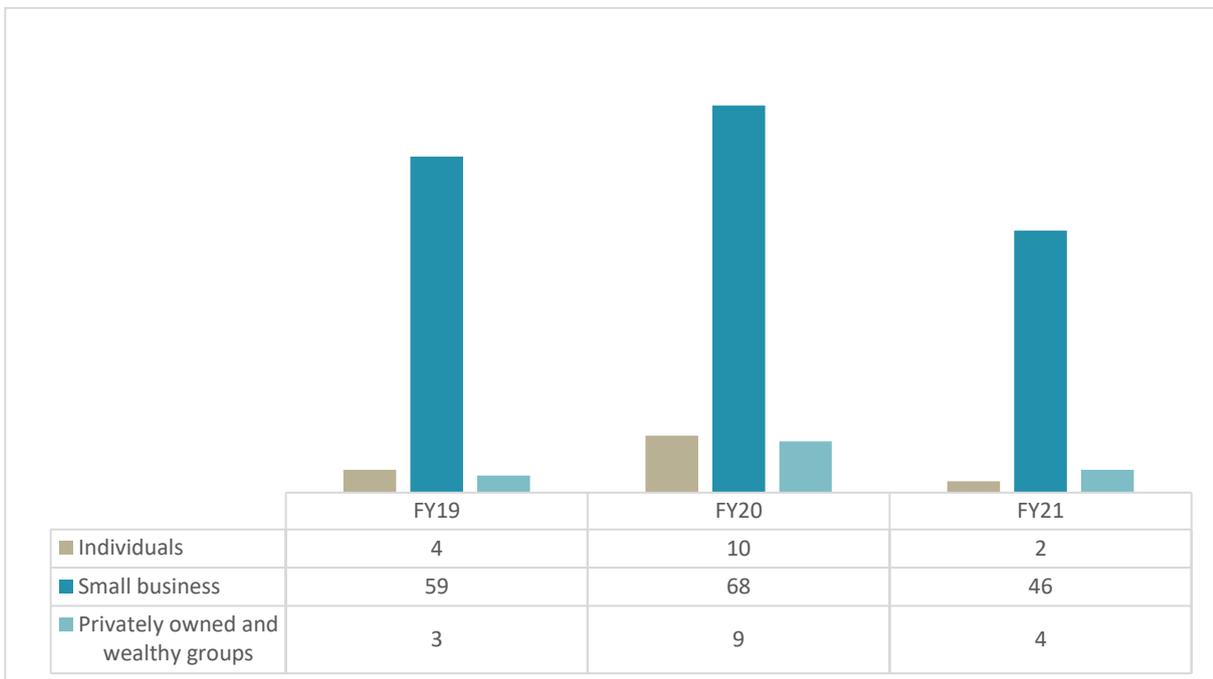


Figure 8.4: Total number of completed ‘Small Business Independent Reviews’ by Client Experience Group for FY19 to FY21



8.8. Table 8.2 sets out the outcomes of the completed Small Business Independent Reviews in FY19 to FY21 amongst each client experience group. In FY19, the outcomes of the Small Business Independent Reviews were predominately to fully support or partially support the ATO's audit position. There was also a significant number of reviews withdrawn by the taxpayer. In FY20, the highest outcome was supporting the ATO's audit position, followed by partially supporting the taxpayer's position. In FY21, no recommendation was the highest outcome following Small Business Independent Reviews. However, we note that in FY20 and FY21, withdrawn reviews were no longer a recorded outcome, so it may be the case that withdrawn reviews were recorded under no recommendation. These tables were as provided by the ATO.

Table 8.2: Outcomes of completed 'Small Business Independent Reviews' for FY19 to FY21

FY19	ATO Position supported	Position partially supported	Position not supported	Declined other	Withdrawn - ATO	Withdrawn - taxpayer	No recommendation
Individuals	1	2	1				
Small business	17	14	4	3	1	18	2
Privately owned and wealthy groups	1					1	1
Total	19	16	5	3	1	19	3

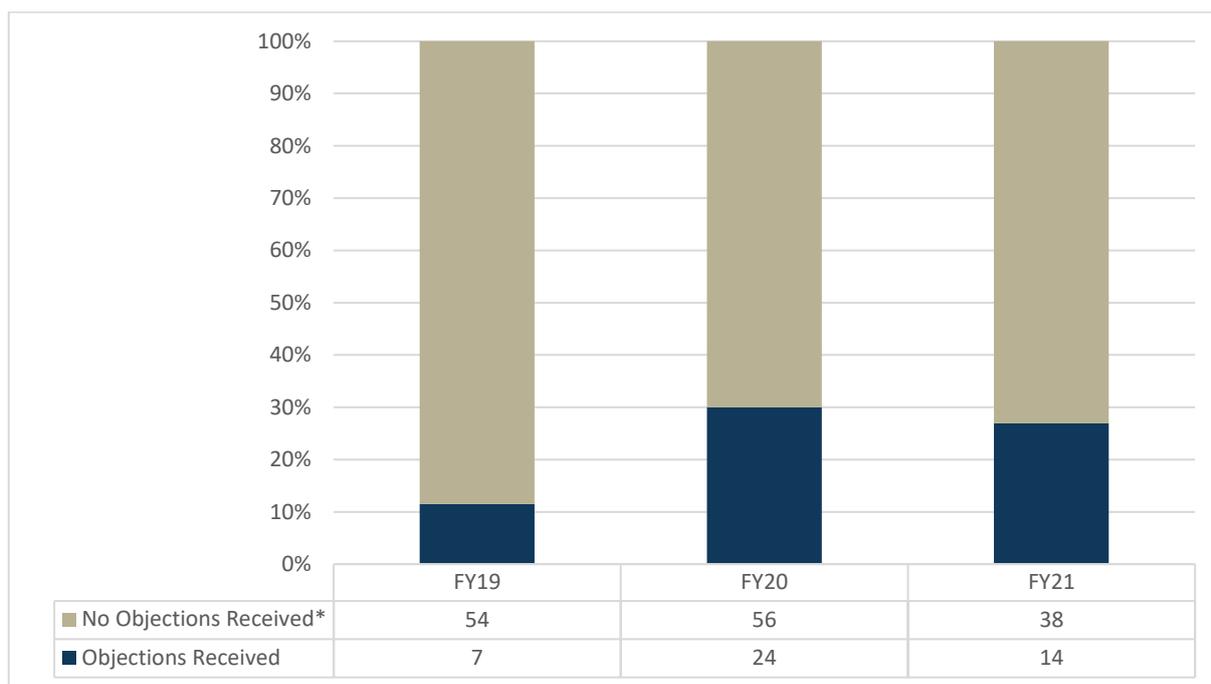
FY20	Audit supported	Taxpayer partially supported	Taxpayer supported	No recommendation
Individuals		5	1	4
Small business	32	16	5	15
Privately owned and wealthy groups	5	2	1	1
Total	37	23	7	20

FY21	Audit supported	Audit supported – update final position	Taxpayer partially supported	Neither supported - more work required	No recommendation
Individuals	0	0	0	0	2
Small business	10	7	5	6	18
Privately owned and wealthy groups	2	0	0	1	1
Total	12	7	5	7	21

8. OTHER DISPUTE RESOLUTION

8.9. Figure 8.5 and Table 8.3 provides the number of objections lodged after the completion of Small Business Independent Reviews that resulted in an unfavourable outcome for the taxpayer. The numbers reveal that in the majority of cases, an objection is not lodged after a Small Business Independent Review is completed, even though the outcome of the review supported the ATO's audit position.

Figure 8.5: Total number of objections received following 'Small Business Independent Reviews' for FY19 to FY21



Note *: Excludes 'Small Business Independent Reviews' where the outcome was in the taxpayer's favour.

Table 8.3: Total number of objections received following 'Small Business Independent Reviews' by Client Experience Group for FY19 to FY21

FY19	Objections Received following 'Small Business Independent Review'	No Objections Received following 'Small Business Independent Review'*
Individuals	1	2
Small business	6	49
Privately owned and wealthy groups	0	3

FY20	Objections Received following 'Small Business Independent Review'	No Objections Received following 'Small Business Independent Review'*
Individuals	2	7
Small business	18	45
Privately owned and wealthy groups	4	4

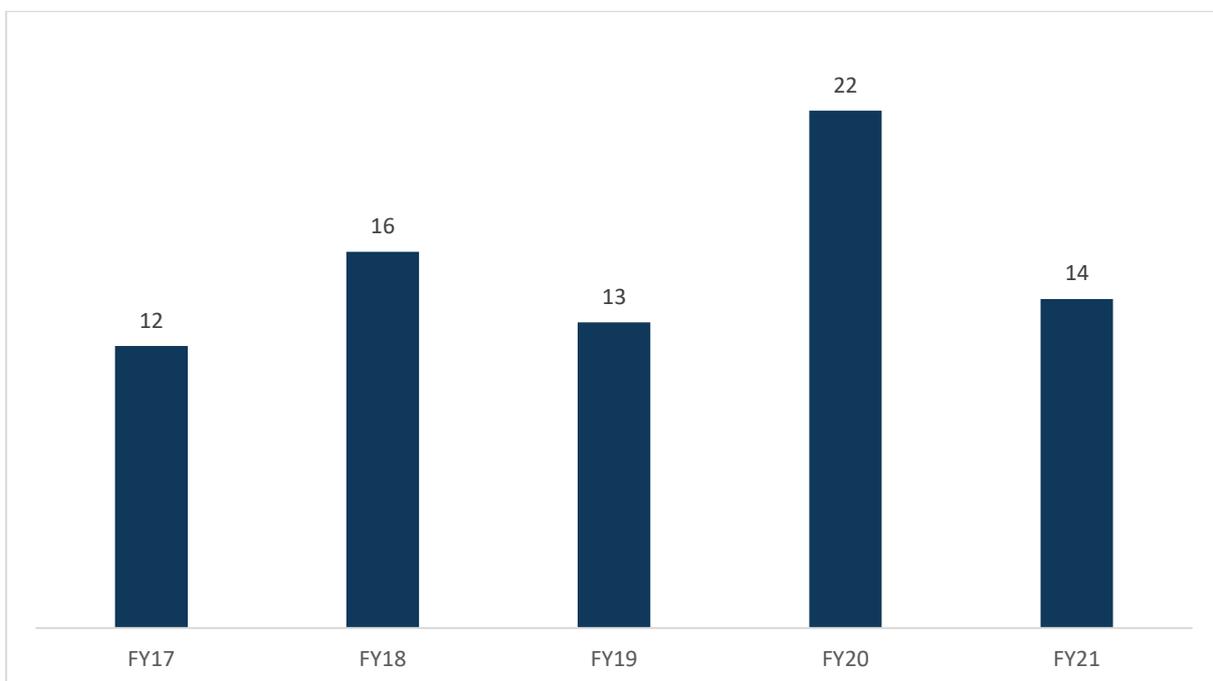
FY21	Objections Received following 'Small Business Independent Review'	No Objections Received following 'Small Business Independent Review'*
Individuals	1	1
Small business	10	36
Privately owned and wealthy groups	3	1

Note *: Excludes Small Business Independent Reviews where the outcome was in the taxpayer's favour.

Public and Multinational Businesses Independent Reviews

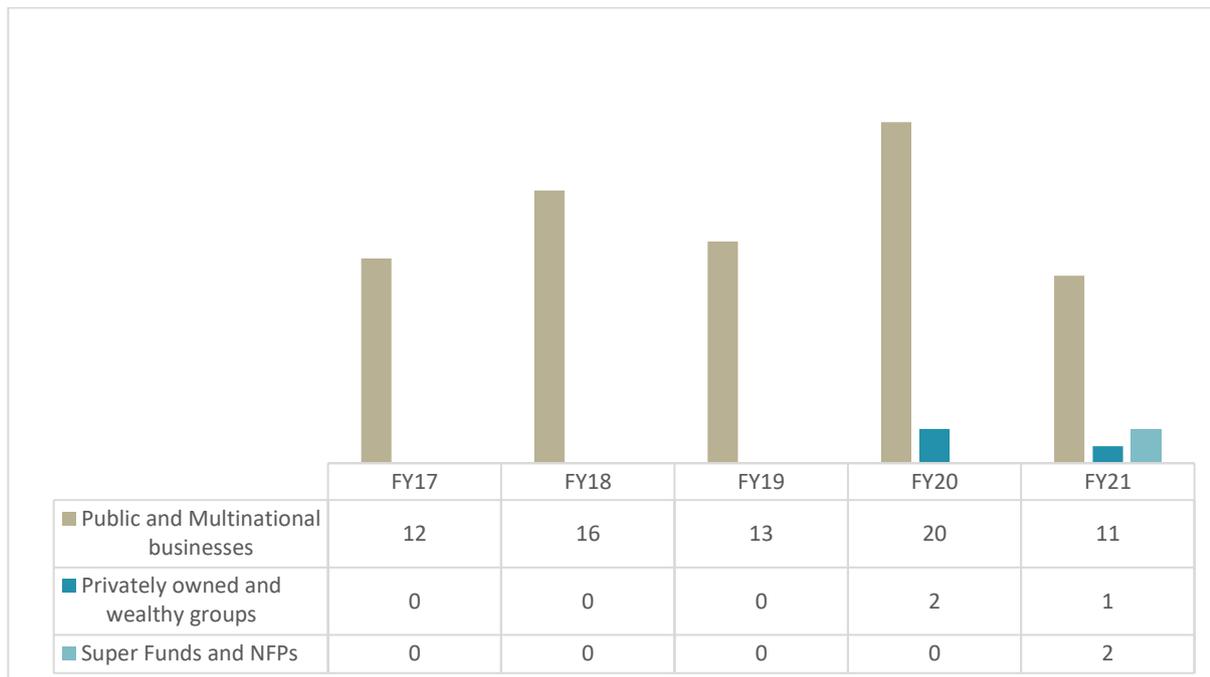
8.10. Figures 8.6 and 8.7 shows the total number of Public and Multinational Businesses Independent Reviews that were completed in FY17 to FY21.

Figure 8.6: Total number of completed 'Public and Multinational Businesses Independent Reviews' for FY17 to FY21



8. OTHER DISPUTE RESOLUTION

Figure 8.7: Total number of completed ‘Public and Multinational Businesses Independent Reviews’ by Client Experience Group for FY17 to FY21



8.11. Table 8.4 presents the outcomes from the Public and Multinational Businesses Independent Reviews that were completed in FY17 to FY21. As it can be seen from these tables, the predominate outcome from Public and Multinational Businesses Independent Reviews were either in full support or partial support of the ATO’s audit position. These tables were as provided by the ATO.

Table 8.4: Outcomes of completed ‘Public and Multinational Businesses Independent Reviews’ for FY17 to FY21

FY17	Position supported	Position partially supported	Position not supported
Public and Multinational Businesses	4	7	1

FY18	Position supported	Position not supported	No recommendation
Public and Multinational Businesses	13	2	1

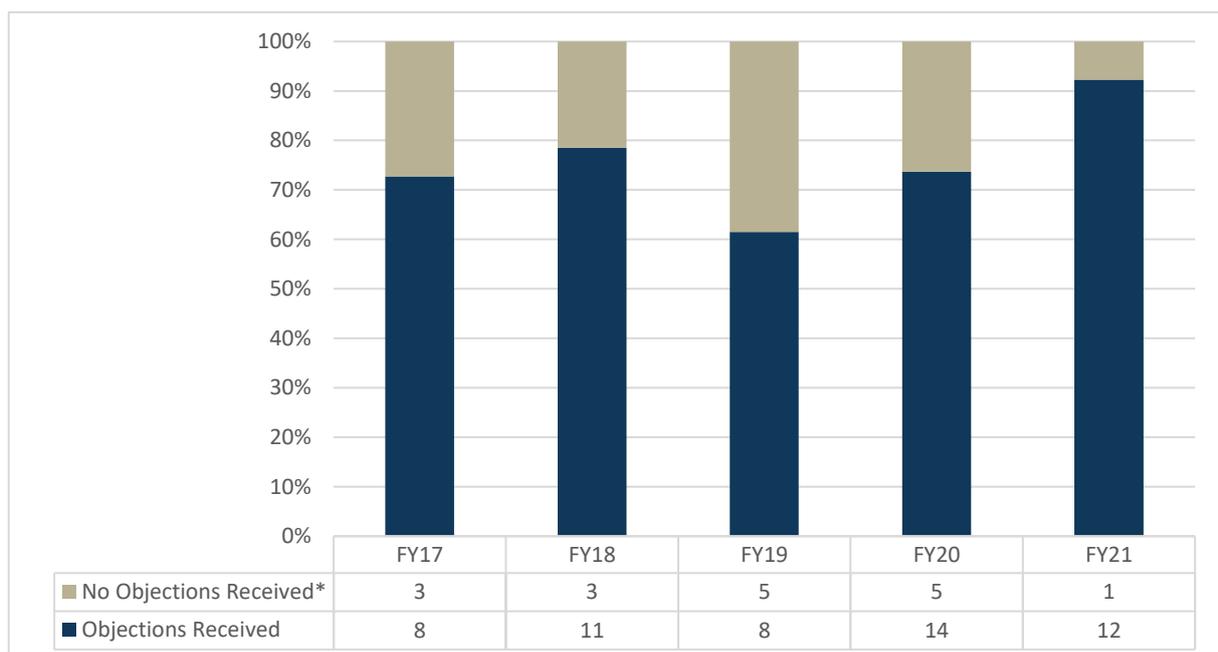
FY19	Position supported	Position partially supported	Withdrawn - settled
Public and Multinational Businesses	6	5	2

FY20	Position supported	Position partially supported	Position not supported	Declined other	Withdrawn – settled	Withdrawn – taxpayer
Privately owned and wealthy groups	1	0	1	0	0	0
Public and Multinational businesses	13	1	2	1	2	1
Total	14	1	3	1	2	1

FY21	Position supported	Position partially supported	Position not supported	Declined other	No outcome recorded
Privately owned and wealthy groups	0	0	0	0	1
Public and Multinational Businesses	7	1	1	1	1
Super Funds and NFPs	1	0	0	0	1
Total	8	1	1	1	3

8.12. Figure 8.8 and Table 8.5 provides the number of objections lodged with the ATO following the completion of a Public and Multinational Businesses Independent Review which supported the ATO's audit position. The data reveals that the majority of times after an unfavourable outcome was made in a Public and Multinational Businesses Independent Review, the taxpayer lodged an objection to the ATO. In contrast to small businesses, public and multinational businesses were more likely to proceed with lodging an objection if the outcome of the independent review did not support their position.

Figure 8.8: Total number of objections received following 'Public and Multinational Businesses Independent Reviews' for FY17 to FY21



Note *: Excludes Public and Multinational Businesses Independent Reviews where the outcome was in the taxpayer's favour.

8. OTHER DISPUTE RESOLUTION

Table 8.5: Total number of objections received following ‘Public and Multinational Businesses Independent Reviews’ by Client Experience Group for FY17 to FY21

FY17	Objections Received following ‘Public and Multinational Businesses Independent Review’	No Objections Received following ‘Public and Multinational Businesses Independent Review’*
Public and Multinational businesses	8	3

FY18	Objections Received following ‘Public and Multinational Businesses Independent Review’	No Objections Received following ‘Public and Multinational Businesses Independent Review’*
Public and Multinational businesses	11	3

FY19	Objections Received following ‘Public and Multinational Businesses Independent Review’	No Objections Received following ‘Public and Multinational Businesses Independent Review’*
Public and Multinational businesses	8	5

FY20	Objections Received following ‘Public and Multinational Businesses Independent Review’	No Objections Received following ‘Public and Multinational Businesses Independent Review’*
Privately owned and wealthy groups	1	0
Public and Multinational businesses	13	5

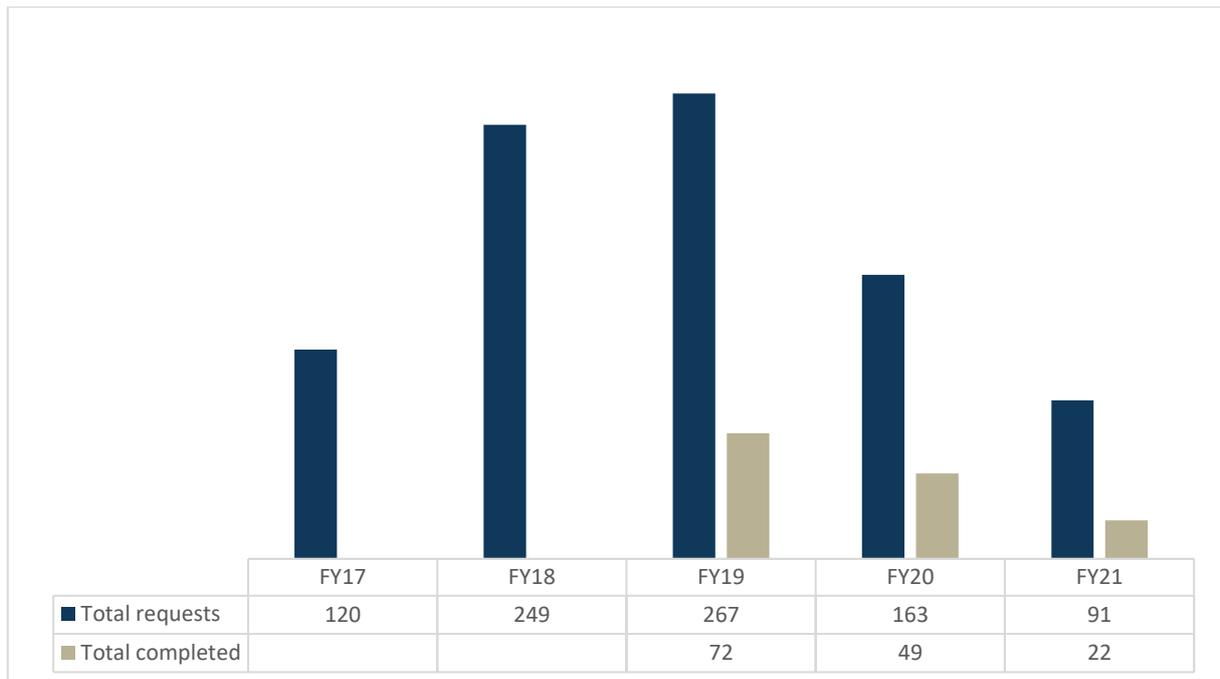
FY21	Objections Received following ‘Public and Multinational Businesses Independent Review’	No Objections Received following ‘Public and Multinational Businesses Independent Review’*
Privately owned and wealthy groups	1	0
Public and Multinational businesses	9	1
Super Funds and NFPs	2	0

Note *: Excludes Public and Multinational Businesses Independent Reviews where the outcome was in the taxpayer’s favour.

In-house facilitation

- 8.13. Figure 8.9 shows the total number of requests for in-house facilitation received by the ATO in comparison with the number of completed in-house facilitation for the period FY17 to FY21. It is noted that the total number of requests increased from FY17 to a peak in FY19. However, the total number declined in the years thereafter.

Figure 8.9: Total requests and completion of in-house facilitation for FY17 to FY21



Note: Data for completed in-house facilitation does not include requests that did not proceed with facilitation and is based on the FY it was completed. Data for FY17 and FY18 was not available.

- 8.14. Figures 8.10 and 8.11 provide the number of requests and completed in-house facilitation processes amongst each client experience group in FY19 to FY21. These charts reveal that small businesses made the highest number of requests for in-house facilitation during this period, followed by privately owned and wealthy groups. The highest number of in-house facilitations completed were also shared between small businesses and privately owned and wealthy groups.

8. OTHER DISPUTE RESOLUTION

Figure 8.10: Requests of in-house facilitation by Client Experience Group for FY19 to FY21

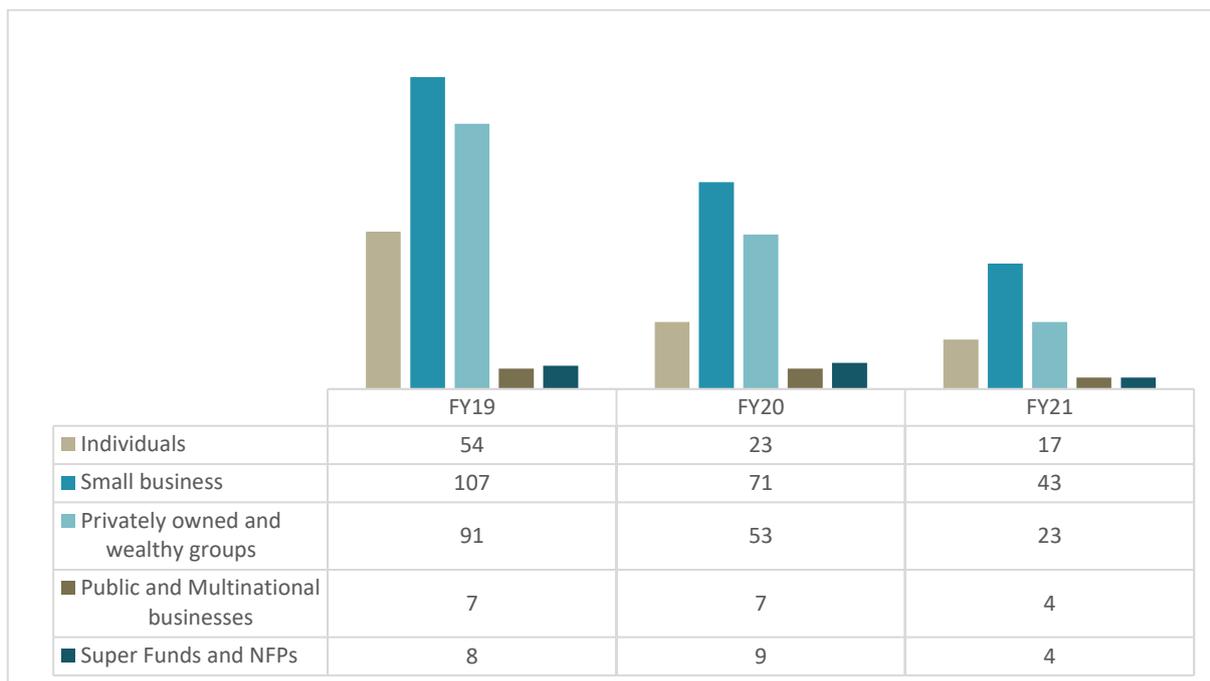
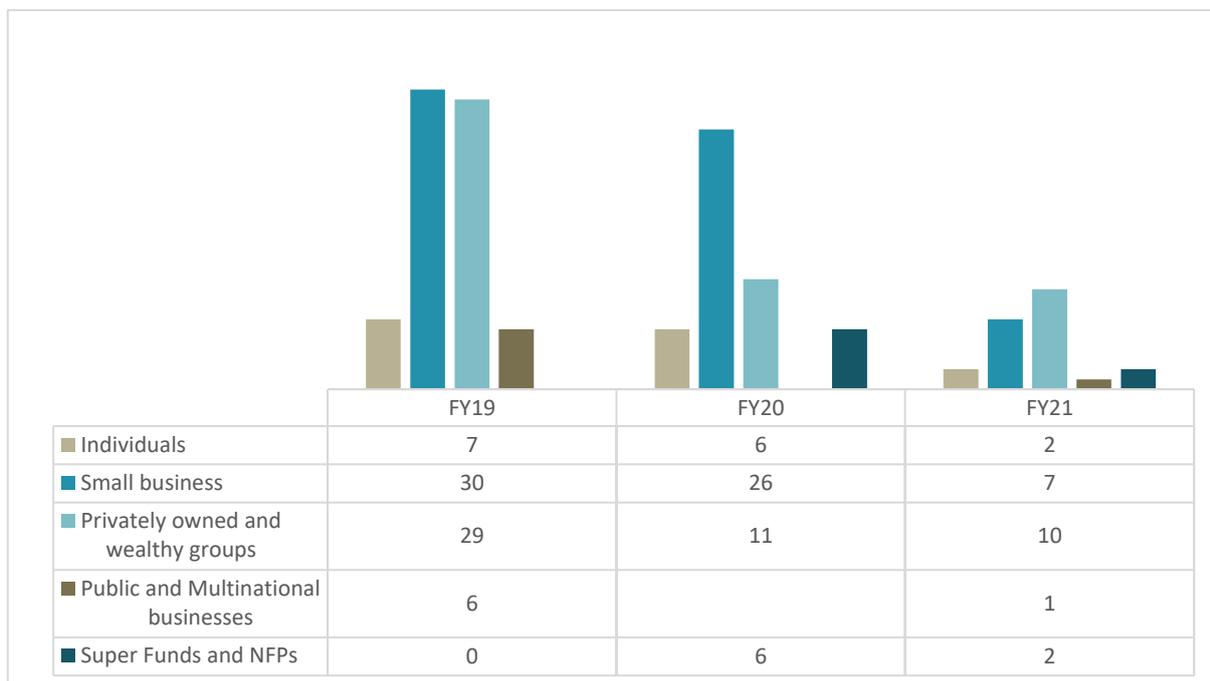


Figure 8.11: Completed in-house facilitation by Client Experience Group for FY19 to FY21



- 8.15. Table 8.6 sets out the outcomes from the completed in-house facilitation amongst each client experience group, with facts/issues being clarified as the most common outcome from FY19 to FY21. These tables were as provided by the ATO.

Table 8.6: Outcomes of completed in-house facilitation for FY19 to FY21

FY19	Clarified facts/issues	Improved relationship	Settlement under the Code	Settlement NOT under the Code	ATO conceded	Taxpayer conceded	No outcome recorded	No benefit from ADR
Individuals	3	1	0	1	1	0	1	0
Small business	11	7	0	6	1	1	2	2
Privately owned and wealthy groups	18	1	4	3	0	0	1	2
Public and Multinational businesses	4	1	1	0	0	0	0	0
Total	36	10	5	10	2	1	4	4

FY20	Clarified facts/issues	Improved relationship	Settlement under the Code	Settlement NOT under the Code	ATO conceded	Taxpayer conceded	No benefit from ADR
Individuals	1	2	1	1	0	1	0
Small business	16	1	1	6	1	0	1
Privately owned and wealthy groups	9	1	0	0	1	0	0
Super Funds and NFPs	0	6	0	0	0	0	0
Total	26	10	2	7	2	1	1

FY21	Clarified facts/issues	Facilitated conversation	Improved relationship	Settlement under the Code	Settlement NOT under the Code	No benefit from ADR
Individuals	2	0	0	0	0	0
Small business	3	0	0	2	0	2
Privately owned and wealthy groups	5	1	1	2	0	1
Public and Multinational businesses	1	0	0	0	0	0
Super Funds and NFPs	1	0	0	0	1	0
Grand Total	12	1	1	4	1	3

8.16. Figure 8.12 and Table 8.7 presents the number of objections that were lodged after in-house facilitation was completed during the ATO audit stage. The numbers show that only a small number of objections were lodged after the completion of in-house facilitation.

8. OTHER DISPUTE RESOLUTION

Figure 8.12: Total number of objections received following completed in-house facilitation during ATO audit for FY19 to FY21

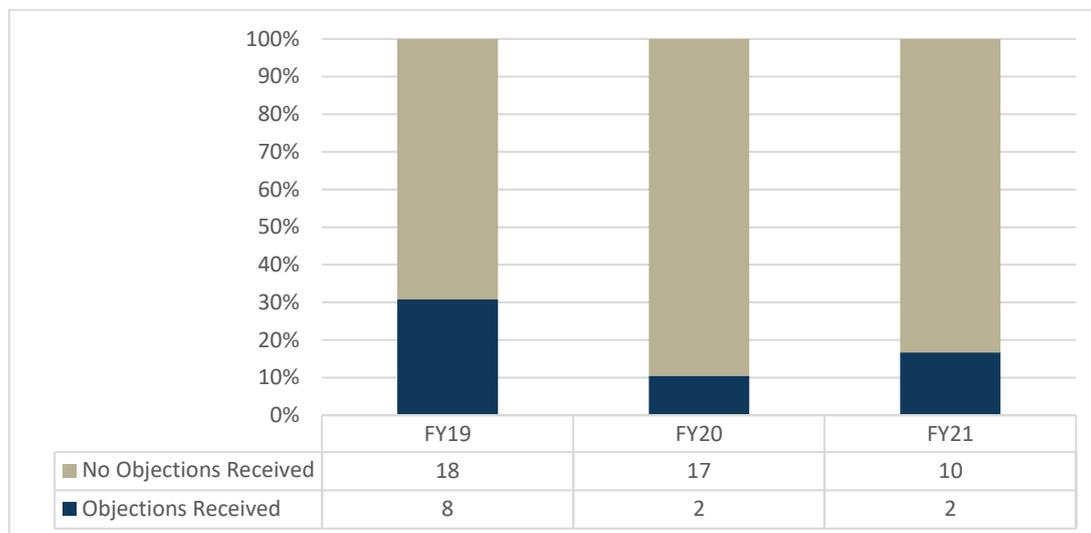


Table 8.7: Total number of objections received following completed in-house facilitation during ATO audit by Client Experience Group for FY19 to FY21

FY19	Objections Received	No Objections Received
Individuals	1	1
Small business	3	1
Privately owned and wealthy groups	6	9
Public and Multinational businesses	0	5

FY20	Objections Received	No Objections Received
Individuals	0	1
Small business	2	7
Privately owned and wealthy groups	0	3
Super Funds and NFPs	0	6

FY21	Objections Received	No Objections Received
Small business	0	1
Privately owned and wealthy groups	2	6
Public and Multinational businesses	0	1
Super Funds and NFPs	0	2

9

APPENDICES

Appendix A – Terms of reference

The Australian Taxation Office’s administration and management of objections

Introduction

This Inspector-General of Taxation and Taxation Ombudsman (IGTO) investigation will examine the Australian Taxation Office’s (ATO) current systems, policies and processes for administering and managing objections pursuant to Part IVC of the *Taxation Administration Act 1953*. The investigation will focus mainly on the timeliness in issuing objection decisions, the independence of objection decision makers and the objection decision making process, as well as the interaction between objections processes and other initiatives in minimising or narrowing disputes.

Objections are a critical feature of Australia’s tax dispute resolution landscape as they provide taxpayers with a statutory right to challenge ATO decisions and views. Taxpayers who lodge objections because they are dissatisfied with a decision that the ATO has made about them or their affairs generally expect their objection to be properly considered and to be finalised in a timely manner, impartially and independent of the original decision maker.

For most tax decisions, taxpayers are required to avail themselves of the objection process before they may take their disputes to external forums, such as the Administrative Appeals Tribunal and the Federal Court of Australia.²⁹ Annually, the ATO resolves over 20,000 objections.³⁰

In a survey conducted as part of the IGTO’s most recent investigation into the effectiveness of ATO communications of taxpayers’ rights to complain, review and appeal, respondents indicated that the dispute resolution channel most often communicated (and well understood by taxpayers and tax practitioners) was the objection process under Part IVC.³¹

²⁹ Australian Taxation Office, *Decisions you can object to and time limits* (22 July 2021) <<https://www.ato.gov.au/General/dispute-or-object-to-an-ato-decision/object-to-an-ato-decision/decisions-you-can-object-to-and-time-limits/>>.

³⁰ Commissioner of Taxation, *Annual Report 2019-20* (2020) p 185 <https://www.ato.gov.au/uploadedFiles/Content/CR/Downloads/Annual_Report_2019-20/annual_report_2019-20.pdf>.

³¹ Inspector-General of Taxation and Taxation Ombudsman, *Taxpayer rights – An investigation into the effectiveness of the ATO’s communication of taxpayers’ rights to complain, review and appeal decisions or actions – survey results* (September 2021) <<https://www.igt.gov.au/wp-content/uploads/2021/08/Review-into-the-ATOs-communication-of-taxpayers-rights-Survey-Results.pdf>>.

Previous IGTO investigations on the issue

The IGTO's last investigation specifically examining the ATO's management of objections was released in August 2009,³² although later investigations examining alternative dispute resolution³³ and tax disputes³⁴ have considered related issues. Since these investigations, the ATO has implemented systems, processes and structural changes to its management of objections, including a significant shift of the function from its Client Engagement Group (i.e. the audit group) to its Law Design and Practice Group.

Significantly, the IGTO functions have also changed since those review investigations were conducted, with the addition of the Taxation Ombudsman role. Through this role, the IGTO has been able to gain real-time insights on taxpayer and tax practitioner concerns with the administration of the tax system through tax complaint enquiries and investigations.

Concerns raised with the IGTO

Through the IGTO's tax complaint investigation service and engagements with various stakeholders, concerns have been raised with the IGTO that:

- there are delays in the allocation and finalisation of objection cases which ultimately delays the resolution of the dispute and gives rise to increasing stress and costs;
- the objection process is not simply assessing the merits of the case, but is at times also replicating the functions of the audit team (e.g., essentially conducting a second audit);
- there is a lack of independence (or perceived lack of independence) in the objection process, for example with officers originally involved in the audit providing unchallenged input into the objection process; and
- there appears to be a lack of consistency in the objection cases which are offered alternative resolution options, for example settlement, and those that are not, generating perceptions of arbitrariness and favouritism as well as a missed opportunity to mitigate disputation costs.

Complaint statistics about objections and dispute resolution are provided in Annexure A.

³² Inspector-General of Taxation and Taxation Ombudsman, *Review into the underlying causes and the management of objections to Tax Office decisions* (2009).

³³ Inspector-General of Taxation and Taxation Ombudsman, *Review into the Australian Taxation Office's use of early and alternative dispute resolution* (2012).

³⁴ Inspector-General of Taxation and Taxation Ombudsman, *The Management of Tax Disputes* (2015). This investigation was conducted at the request of, and in conjunction with, the House of Representatives Standing Committee on Tax and Revenue's inquiry into *Tax Disputes* (2015) <https://www.aph.gov.au/Parliamentary_Business/Committees/House/Tax_and_Revenue/Inquiry_into_Tax_Disputes/Report>.

Terms of Reference

The IGTO's investigation will examine the concerns raised above and seek to identify improvements to objection processes for the benefit of taxpayers and tax practitioners. Specifically, the IGTO will examine whether:

1. the ATO's systems and processes for receiving, allocating, considering and finalising objections are sufficiently robust to minimise undue delay;
2. the policies and processes for managing objections provide for an independent and impartial review of the audit decision;
3. the current processes for managing Objections allows for sufficient engagement, interaction and exchange with taxpayers and their representatives to achieve a common understanding of, and to narrow, the issues in dispute;
4. the Objections process is effective in minimising and resolving disputes, including through early and effective identification of cases that are suitable for alternative dispute resolution and /or settlement; and
5. any other relevant or related matters identified by the IGTO throughout the course of the investigation, or as raised by stakeholders in submissions.

The IGTO welcomes feedback from stakeholders – including professional and industry bodies, tax practitioners and taxpayers – on any concerns they have in relation to the objection process and potential improvements that may be implemented to improve the process for the benefit of all.

Interim Report

Initial feedback provided to the IGTO from stakeholders has identified that the taxpayer and tax practitioner experience when engaging with the ATO on objections can vary significantly across different taxpayer segments. This is due to, *inter alia*, the nature of issues in dispute, the availability of different dispute resolution mechanisms, and taxpayer resources and the level of representation available to the taxpayer.

Given the broad spectrum of experiences, the IGTO proposes to develop and issue an interim report to provide a summary analysis of the recent trends in Objections including (but not limited to):

- the causes for taxpayers or their advisers lodging an objection (for example, whether as a result of adverse ATO audit decisions or taxpayers self-initiating objections to amend earlier returns);
- which taxpayer segments are lodging objections and how this has changed over time;
- common areas that are the subject of Objections;
- the outcomes of Objections; and
- the rate of objections proceeding to further dispute.

The purpose of the interim report is to inform stakeholders, practitioners and the community at large about the scope and breadth of Objections to promote public debate and discussion, and assist the IGTO to focus areas for further inquiry in relation to the Terms of Reference.

How to lodge a submission

The closing date for submissions is **28 March 2022**. Submissions may be lodged by telephone (02 8239 2111) or be sent by:

Post to: Inspector-General of Taxation and Taxation Ombudsman
 GPO Box 551
 Sydney NSW 2001

Fax: (02) 8088 7815

Email to: objections@igt.gov.au

Confidentiality

Submissions provided to the IGTO are maintained in strict confidence (unless you specify otherwise). This means that the identity of the taxpayer, the identity of the adviser and any information contained in such submissions will not be made available to any other person, including the ATO. Section 37 of the *Inspector-General of Taxation Act 2003* safeguards the confidentiality and secrecy of such information provided to the IGTO – for example, the IGTO cannot disclose the information as a result of a Freedom of Information (FOI) request, or as a result of a court order generally. Furthermore, if such information is the subject of client legal privilege (also referred to as a legal professional privilege), disclosing that information to the IGTO will not result in a waiver of that privilege.

Professional bodies and others (e.g. advisers) who wish to have their contribution to the IGTO investigation formally acknowledged should accordingly expressly waive confidentiality for these purposes.

ANNEXURE - Complaint statistics relating to Objections and ATO Dispute Resolution

Over the last five full financial years (FY17 to FY21), the IGTO has received 453 complaints about objections and dispute resolution. Of these, 260 cases (57.4% proceeded to formal investigations) while the remainder are ongoing or were managed by the IGTO without investigation (e.g., the IGTO provided further information to address the taxpayer’s enquiry). Approximately 77% (347 complaints) related to the objection process.

In the current financial year (FY22, as at 20 October 2021), 11 complaints have been received about objections and disputes (6 are currently being investigated while 5 are under assessment or have been finalised without investigation), with approximately half relating to the objection process.

Table 1: Complaints received by the IGTO about ATO Dispute Resolution – FY17 to FY22 YTD

Financial Year	Sub-category of complaints relating to ATO Dispute Resolution					Grand Total
	Objection Process	Mediation and ADR	Internal Review	Settlements	Other	
FY17	6				2	8
FY18	92	5	8	4	16	125
FY19	96	8	3	6	15	128
FY20	104	6	2	2	11	123
FY21	49	5	3	2	10	69
FY22 YTD*	6				5	11
Total	353	59	24	16	14	464

* As at 20 October 2021

Since the 2017-18 financial year, the IGTO has provided further insight into our complaint investigation statistics by segmenting complaint investigation cases into those where the ATO has no record of a complaint and so the IGTO provided the ATO with an opportunity to address the complaint in the first instance (Category 3.1) and those where the matter had been escalated as a dispute³⁵ to the IGTO because the taxpayer remained dissatisfied with the ATO’s complaint resolution (Categories 3.2 and above).³⁶ The Table below sets out the total number of Category 3.1 investigations and Category 3.2 and above investigations (i.e., disputes) managed by the IGTO in FY19, FY20 and FY21. Over the past three full financial years, 4.98% of complaint investigations (category 3.1+) related to ATO Dispute Resolution and 5.57% of disputes investigated (category 3.2+) related to ATO Dispute Resolution.

³⁵ The Australia and New Zealand Standard 10002:2014 *Guidelines for Complaint Management in Organisations* defines ‘disputes’ as ‘unresolved complaints escalated internally or externally, or both’.

³⁶ Inspector-General of Taxation and Taxation Ombudsman, Corporate Plan 2021-22 (2021) p 48
<https://igtostaging.wpengine.com/wp-content/uploads/2021/08/IGTO-Corporate-Plan-2021-22.pdf>.

Table 2: Complaint investigations (3.1) and disputes investigated (>3.2) about ATO Dispute Resolution FY19 to FY21

Financial Year	Sub-category of complaints relating to ATO Dispute Resolution											
	Objection Process		Mediation and ADR		Internal Review		Settlements		Other		Grand Total	
	3.1	3.2+	3.1	3.2+	3.1	3.2+	3.1	3.2+	3.1	3.2+	3.1	3.2+
FY19	23	30	1	4	0	2	0	3	3	3	27	42
FY20	46	18	2	3	1	1	0	0	2	4	51	26
FY21	6	15	1	3	0	2	0	2	0	1	7	23
Total	75	63	4	10	1	5	0	5	5	8	85	91

Table 3: Complaint investigations about ATO Dispute Resolution as a subset of total complaint investigations – FY19 to FY21

Financial Year	Sub-category of complaints investigations relating to ATO Dispute Resolution		Total complaint investigations about ATO Dispute Resolution	Sub-category of all complaint investigations relating to the ATO		Total complaint investigations
	3.1	3.2+		3.1	3.2+	
FY19	27	42	69	822	580	1,402
FY20	51	26	77	903	506	1,409
FY21	7	23	30	169	548	717
Total	85	91	176	1,894	1,634	3,528

Appendix B – Objection form



Australian Government
Australian Taxation Office

Objection form – for taxpayers

Use this form if you want to object to a decision we have made about your tax affairs, or those of another taxpayer. If you are a tax professional, non-individual or sole trader the best way to submit an objection is by using our [online services](#).

-  **Complete** this form on your computer before printing this form (as your answers help choose which questions will appear).
-  The form uses JavaScript. If prompted, you will need to enable JavaScript.
-  For more information on lodging an objection, refer to [Dispute or object to an ATO decision](#).

Section A: Authorisation

1 Is this objection for you or another taxpayer?

- Self
- Another taxpayer

Section B: Your details (or details of other person/entity the objection is for)

2 Select the taxpayer's client type

3 Give the full name of the taxpayer

4 Tax file number (TFN) or Australian business number (ABN)

 We are authorised by the *Taxation Administration Act 1953* to collect your TFN. You don't have to provide your TFN or ABN but failure to provide either may result in a delay in processing your objection.

- TFN
- ABN

Section C: Contact details**5 Who should we contact about this objection?**

Contact name

Title

Family name

First given name

Other given name or names

Business hours phone number

Fax number

Mobile

Email address

6 Address for the objection decision and related correspondence

This can be a street or PO Box. We will use this address for correspondence relating to the objection; it will not affect the addresses you have given us for other correspondence.

Street number and name

Suburb/town

State/territory

Postcode

Section D: Objection details

7a What is your objection mainly about?

If there are more issues, give details at question 9.

7b What is the main kind of **decision** you are objecting to?

There are some [decisions you cannot object to](#), for example, a decision by the ATO not to remit a shortfall interest charge where the charge is 20% or less than the tax shortfall amount.

7c Does your objection include the issue of objecting to penalties and interest?

No

Yes

i You cannot object to a failure to lodge penalty. Refer to [Requesting remission](#) for how to request remission of a failure to lodge penalty. You may be able to object to our remission decision in some circumstances.

8a Give the reference number for the earliest decision or assessment you are objecting to (for example, a sequence number or receipt ID)

Give the date of earliest decision or assessment you are objecting to. If you received a letter telling you that your amendment request is out of time, enter the date of your assessment (not the date of the letter).

Day Month Year

Give the reference number for the penalties or interest correspondence

Give the date of the penalties or interest correspondence

Day Month Year

8b There are **time limits** for lodging an objection which depend on the type of decision you are objecting to.

You may want to lodge this objection because you received a letter from us advising you that your amendment request was out of time. However, this will mean that your objection is also outside the time limit.

If your objection is out of time, would you like the Commissioner to consider the objection as if it were lodged on time?

No

Yes

You must give reasons for the Commissioner to consider an out of time objection as being in time. [PS LA 2003/7](#) gives guidance on requests to treat an out-of-time objection as if they it was lodged within time.

i Complete this form on your computer before printing, including all parts of questions 7 and 8. Incomplete details may delay your objection.

9a Tell us why you think our decision is not correct and what outcomes you want to achieve.

Clearly explain why you believe our decision is incorrect:

- Give all facts and arguments to support your reasons
- State the years or periods to which your objection relates
- List the changes you are seeking
- Consider whether penalties or interest are included in your objection
- Include any research or analysis you have considered (such as legislation, rulings, or case law).

9b Dispute Assist service

The [Dispute Assist](#) service gives support and guidance to vulnerable taxpayers who can't afford tax or legal professionals to represent them. To use this service, you must be an individual, sole trader or small business taxpayer who is interacting with the ATO in a formal process, such as an objection.

You may be eligible for Dispute Assist if either:

- you are experiencing exceptional circumstances in your personal life (such as homelessness, addiction, domestic violence, depression/anxiety, or extreme financial hardship)
- your personal difficulties have contributed to your dispute and these difficulties put you at a disadvantage.

The role of a Dispute Assist guide is to help you through the process and make sure your dispute is handled fairly. However, a Dispute Assist guide is not a tax agent or legal agent acting on your behalf. The guide cannot change decisions made by ATO case officers or objections officers.

If you would like to be considered for Dispute Assist, describe your circumstances in the space below.

If you're not eligible or you don't need this service, leave this question blank and go to question 10.

10 Supporting evidence and documents

 If you add [supporting information](#) we can give you a quicker decision. You can give this information as extra attachments.

Section E: Declaration

- 1 Sign and date this form if you are [lodging](#) the objection by fax or post.
- 1 Complete this form on your computer before printing, including all parts of questions 7 and 8. Incomplete details may delay your objection.

If this objection relates to your own tax affairs:

- I declare that the information contained in this request, and in any attached documents, is true and correct.

If you are lodging this objection on behalf of another taxpayer:

- I certify this document and any attached documents have been prepared in accordance with the information supplied by the individual or entity identified in this request and in the attached documents.
- I have received a declaration from the individual or entity identified in this request and in the attached documents, stating that the information provided in each document is true and correct.
- I am authorised by the individual or entity identified in this request and in the attached documents, to submit this objection request to the Commissioner of Taxation.

Privacy

The ATO is a government agency bound by the *Privacy Act 1988* in terms of collection and handling of personal information and tax file numbers (TFNs). For further information about privacy law notices for objection applications forms, go to ato.gov.au/privacy

Name

Signature

Date

Section F: How to lodge your form

You can lodge this form by completing this form on your computer, then printing it (including all parts of questions 7 and 8) and either:

- faxing to 1300 139 031
- posting to
Australian Taxation Office
PO Box 3524
ALBURY NSW 2640

Save draft form

Save form for submission

Print form