Australian Taxation Office

Third International Conference of the Centre for Tax System Integrity, Opening Address by Second Commissioner, Jennie Granger.

Opening address Second Commissioner, Jennie Granger, Australian Taxation Office

Third International Conference of the Centre for Tax System Integrity

Responsive Regulation: International Perspectives on Taxation
Australian National University

24 July 2003

Developments in Compliance: The Challenges for Research

Thank you for the opportunity to address your conference. Your agenda is a topical one covering areas of key interest for our compliance program. So today is a good opportunity for me to reflect on how the ATO's approach to compliance is evolving in the post reform environment and share with you my thoughts on some interesting challenges it provides for the research community.

About 18 months ago, we began to emerge from the enormous challenge of implementing an unprecedented level of tax reform. We emerged into a world with new revenue products and a system that involved much more frequent interactions with a significant proportion of the community.

We also emerged from a sustained period of helping the community understand the basics of their new obligations. Community expectations were rapidly rising and they were rightly demanding we design more streamlined and better tailored ways of helping them interact with us. We also needed to make a shift in our compliance approach that had a strong focus on education and balance this with a strong focus on verification activities. However in developing our verification capability we also needed to design our approaches in a more integrated way that took into account that many in the community were now involved in a range of revenue products.

In response to this situation, the ATO began to make two significant shifts in how it was working. One was to implement the Easier, Cheaper, More Personalised program. This involves an ambitious redesign of some of our processes and products. What is different about it is that it directly engages the community in the design. The second, and my focus today, is the development and promulgation of an integrated Compliance Program.

Both shifts are based on our fundamental belief that to maintain a healthy and sustainable tax system we must engage the community in it and be responsive to their needs. This is an ongoing challenge for any administrator given the diversity of the community and our finite resources.

For our compliance program it means gaining the community's support for our approaches generally and also at the individual level that we tailor our approaches appropriately. We believe we are more likely to gain broad community support if the community perceives our compliance approaches as a balanced investment amongst the risks we have identified. Further, that in addressing specific compliance risks, our treatment is professional and an appropriate response to the significance of the risk. That is, we are neither picking on particular parts of the community nor nit picking.

To facilitate a greater level of understanding in the community we decided to develop and publish our Compliance Program 2002-03, greatly increasing our transparency and accountability. This was difficult to achieve because it required the ability to bring together - in an integrated way and in accessible language for a wide range of audiences - the risks we are seeing, why we are concerned about them and what we are doing to treat them.

The first compliance program was published in December 2002. It has brought new levels of accountability and transparency and the reactions to date have been largely positive. The level of transparency and accountability will further increase when we publish our 2003/2004 program shortly. We will also be publishing the results we achieved from the first program. The community, the media, the tax industry, the research community and others will be able to assess whether we have got appropriate results.

Publishing an integrated compliance program is challenging the ATO to lift to a new level of skill in how we identify risk, in developing more holistic strategy responses and in how we measure our effectiveness. To illustrate the challenge currently much of our risk identification and treatment is done at the level of issues. (Some are topics on your agenda today). This is a very important start, but these days we have to consider if there are implications for other revenue products and other parts of the community. This is important in determining the priority of risk to be treated and also the complexity of strategy responses that may be appropriate. My colleague, Kevin Fitzpatrick, will illustrate the shift we are making when he talks to you a little later about the evolution in our approach to treating aggressive tax planning.

Measuring our results and their effectiveness is another challenge. When we publish our results this year we will be reporting on how many we did, quality and timeliness and revenue impacts. What we want to add in future years is our effectiveness in influencing behaviour and whether it is a sustainable change. This has very important implications for both determining if our strategies are effective, but also whether we can roll the program on to address other risks or need to sustain the current focus.

Another dimension we are exploring is developing products that "lock in" good compliance going forward. An example many of you would be familiar with in the transfer pricing context is the advance pricing agreements we enter with multinationals. Imagine the possibilities if we are able to come up with a general "lock-in" product for a large business's tax affairs. We are determined to try. But how would we decide with whom to enter such an agreement? And how would we detect new risks? Critically important how will we measure the compliance impact of this? Our conventional approach of measuring results through audit adjustments will not be available.

To sum up our challenge we want to be able to model risk in an increasingly sophisticated way that considers relationships across the community and across revenue products. We want to develop integrated strategies. And we want to be able to measure the impact of our strategies in ways that give us confidence that our results are achieving a sustainable change in behaviour.

A further challenge, and also one you will no doubt find challenging, is to do all this in the language of the community. If we are to achieve our ambitions of transparency we will also need our research and results to be readily understandable by the community. And of course if they are to inform our strategy they have to be available much more dynamically, reflecting, or perhaps, anticipating, rapid changes in community behaviours.

These are just some of the interesting challenges for us and for you in the research community.

They also present us with opportunities. Opportunities to really understand the community and our relationships.

Finally I want to acknowledge another important relationship we have, that with the ANU. Today gives us an opportunity to recognise that relationship and the work of the CTSI. There is great value in our collaborative work - sharing expertise, resources and learning from each other. The experience of the last few years has been stimulating and beneficial with many challenges still ahead.

I wish you well over the next few days. I'm sure you'll find the conference a great opportunity to reflect on these interesting issues and challenges. I have great pleasure in declaring this conference open.