



Commissioner's address to The Tax Institute's Tax Summit 2024

Commissioner of Taxation, Rob Heferen's address to The Tax Institute's Tax Summit 2024.

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*Rob Heferen, Commissioner of Taxation
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Thank you Scott for the kind introduction, and thank you to The Tax Institute for hosting a great event.

I'd like to acknowledge the Traditional Owners and Custodians of the land that we meet on, the Gadigal people here in Sydney, and the Traditional Owners of the lands of those joining virtually. I acknowledge the continuing connection to land, waters, and community, and pay my respects to the people, the cultures, and the Elders past, present, and emerging.

Returning to the ATO is a huge privilege for me. It feels full circle, coming back to where I spent an early part of my career.

To lead an organisation like the ATO, whose role in a fair and inclusive society is so important, is a career highlight.

Not least of all because it provides me the opportunity to speak to some of our most important partners in the tax system!

It is an honour to be able to join you all today and deliver my first Tax Summit address.

I'm pleased to see the number of ATO speakers across the Summit program, a sign that we're continuing to listen to each other, and will continue to work together to build solid foundations for the future.

The future really is what we make it. It's trite, but true. But in doing this, we can't disregard what we have learned from the past. To look back to move forward: a message I recently emphasised to my Senior Executive group.

As Commissioner, I haven't come to the Tax Office to put in place immediate change. This is because I am sure that before deciding if change can or should happen, it's important to listen and reflect. To listen to learn, and to absorb the expertise and perspectives of others. And, of course former Commissioner Jordan has left me an effective and high-functioning organisation.

And there is no doubt a huge amount of expertise, and many perspectives, in the room today.

There are some things I am pretty sure about, with as much confidence as one can have, that my time as a senior public service leader has taught me. But that doesn't mean I have all the answers.

Since re-joining the ATO, I've met with as many of my ATO officers as possible, to learn as much as possible.

I've also welcomed the opportunity to engage with many of our partners, including the tax profession, and I've seen our shared commitment to improving the taxpayer experience. After all, there is little benefit to a Tax Office that doesn't work collaboratively with those who interact with us. But we still have work to do.

I've heard from tax professionals at various events and through my attendance at our stewardship groups that while many things are working well there are things that have been difficult to navigate in the last year.

Client-to-agent linking and call wait times have both been raised with me as points of frustration. We have taken these concerns on board, and, where we can, we will continue to work with the profession to find productive ways forward.

One of the ways we will do this is through clear and consistent communication. I have acknowledged that our communication and correspondence hasn't always hit the mark and I am committed to improving this.

Part of improving is listening and consulting on what could or should be changed. We know that welcoming a range of views and perspectives helps us to make well-informed decisions and shape our

future services for the better. Whether that's consultation on **Public Advice and Guidance** or other avenues like the **Tax Practitioner Stewardship Group**.

These insights provide a valuable temperature check of the everyday experience of taxpayers and their agents.

Looking back to move forward

Having spent well over half of my career working on tax, including at the ATO in the mid-90s, I've witnessed a whole lot of change.

As an aside, I was actually keen to start at the Tax Office in the late 80s and even though I did get an interview for the Hobart office, I didn't make it into the grad program. I am planning to visit our Hobart office shortly, and I'll be sure to see if any of the panel members are still around. I'd welcome their feedback on what I should have done better!

The changes I've been privileged to be part of have been profound. These include:

- the hotly contested excise changes in the 1993 Budget
- the 1996 changes to the preservation rules for superannuation
- changes to the Wholesale Sales Tax, or WST, to combat the 'grave digging' from sales tax consultants
- changes to implement the consolidation recommendations from the Ralph Review. Then the changes to fix them. 3 times.
- changes to broaden the personal income tax base following the Henry Review, whose Secretariat I was privileged to lead
- leading Australia's work in the OECD's Base Erosion Profit Shifting program, or BEPS, and
- designing and legislating the Multinational Anti-Avoidance Law, or MAAL.

I was also fortunate to have worked on one of Australia's largest modern tax reforms, the introduction of GST. One constant with change is the need to grapple with the big questions – like where does bread end and cake begin? What's the precise role of sugar and yeast? How much does the packaging actually matter? These arguments tend

to get stale pretty quickly! And if you get the answer wrong, you're toast.

Dad jokes aside, amongst all the change, the ATO's core role remains the same. We exist first and foremost to collect tax. Being the nation's principal tax collector is not always an easy job but it's an important one. One that's fundamental to Australia's strong economy and society. Without the ATO doing its role, the rest of the government suffers (both commonwealth, state and territory), as does our broader society.

Our role has evolved over time, and we need to continue to respond to our environment.

It's only fitting that this year's Tax Summit is encouraging us to consider how we Frame the Future, but as we look ahead we won't be changing our commitment to ensuring you have the support – the reasonable support – you need to support your clients.

We talk a lot about 'the future' as though it is abstract or far away. But the decisions and changes we are contemplating today will shape the system for taxpayers to come.

This is never more evident than when we look back at the decisions that have been made since I was last at the Tax Office.

- In the 1990s, modernisation involved getting a computer on every desk. And former Commissioner Carmody pushed us to move from state-based branches to national business lines to align our approaches. Previously late lodgment fees, as an example, depended on which branch taxpayers lodged with. Michael realised that was unsustainable for a modern tax administration and so he insisted on change.
- In the 2000s, former Commissioner D'Ascenzo focussed on new technologies to transform the way in which the ATO offered its services to taxpayers. This included online access to information and the extension of electronic lodgment, also known as eTax.
- These decisions, and countless more we've made since then, have significantly enhanced the experience agents have with us today. You now have a more consolidated view of your clients online. Interactions are faster. And the improvement and integration of digital systems has broadened our service window.
- All the while our collections continued to grow in line with nominal GDP.

Put simply, we are dealing with a much larger and more complex tax system than we were 30-odd years ago.

We must always be turning our minds to the challenges and opportunities this large and complex system brings now, and in the decades ahead, while still delivering on our responsibilities in a way that meets government and community expectations.

Expectations of integrity

The ATO needs to serve the government of the day with a commitment to deliver on their priorities for the Australian community, and we need to do this with integrity.

The ATO must hold itself to a high standard of integrity. The community expects that from us. Recent events have shown that our partners in the system, tax professionals, must also match that level of integrity and trust.

The unfolding of the PwC scandal over the past 18 months, arising from 2016, has made it abundantly clear that public acceptance of behaviours that seek to game the tax system or circumvent taxes owed under Australian law, particularly by those seen as powerful or on the 'inside' will not be tolerated.

The system needs to be and be seen to be fair, and these behaviours did not meet the ethical standards that we all expect. They were rightly perceived as deceptive and ultimately unfair.

As an aside, a lot of the commentary in the Senate, the media and social media has been about the breach of a confidentiality agreement, and as egregious as that was, and I found it personally egregious, I would suggest that this should not be taken literally or exhaustively. It should be taken as shorthand for a range of community concerns.

Fundamentally, if someone has the privilege of being 'in the room where it happens,' with apologies both to Lin-Manuel Miranda and John Bolton, they should be bringing their best to the service of the Australian public. Not narrow, selfish and self-interested purposes.

The standard is a lot higher than just not breaching a confidentiality agreement or general ethical duties of confidentiality. It is a standard of contributing to laws in the best interests of the Australian public.

In terms of the biggest and richest participants in Australian society, there is now no admiration for the smartest schemes, but rather an expectation to act in a way that is consistent with their privileged position. When this expectation is not met, the disappointment extends to their advisors.

While these scandalous and deceitful behaviours were likely to only belong to a small subset, such behaviours have the potential to impact the community's confidence in the tax profession as a whole.

As regulators, we have a long memory, but of course the Australian public has an even longer one.

The fairness test for all of us is ultimately in how we respond to the expectations of the people we serve. And since commencing as Commissioner, I've seen a genuine willingness across your profession to respond with integrity, and I want to thank you for that.

Priorities now and into the future

I've been asked a lot, since my first day, what's next for the ATO? I've also been asked what my vision for the future is. I'm incredibly proud to be the 13th Commissioner of Taxation, and though I lead the ATO, the vision will not be mine alone. This will be something I work with others in the ATO to finalise over the coming months.

The ATO is over 100 years old and at its core it has one goal: to collect the taxes for the Australian Government to fund the services that Australians need. And, that is exactly what we will do.

We will collect the right amount of tax in accordance with the law in the most efficient way for the government and the taxpayer. And, we will do this in a way that is well-designed, tailored, transparent and easy.

This balance is reflected in our recently launched **2024–25 Australian Taxation Office corporate plan**. My first since becoming Commissioner.

Our 2024–25 plan outlines those things that are strategically important to us for the year ahead, but beyond that, calls out foundational pieces that will ensure we deliver into the future.

Strengthening debt collection

Central is strengthening our debt collection. We can't shy away from collecting the right amount of tax and we can't ignore our obligations under the law as Australia's principal tax collector.

In recent years, driven by former Commissioner Jordan, we've focussed on the taxpayer experience, on our digital systems and front-facing services. These have transformed the ATO for the better and we need to maintain them as well as maintaining our empathetic and tailored approach to delivering for the Australian community.

And, we will continue to do so.

However, largely due to adjustments through COVID, collectable debt is now over \$50 billion, with our broader debt book over \$100 billion, compared to total collections in 2023–24 of around \$600 billion. It's the largest it's ever been, and it's money that could be benefitting all Australians.

This debt is not disputed, most of it has been self-reported, and it's largely made up of amounts that have been withheld from employees' wages, and collected from consumers as GST – but not passed on to Government. Even more worryingly, it includes some employee entitlements, such as superannuation.

Unpaid tax and super contradicts a fair tax system. These are 2 things I will address.

Why now, you may ask? Well, it's our job to collect tax in accordance with the law.

Paying tax isn't optional and it's our responsibility to ensure a level playing field.

This is critical for supporting other creditors and businesses who are doing the right thing and paying on time, and who themselves can often be left out of pocket by businesses who aren't taking steps to manage their financial situation.

You can expect that we will be firmer and faster in dealing with unpaid GST, PAYGW and super. We have also tightened up on payment plans and general interest charge remissions, and will be looking closely at lodgment deferrals and penalty remissions, to reinforce the level playing field.

In all this I can assure you that we will treat people fairly and with respect, and we will act in a way that meets the community's expectations as outlined in our **taxpayer charter**.

You can help us and support your clients by encouraging them to meet all their obligations, on time.

Enhancing counter fraud measures

In recent years we have seen unprecedented levels of fraud attacks promoted to the community. These attacks are agile, prolonged, and persistent. The risk is amplified by global threats, organised crime, and increasing numbers of data breaches in the community.

Our focus on enhancing counter fraud measures has been bolstered this year through specific Government funding for our Counter Fraud Program over the next 4 years.

Under this program, we will continue to grow the capability and tools we need to respond to fraud in an agile and sophisticated way, collecting data and information to detect and address fraud in close to real time.

Our focus will be broad as we look for those seeking to game the system.

Sustaining multinational and large taxpayer performance

In the large market, the current and previous governments, have specifically funded us through the **Tax Avoidance Taskforce** to ensure the tax is collected, and the revenue protected.

The Government continues to invest in the taskforce, announcing in the most recent Federal Budget an extension of funding for 2 years from 1 July 2026.

This extension of funding demonstrates the taskforce's ongoing success.

The taskforce has not only helped secure \$32.4 billion in additional tax revenue in the last 8 years from the largest public and private businesses in Australia. But, importantly it has also secured increased future tax revenue by locking in the tax treatment of future years for a range of taxpayers.

The taskforce's reach is broader than just large public and multinational businesses. But, we know that the community is particularly interested in the tax compliance of these taxpayers.

Last financial year alone, our compliance efforts have directly secured \$3.6 billion in additional tax revenue from Australia's largest public and multinational businesses. When you add this to the additional \$6.4 billion secured in 2022–23, that is \$10 billion in additional revenue over the 2 years.

Importantly, not all of this is due to amendment assessments from audits. More than 50% of the additional revenue reflects increased tax paid as a result of our intervention in earlier years, embedding improved taxpayer behaviours now coming to fruition.

The tax performance of the oil and gas sector in particular, has contributed strongly to this result. A combination of business cycle and our intervention, now means that a number of oil and gas companies are amongst the largest taxpayers in Australia. The magnitude of these payments will become clear when we publish the corporate tax transparency report in late October.

We have confidence that most large businesses are doing the right thing and meeting their tax obligations.

However, given the importance of large corporates to our tax system and the complex interaction of tax laws with cross-border financial flows, we need to and do pay close attention to this market.

But for the minority that seek to operate outside Australian law we will continue to be well resourced to address priority tax risks as we seek to sustain multinational and large taxpayer performance.

Enhancing our cybersecurity

Beyond tax risk we are also focussed on the inherent risk that goes alongside being a digital business in 2024.

Cyber incident numbers are on the rise globally and recent history has shown that custodians of large citizen data sets are an attractive target for malicious actors.

On average, in any given month the ATO defends against 6.6 million cyber-attacks targeting our website, services and IT infrastructure. On average, we also block 4.2 million emails containing malicious content.

Our vast data holdings mean we will remain a target, and while our defence mechanisms are strong, we cannot become complacent.

We will continue to prioritise the strength of our systems, including how we detect and respond to cyber threats. And, we will continue to

enhance our cybersecurity posture.

Strengthening the value of data and digital and blueprinting a future small business digitalised tax experience

It's clear that through our key focus areas we have a large and ambitious agenda, but one that I am confident we will land. A critical piece of the puzzle involves bolstering our data and digital assets and reimagining future digital experiences.

I've spent a lot of time outlining where I want to see the ATO focus its efforts in the years ahead, but I am conscious you may be wondering where you sit in this vision.

Focussing on the tax profession is one of our core priorities. We want to strengthen our partnership with you to support the integrity and continuous improvement of the tax and super system.

We have a shared commitment to supporting taxpayers in meeting their obligations and we will continue to work with you through our two-way communication with you, including the Key Agent Program, Open Forums, stewardship groups and when we consult with you, for example when we issue draft Public Advice and Guidance.

Your role and your influence

As agents, you have a unique role and influence in the system. A different influencer, perhaps, than one might see on social media or streaming platforms. But you have influence nonetheless.

Now, if you're under a certain age a Kardashian might come to mind, or if you're in my demographic you might be thinking about the Beatles. And as the 'Taxman', albeit hopefully a much more reasonable version than is portrayed in the song, I am a greatly interested in the influential reach you have with the more than 19 million taxpayers, clients and partners in Australia.

Each of these have different requirements and outcomes they seek from the system. And a fair tax system is an entirely reasonable expectation.

We know that people are more inclined to engage with their own personal tax obligations when they perceive the system to be fair.

Which brings me to another group with great influence over perceptions of fairness within the system, large corporate taxpayers.

I spoke earlier about one of our key focus areas being sustaining large taxpayer performance. It's no secret that the income tax paid by large corporates is a significant contributor to Australia's balance sheet.

The latest **corporate tax transparency report** shows large corporates paid a record \$83.8 billion in income tax in 2021–22. This is a 22.2% increase from the previous year, and almost 50% higher than 2 years prior. As I mentioned earlier, we will be publishing the latest report in October which will likely show another strong year of tax collections increasing to another record high.

Our focus remains on supporting large corporate taxpayers to voluntarily comply with their Australian tax obligations, manage tax risks and minimise compliance costs. And, we have invested in a number of assurance programs to ensure we execute on this focus.

Through our findings and annual transparency reporting, we demonstrate our commitment to being open with the community about the data we hold, where the law allows us to do so.

While we will be releasing the latest reports shortly, I wanted to share a preview of our analysis for 2023–24.

- For public and multinational businesses:
 - In our top 100 program, as at 30 June 2024, 59% of taxpayers achieved high assurance for income tax. This is an increase from 52% in 2023.
 - And for the top 1,000 taxpayers, the trends we have observed towards positive improvements in tax compliance have also continued, with the number of taxpayers achieving high assurance increasing to 34% and those achieving low assurance decreasing to 6%.
- For private businesses:
 - For the top 500, we raised over \$552 million in liabilities in 2023–24.
 - Our reviews and audits revealed that many of the issues identified were from basic errors that would have been avoided if all top 500 groups had effective tax governance to manage their tax issues.

At the end of this month, we'll publish the inaugural Report of Data about Research and Development tax incentive entities. It will contain information about R&D entities that claimed the tax incentive for the 2021–22, including their name, ABN and total R&D expenditure claimed.

This report will show that there's a wide range of companies in many industries taking up the opportunity to unlock innovation and drive economic growth. By providing transparency of how much these companies are claiming, the report aims to improve public accountability and voluntary compliance.

96% of the R&D entities included in the report used a registered tax agent to lodge their company tax return.

Further demonstrating that as tax professionals, you're integral to ensuring the self-assessment system operates with integrity. Your clients are putting their trust in you. And so am I.

Conclusion

I've spoken a lot today about my priorities, where I see the points of influence in the system, and where our individual purposes can come together.

My commitment to you is that I will be a Commissioner who listens to feedback, whether that be public scrutiny, parliamentary inquiry, or directly from you.

In doing so, I will remain mindful that experiences within this big, complex tax and super system are vast and varied.

While it's necessary to design our system for the majority, in our quest to deliver products and services at scale to the community we cannot lose sight of those at the margins.

Whether that's Australians experiencing vulnerability or our partners in the system with a concern that requires genuine and real consideration. My door will be open.

What I will need from you is your commitment to knowing, understanding and using your influence in a way that benefits the system now and into the future.

Looking ahead, I am optimistic about our partnership with the tax profession, and I would like to thank you for your support so far.

Images

Rob Heferen, Commissioner of Taxation

QC 103002

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