

PROFESSIONAL

Tax Practitioners

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SEGMENT

AUDIENCE

DATE



Australian Government

Australian Taxation Office

International action, closing the net on non-compliance

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Our Compliance Program

Aims:

- to optimise voluntary compliance
- enhance transparency, and
- build community confidence in our tax and superannuation systems.



Compliance Program 2007-08: our challenges

Our five main challenges:

- implementing policy
- managing tax risks in a global economy
- promoting good governance and sound practices for business
- expanding monitoring of high income and high wealth people, and
- dealing with cash transactions and tax evasion.



Today's Focus

How we are adapting our approaches to:

- managing tax risks associated with Australia's increasing engagement in a global economy, and
- supporting tax practitioners role in our system.



Operating in a global economy

An increasing proportion of Australian business, investment and employment is from international dealings:

- as many as 40% of our exporters are small businesses
- about one million Australians work overseas

We are concerned that people do not fully understand the do's and don'ts of dealing with tax havens.



Tax havens

Most transactions between Australia and tax havens are legitimate.

Many tax havens are major financial centres, for example, the Cayman Islands is a large banking centre.

Australian subsidiaries of overseas multinational companies may need to transact with tax haven companies that are part of their multinational structure.

Governments may also transact with tax havens to provide foreign aid programs in those countries.



What are our concerns with tax havens

- lack of transparency and effective information exchange means we can't get a complete picture of activities
- these characteristics can be used by people and businesses who seek to conceal income or make false or inflated claims, and
- leaves other Australians bearing a greater tax burden.

Abusive arrangements of this kind, if left unchecked, undermine community confidence in our tax system as well as the system's integrity.



What we are doing

Our approach is multi-faceted:

- working with other tax administrations to get the whole picture and learn from their experience
- informing and educating community and business
- encouraging business and people to get back on track
- following up where our appeal is ignored with firmer action, and
- firmest action against promoters and people engaged in the most abusive cases.



Working with other tax administrations

Sharing intelligence and information under our treaties:

- we receive around 500,000 records each year from our treaty partners
- Australia sends automatic exchange of information data to our treaty partners annually, and
- the total records we send each year are around 1.6 million.

Working in international and cross agency task forces to gather intelligence and take action.



Tax Information Exchange Agreements (TIEAs)

Working in international forums and with other countries to improve transparency and effective exchange of information.

Program underway to negotiate TIEAs.

Agreements concluded to date:

- Bermuda
- Antigua Barbuda
- Netherlands Antilles

Negotiations underway with seven other tax havens.

Agreements allow us to request information if non-compliance is suspected.



Informing and Educating People

Launching an updated booklet *Tax havens and tax administration:*

- information about tax havens
- the risks for individuals and promoters, and
- how the Tax Office investigates tax haven arrangements.

It is aimed at addressing misconceptions and to alert people who have been misinformed or, simply, got it wrong.

We are trying to help people.



Encouraging people to get back on track

International experience - encouraging people to own up to undeclared income in overseas bank accounts and credit cards:

Ireland

Collected almost 840 million euros from about 15,000 residents.

UK

A similar project has generated 65,000 disclosures.



Encouraging Australians to get back on track

In July 2007 Commissioner Michael D'Ascenzo announced an opportunity for people to come forward voluntarily.

The incentive is significant, penalty concessions (no shortfall penalty if undeclared income less than \$20,000, over this it is capped at 5%).

This is an important signal that people should pay attention to.

It is the best opportunity you will have to get on track.

Time is running out.



The results so far

Piloting with Australian banks who have branches/subsidiaries in Vanuatu to inform Australian account holders of the opportunity to come forward if they haven't declared their income.

Over 1000 prompter letters sent to people who have transactions with tax havens or offshore credit/debit cards.

So far 91 disclosures totalling \$4.6 million taxable income (largest adjustment in tax penalties and interest to date \$1.6 million over four years).



What taxpayers are saying...

One taxpayer told us that:

“since arriving in Australia I have always wanted to clear up the disclosure of income ... relating to our offshore assets”

and went on to say the...

“initiative has prompted me to act to close this issue out once and for all.”

The benefits of taxpayers coming forward and getting their tax affairs in order are not only financial – there is also that quality called peace of mind!

And they have done the right thing!



How you can support our tax system

Sometimes, you in the profession are in a position to alert us.

If you or your client are aware of a 'dodgy' scheme, we'd appreciate it if you contacted our offshore compliance program by calling 1300 132 346, or emailing offshorecompliance@ato.gov.au

Your confidentiality is assured and you can choose to remain anonymous.



Tax practitioners

Tax practitioners play an absolutely vital role in our system.

Your role is crucial in influencing voluntary compliance, by ensuring your clients understand their rights and obligations.

By supporting one tax practitioner, we can support and influence many taxpayers.

Our central strategy continues to be to support you through a genuine effort to have products and services which allow you to be self sufficient and by having the right information at the right time.



Some Quick Statistics on Services

The Tax Agent Portal revolutionised the way we work together with 80% of tax agents saying they spend less time contacting us because of the portal.

In 2006 our average monthly figures showed we handled:

- 90,000 tax professional website enquiries
- 240,000 legal database enquiries
- 3000 Register of Private Binding Rulings enquiries, and
- around 150,000 tax practitioner calls to call centres.



What our research of the profession shows...

- tax agents overall satisfaction with their work has risen from 40% in 2003 to 73% in 2007
- satisfaction with the range of Tax Office services has also increased from 39% to 78%.
- they are also indicating a more optimistic outlook, some 53% of respondents having increased the number of clients in the last 12 months.

Pleasingly:

- 96% of surveyed tax agents agreed that the information received from us helps them deal with the tax system, and
- 90% agreed that it is easier to deal with the tax system now than in the past.

At the same time there is a strong message that dealing with complexity in the legislation is impacting on the type of assistance needed.



Further improving our services

- more accessible help for discussing and resolving complex issues - trialling a specialist booking system for CGT issues
- updating the phone services card
- consultative forums in regional areas, and
- pilot an account manager approach with heavy users of our advice services.



Tax practitioner compliance

“The integrity of the tax system is best supported by the Tax Office, professional associations and tax agent boards working together to ensure professional and ethical behaviour.”

“In my opinion, the attractiveness and sustainability of the tax and accounting profession will depend on its levels of capability and standards.”

Commissioner Michael D’Ascenzo.



Tax practitioner compliance

- Tax agent integrity line opened February 2007 so tax agents can alert us to inappropriate activity or report unregistered tax agents (14 matters under investigation).
- Risk profile tax practitioners to identify and manage compliance risks and to support fair competition in the industry.
- Monitor activity that may indicate aggressive tax planning and investigate and refer for prosecution those few engaged in tax crime.
- Review tax agent compliance with personal tax obligations. At 30 June 2007 less than three per cent of the tax agent population have outstanding lodgements.



Conclusion

Covered two important aspects of how we are adapting our Compliance Program approaches in areas central to the good health of tax administration in Australia to:

- respond to the Australian community and business as it increasingly engages in the global economy, and
- support with relevant services and activities the ongoing effectiveness of the tax profession in the tax system.



Australian Government
Australian Taxation Office

Thank you.

Any questions?