



## Research for individuals and families

Access our research, insights and information for individuals and families.

### **Tax and individuals – not in business**



How the Australian income tax system works for individuals who are not in business and supports our social benefits.

### **Teaching tax and super to youth**



See findings, insights and outcomes of research we commissioned on teaching children about tax and superannuation.

### **Teaching taxation and superannuation at school**



Insights from the University of Canberra review of the case for teaching and learning about tax and super at school.

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## **Tax and individuals – not in business**

How the Australian income tax system works for individuals who are not in business and supports our social benefits.

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## **Key statistics for individuals not in business**

An effective tax system supports the social benefits we all enjoy in Australia. The key to an effective tax system is a high level of willing participation by the community. Participation is built on taxpayers valuing our tax system and having trust and confidence in the Australian Taxation Office (ATO) to administer it. We share our insights about the tax and superannuation systems to improve awareness and encourage more taxpayers to participate willingly.

Individuals are the largest community segment that interact with our tax system:

- In 2020–21, Australia had over 10 million individual taxpayers who were not in business and who lodged tax returns. These taxpayers earned their income from salary and wages, the sharing economy and investments.
- In 2020–21, income tax collections from all entities represented around 45% of all taxes.
- In 2019–20, over 94% of the income tax we collected from individuals not in business was paid voluntarily or with little

intervention from us through our **PAYG withholding system**. The majority who were required to lodge did so on time.

- In 2020–21, personal income tax amounted to \$215.2 billion. In that year we
  - collected \$156.1 billion in PAYG withholding and other credit entitlements
  - returned \$17.8 billion to individuals in tax refunds
  - issued \$6.4 billion in debit assessments to individuals who owed tax.

While we have robust systems in place to ensure that taxpayers report the income they earn from most sources, we are concerned about non-reporting of cash wages and errors made when claiming deductions. Although individual amounts of under-reported income and overclaimed deductions can be small, collectively across a large population they represent a significant amount of lost revenue.

We take our responsibility to the taxpayers of Australia very seriously. Here we outline the challenges we face and how we are improving the system to help taxpayers who want to comply, while taking firm action against taxpayers who choose not to. We hope this information provides you with a better understanding of how Australia's tax system is operating for individual taxpayers, who are not in business.

## **Who are individuals not in business**

Here we focus on individuals who are not in business – for example, taxpayers who earn income from salary or wages, investments, superannuation or Australian Government assistance payments and who don't have links to a business.

We define individuals not in business by separating individual taxpayers (who earn their income from salary and wages, the sharing economy and investments) from those who earn some or all their income from operating a business as a sole trader (including contractors) or through a related entity such as a partnership, company or trust. These taxpayers form part of our small business taxpayer group.

We also exclude individuals classified as belonging to **privately-owned and wealthy groups** who, together with their associates, control a net wealth of \$5 million or more. These taxpayers have distinct

characteristics, needs and obligations and are managed by our specialised area.

We have refined the population for the purposes of **estimating the tax gap for individuals not in business**. This adds around 500,000 additional taxpayers to our usual population.


## **Individuals population**

Nearly 20.5 million active tax file numbers (TFNs) were registered to individual taxpayers in Australia as at 30 June 2022. Of those, around 15.4 million were registered to individuals not in business.


Not all individuals registered for a TFN have an obligation to lodge a tax return. In 2020–21, there were around 13.1 million individuals not in business, and around 10.4 million who lodged their 2021 tax return.

## **Working with government**

We work together with other government agencies to maintain the health of Australia's tax and superannuation systems. Our role is to administer the tax law and key elements of the superannuation law and provide advice to the Treasury to support the development of tax legislative measures. We are also responsible for administering benefits, tax offsets and programs relating to a range of government policies, some in conjunction with other government agencies.

[The Treasury](#)  is responsible for the design of the tax system and its components, and retirement income policy, in relation to economic efficiency, equity, income distribution, budgetary requirements and economic feasibility.

Tax and financial professionals, along with the associations that support them, also play a key role in the tax system. They help individuals navigate the tax laws and assist them to meet their tax obligations.

[The Tax Practitioners Board](#)  is responsible for regulating tax agent services. The Board aims to assure the community that tax practitioners meet appropriate standards of professional and ethical conduct.

Individuals also have a role to play. We have a responsibility to contribute to public programs and community services by participating in the tax system, reporting correctly and paying the tax we owe.

Collectively, as stewards of and participants in the tax and superannuation systems, we all have something to gain by ensuring we work effectively together and remain sustainable and viable into the future.

## Characteristics of personal income tax system

The principles in the law for determining how much income tax a taxpayer needs to pay are relatively simple in theory but applying the principles in practice can be complex. This has been noted by various reviews of Australia's tax system.

A range of factors can influence a taxpayer's participation in the tax and superannuation systems. This includes making it easy to participate and being aware of the benefits for taxpayers to be compliant.

The personalised nature of **deductions** (types of expenses, threshold and apportionments, employment arrangements), **investment income**, **cost of compliance**, changing circumstances, income from sources other than salary and wages and interactions between other government systems, all contribute to the complexity involved in completing an individual's tax return.

We also know that personal circumstances, financial literacy and perceptions of fairness can affect attitudes and behaviour in complying with tax obligations.

We know that people are more likely to comply when it's easy for them to do so, and when they have confidence that others are complying too. For example, we know that the compliance behaviour of large corporate groups can affect community confidence in the system (see **Tax and Corporate Australia**). This can impact the intentions of other taxpayers to participate and report details correctly in their individual tax returns.

For this reason, we take a system-wide view of participation. We design products and services that make it easier for individuals to comply. We improve the effectiveness of the system and work to ensure that everyone pays the right amount of tax.

## Four pillars of compliance

We monitor the level of willing participation of taxpayers against the [Organisation for Economic Cooperation and Development](#)  (OECD)

four pillars of tax compliance framework:

- registration
- lodgment
- correct reporting
- on-time payment.

## **Correctly registering in the system**

We are confident that individuals who should be registered are registered. There are strong incentives for people to obtain a tax file number (TFN) and register in the system because:

- Under the pay as you go (PAYG) withholding system, taxpayers who choose not to quote their TFN to employers and other payers may have tax deducted from their income at the highest marginal rate.
- Most Australian Government assistance payments require people to quote their TFN.

## **Lodging tax on time**

Not all individuals registered for a TFN have an obligation to lodge a tax return. Some are newly registered, others are age pensioners and some have permanently left Australia.

Other taxpayers are not required to lodge for a particular year. They may have earned income below the tax-free threshold or have only received welfare income.

However, there are also people who do have an obligation to lodge, but do not. We risk assess individuals who fail to meet their lodgment obligations and follow up on those who present a risk to tax revenue. These people, coupled with those who do lodge, form part of our lodgment population.

There has been a gradual improvement in the on-time lodgment of tax returns for individuals over the past 5 years. This indicates our compliance strategies used to influence lodgment behaviour have been successful if only incrementally.

Late or incorrect lodgments delay the collection of revenue or the payment of tax refunds. They can also affect other whole-of-government obligations that rely on income tax assessments, such as

Higher Education Loan Payment (HELP) compulsory repayments and child support payments.

Some people, including those who are due a refund, are not meeting their obligation to lodge a tax return. We use data-matching evidence to identify taxpayers with a requirement to lodge because we can see they have received income. For people who don't lodge on time, we make early contact by sending a letter or SMS text message to remind them of key dates and encourage them to lodge without further delay.

Where we see taxpayers with more than one lodgment outstanding, we make contact in person, tailoring our conversations to guide them back on track. For people who continue not to lodge we take firmer action, which may include default assessments, failure to lodge penalties or referral for prosecution.

We work with Services Australia to pursue outstanding tax returns of child support scheme clients. These lodgments provide a determination of income for child support payment purposes. Where the taxpayer may be entitled to a refund, this can (in the most serious of cases) be garnisheed to meet any outstanding child support debts.

## **Reporting complete and accurate information**

We undertake a range of activities aimed at preventing non-compliance. We do this across the individuals population generally, and through direct action with people we consider higher risk.

While our emphasis is on helping people willingly comply, we also act to protect the integrity of the tax system and ensure everyone pays the right amount of tax.

All tax returns are subject to systematic validation checks. The information reported is matched with **third-party data** and compared against various risk indicators. This is to identify errors and irregularities for specific groups, such as occupations and industries, the workforces of specific employers, and some types of investors. We also support tax agents by providing them with a work-related expenses 'risk picture' customised to their client base.

Our approaches range from low-touch interactions like providing advice and guidance products, through to tailored correspondence such as prompter letters and nudges, increasing to more intense interventions like audits and prosecutions.

In areas where we can rely on complete and accurate third-party data to pre-fill returns and verify claims, the instance of non-compliance is reduced. Where there are discrepancies, they are usually quick, simple and inexpensive to correct. In these areas (such as for many income items), compliance functions can be largely automated.

In areas where third-party data is unavailable or incomplete, the cost of compliance increases. In these areas (such as for most deduction items) the inability to pre-fill or automatically verify claims means the cost of compliance is higher, both for us as administrators and for the taxpayer involved.

As we work towards [reducing the tax gap](#) for individuals, we will continue to evaluate our investment in the individuals segment, in light of advances in data and technology, changes in the employment market, and emerging risks and shifts in compliance behaviour.

## **Paying tax on time**

Most of the income tax payable by individuals is collected during the year under the PAYG withholding system.

For more information on PAYG withholding trends, see:

- PAYG withholding gap – latest estimates and trends
- Pay as you go statistics

## **Tax debt for individuals**

We are conducting research to better understand why people get into tax debt, how we can support them and what we can do to prevent it. Anecdotal evidence suggests there are 4 key drivers of tax debt for individuals:

- prioritising tax debts below more critical living expenses
- fluctuations in income and unexpected tax liabilities
- the time lag between accruing a liability and when payment is due
- limited awareness of tax debts or payment options.

We aim to help individuals manage and pay their debts by sending SMS text reminders, letters or phoning them. People that have difficulty paying their tax debt can enter into a payment arrangement.



Where debt is an issue, we encourage people to contact us early to find a solution that is workable for all involved.

To reduce the number of interactions people have with us, we have started to include a discussion about debt payments when finalising a review or audit. Where debts remain unpaid, we take firmer action to prevent those taxpayers gaining an unfair financial advantage over the majority that pay on time.

For more information on our initiative on tax debt help, see [Help with paying](#).

## **How individuals perform against the four pillars of compliance**

We consider these performance elements in conjunction with indicators of public perceptions.

Based on our knowledge of how the system operates in practice:

- the majority of individuals who should be registered in the system are registered – although the growing instance of identity fraud is concerning
- while the on-time lodgment performance of individuals is improving, some individuals (including those who are due a refund) are not meeting their obligation to lodge a tax return or are doing so late
- most individuals report the right amount of income, although we have concerns about non-reporting of cash wages and many are still making errors when claiming deductions (including those lodging through tax agents).

The majority of individuals think ATO is fair and professional in administering the tax and superannuation systems and we are continually working to improve community perceptions.

## **Tax gap**

The tax gap is the difference between the tax payable according to law and the tax actually reported from taxpayers in a given period. The vast majority of tax due is paid voluntarily and audit activity collects some of the remainder. What is left uncollected is known as the tax gap.

The information we gather from the **individuals not in business tax gap** work is giving us a better understanding of compliance in this segment. In turn, these insights will help us better tailor our compliance strategies, products and services so we can improve the way individuals experience the tax system and **reduce the gap**.

The community expects us to manage all aspects of the tax and superannuation systems, including advising on tax gaps, what is driving them and what we are doing about them. Estimating tax gaps is consistent with contemporary international best practice in tax administration.

Our tax gap estimate for individuals is informed by our **random enquiry program** that provides data to give us a reliable and credible estimate of the income tax gap for individuals not in business.

## **How we measured the tax gap for individuals**

To measure the tax gap for individuals not in business in 2021–21, we drew on operational data for specific compliance risk areas, for example, failure by employers to withhold, non-lodgment and non-payment of debts. We then combined this data with findings from the random enquiry program to estimate the difference between the amount of tax individuals report and the amount we expect if every individuals was fully compliant with the law.

Tax gaps can be split into 2 components:

- gross gap – the difference before active compliance activities are taken into account
- net gap – the difference after active compliance activities are taken into account.

Our ultimate goal is to reduce the gross tax gap to a minimum, by increasing willing participation, noting that a zero tax gap is not practically achievable. No regulatory agency is resourced to eliminate the gap completely.

Tax gap estimates and their trends over time provide useful insights into the longer-term operation of the tax and superannuation systems. Along with other measures, they tell a story about the performance and integrity of the system, including levels of willing participation and significant shifts in compliance.

## **Our primary concerns**

The tax gap, for individuals not in business is primarily influenced by incorrectly claimed **deductions**, particularly for **work-related expenses** and **rental expenses**. Mistakes are more prevalent in tax agent-prepared than in self-prepared returns. Omitted income, particularly cash wages and income from the sharing economy, also contributes to the tax gap.

Incorrectly overclaimed deduction amounts tend to be small for each individual. However, this trend is concerning as:

- small incorrect amounts claimed by this large population add up, to significantly effect the tax revenue available to fund programs benefitting our community
- it indicates some individuals and tax agents are unclear about what deductions they can claim and the operation of the substantiation rules, or perceive it is acceptable to bend the rules
- incorrect calculations of taxable income resulting from overclaimed deductions can affect the accuracy of credits and offsets.

While there are a number of factors contributing to the issues we see, our ability to effectively administer deductions is limited by a lack of **third-party data** to verify claims and provide pre-fill information in tax returns.

The community expects taxpayers to lodge their tax returns and pay the right amount of tax, however many taxpayers are not getting their deduction claims correct.

Working in partnership with the tax profession and the community, we have increased the understanding of when a claim can be made and the records needed to verify claims.

Find out more about the **Individuals not in business income tax gap**.

## **We are an active and capable regulator**

We have increased investment in the individual taxpayer segment. We continue to build the capability of [our staff](#) to improve the experience for taxpayers and their tax agents.

We have long maintained a focus on recent developments in [data and technology](#). Along with insights gathered from our tax gap work, we are highlighting areas requiring extra attention.

To address these, we have increased our investment in [design and consultation](#) to build the capability of our staff and systems to improve and [influence community attitudes](#) towards the tax system.

## **ATO staff**

Our ATO workforce that is focused on individuals is more informed and enabled than it has ever been.

We continue to build on a highly capable workforce of over 900 staff dedicated to assisting and assuring the tax compliance of individuals and their tax agents. These experts are allocated to roles ranging from help and education, through to audit, prosecutions and debt management for this segment.

We have developed the skills of staff working with new technology and digital systems. We have improved our internal systems to give staff better visibility of a taxpayer's history of ATO interactions. This enables us to provide a more responsive and holistic service to taxpayers and tax agents.

## **Technology and data**

Given the number of individuals in the tax system, our success depends on our ability to use data in sophisticated ways and provide taxpayers with digital services that make it easy for them to comply and hard not to. We do this by simplifying and automating our processes wherever possible, and by pre-filling information about income and tax offset entitlements to prevent errors upfront.

Preparing a tax return has evolved from a paper and post activity to the use of electronic lodgment channels and the introduction of pre-filled data. Our ability to receive, match and pre-fill large volumes of data from third-party providers, particularly in respect to income, allows us to share the information we hold about an individual's tax affairs with them or their tax agent, before they lodge. This results in a better experience for our taxpayers and facilitates self-regulation.


We have worked with data providers to extend our data sources, expand the range of information available through our pre-filling services and obtain data more quickly following the end of the income year. This means we can provide a more complete pre-filling service sooner for individuals.

For example, in Tax Time 2022, we offered 98,000 taxpayers with simple tax affairs who prepared their tax themselves, with the option of an automated or 'push' assessment. Taxpayers who chose to participate were not required to complete a tax return. We simply issued an assessment notice along with their refund. This initiative proved to be positive for participants. In future, we aim to simplify the lodgment process for individuals with straightforward affairs, making it easier for taxpayers to meet their tax obligations on time.

We will continue to expand our use of data and technology to streamline processes, keep pace with community expectations and ensure integrity in the tax system.

## **Design and consultation**

We are committed to **consultation** and co-design as a means of improving the administration of Australia's tax and superannuation systems. Our products, processes and systems are created and refined in collaboration with experts, designers and users to ensure they are useful, usable and desirable.

Our consultation framework includes **tax practitioner** and **individuals** stewardship groups, as well as special purpose working groups, topic and industry-specific collaborations and [ATO Community](#)  online engagement sites.

We also provides insights to government and the Treasury about potential opportunities for statutory law reform to improve the design of the tax system. We do this when the law is difficult for both taxpayers and us to apply, which can increase compliance costs. In addition, we suggest where the law can be strengthened to allow us to more effectively deal with compliance risks.

## **Influencing community attitudes**

There are many factors that influence a taxpayer's attitude towards the tax system. But in our experience, taxpayers are more likely to comply when they trust that the system is fair and have confidence that others are complying too. For this reason, we balance our efforts across all segments of the population to make sure everyone, and every business, pays the right amount of tax.

To be transparent about our work, the Commissioner of Taxation regularly reports to the government and the community on our performance in the **ATO's annual report**. We also work collegiately with

a range of independent scrutineers and appear regularly at parliamentary hearings to answer questions in relation to our decisions and performance.

We contribute to public debate where appropriate through the media, and host and participate in online discussion forums. The Commissioner, along with other ATO representatives, other government agencies and the tax profession, speak publicly at events and gatherings throughout the year. We measure community perceptions and the level of willing participation. We share information about our approaches and what we see occurring in the tax and superannuation systems.

## **Focusing on prevention before correction**

It is universally recognised that getting the right amount of tax paid in the first place is the most efficient way to operate a tax system from all perspectives, including the cost to the taxpayer.

We take a proactive approach to help individuals get their tax right from the start. However, a fair and balanced system requires both preventative and corrective action, in the right measure.

In a market as large as individuals, an effective way to reach taxpayers is often through an intermediary. We leverage our compliance approaches – from help and education through to reviews and audits – through tax agents and employers, tailoring them to address similar needs and compliance behaviours. We do this in the following ways:

- [Providing advice and guidance](#)
- [Working with the tax profession](#)
- [Supporting employers](#)
- [Facilitating self-regulation](#)
- [Supporting those who need more help](#)
- [Providing superannuation education](#)
- [Detecting and dealing with non-compliance](#)
- [Resolving disputes](#)
- [Protecting the integrity of the system](#)
- [Instigating prosecution action](#)

## **Providing advice and guidance**

To make it easier for individuals to understand how the law applies to them, we provide easy-to-understand guidance material and tools on our website. Examples include work-related expenses videos, occupation-specific guidance on allowable deductions and tax offset calculators, and Alex our website's virtual assistant. We also provide public and private rulings for particular topics and circumstances.

We use mainstream and social media to remind individuals of the need to lodge and correctly report their tax information to us using myTax or a registered tax agent. We also issue email prompts throughout the year to alert taxpayers to issues. We remind them of tax-related events that may require reporting and provide information to help them get their tax right.

## **Working with the tax profession**

Tax professionals play a critical role in the tax and superannuation systems. To support them, we provide tax agents with access to information we hold about their taxpayers' tax affairs in a secure way, and electronic tools and services such as the **practitioner lodgment service** to make it easier for them to lodge information with us. We also provide tax agents with work-related expense 'risk pictures' that are customised to their taxpayer base, to help them understand our view and where they can take steps to reduce risk.

We recognise and support tax agents who show good practice management, lodge electronically and consistently lodge on time. We help these agents to smooth the cyclical peaks in their taxpayer workload through a program that accommodates lodgment over a 12-month period.

The administration of the tax and superannuation systems will change in the coming years as we and the tax profession continue to modernise. We have established a working group to better understand the future role of the tax profession in the system. We are looking at opportunities to collaborate more effectively to achieve better outcomes.

## **Supporting employers**

As most of the income received from individuals not in business is from salary or wages, employers also play an important role in the system.

We provide guidance on our website and tools, to help employers determine the employment status of their workers and meet their PAYG withholding and super guarantee payment obligations. We also work with employers and industry representatives to design tailored guidance material such as fact sheets to help employees understand their obligations.

The introduction of Single Touch Payroll has modernised how we interact with employers and means they can easily report PAYG withholding and superannuation information to us directly from their payroll solution at the same time they pay their employees.

For employees, Single Touch Payroll allows timely visibility of tax withholding amounts and payments including salary and wages, allowances, deductions and super through myTax.

## **Facilitating self-regulation**

For individuals who choose to self-prepare their tax return using myTax, we pre-fill as much data as we can to minimise errors. We also provide a web chat service for taxpayers using myTax to help them complete their returns. We use pre-lodgment prompts such as myTax nudge messages and advisory letters to encourage taxpayers to accurately report information in their returns and lodge on time.

Taxpayers can use the **myDeductions** function on the **ATO app** to keep records during the year and upload these to their myTax return or send them to their tax agent. We also provide guidance material on allowable deductions for specific industries and occupations to better reflect today's employment market.

We help individuals manage their tax debts by sending SMS payment reminders, letters or phoning them.

## **Supporting those who need more help**

We offer contact centre and face-to-face services including the **Tax Help program** where ATO volunteers help low income taxpayers prepare and lodge their tax return online.

We also hold tax time pop-up shops in community and shopping centres to help taxpayers with general enquiries and the transition to digital services. Additionally, we provide services through Services Australia as a myGov member agency to assist taxpayers to understand and meet their tax obligations.



We know that taxpayers sometimes make mistakes. Therefore, if we find an inadvertent error in particular tax returns, we will not apply a penalty. Instead, we will show the person where they went wrong and how to get it right next time.

To support tax agents, we visit practices and host professional events to provide tailored help and support including updates about law changes and issues that require attention.

## **Providing superannuation education**

We help the community understand their **superannuation** entitlements through our education and communication initiatives. Our **YourSuper comparison tool** helps assist taxpayers to compare and choose super funds that meet their needs.

We provide information and examples on our website to help the community understand changes to the income threshold for super contributions. We outline when the **Division 293 tax on concessional contributions** may apply to high income earners.

We help reunite taxpayers with their lost or unclaimed super through marketing campaigns, including on social media. We publish lost super by postcodes, providing super funds with updated contact details for their lost members and encouraging individuals to access ATO services through myGov.

## **Detecting and dealing with non-compliance**

We use data-matching evidence to identify taxpayers with a requirement to lodge and systematically check all tax returns. Sophisticated analytical models can identify individuals who are making errors or displaying higher-risk behaviour and may need increased assistance or attention from us to get things right.

Where our analysis indicates patterns of errors or irregularities for:

- an individual's tax return – we bring them to the attention of the individual or their tax agent, and work with them to amend the assessment
- a cluster of individuals employed by the same employer or in the same industry – we work with employers and industry associations to understand why this is occurring and address any misconceptions about how the rules apply to individuals in these circumstances.

We will continue to focus our corrective compliance efforts on the highest risks to the integrity of the system including individuals who:

- are not lodging tax returns, including those with the financial capacity to meet their child support payments
- display higher risk behaviours when reporting information in their tax return, such as under-reporting income and overclaiming deductions
- are not paying their tax debts.

We also maintain a focus on higher risk tax agents who display unacceptable behaviours such as:

- exaggerating or falsifying deduction claims to retain or increase their market share
- committing fraud against the Australian Government or their taxpayers, intentional and sustained misreporting, and taking positions contrary to established law.

We have strategies in place to identify and closely monitor these agents. Our interventions include education, additional reporting and reviews and audits of their taxpayer base. Where we see evidence of a breach of the *Tax Agent Services Act 2009*, we refer the agent to the Tax Practitioner's Board. We also follow up on information provided by the community and other practitioners to protect the community, tax profession and integrity of the tax system.

In addition, we pay close attention to employers to ensure they report the correct amounts of PAYG withholding tax. We take action where we see employers avoiding their tax and super responsibilities by improperly treating workers as contractors. This behaviour undermines the tax and superannuation systems, can adversely affect workers that are employees by law and creates unfair competition for honest employers.

## **Resolving disputes**

Individuals who disagree with a decision we have made about their tax affairs have the right to have the decision reviewed. While taxpayers have a right to object to amended assessments made by us, only a minority of individuals (including those in business) with amended assessments do so. Of these, the majority are resolved as a result of facilitation. We aim to approach disputes in a fair, efficient and

respectful way and recognise that resolving disputes early, and as quickly as possible, lowering costs for both taxpayers and us.

We encourage individuals to use our free in-house facilitation service to resolve disputes. We also offer a **Dispute Assist** service for vulnerable unrepresented individuals such as elderly taxpayers and those dealing with family illness, domestic violence or mental health issues.

Where individuals object to an amended assessment from us, we seek to resolve the objection as quickly as possible. Depending on the nature of the objection and the taxpayer's circumstances, we may agree to a settlement or proceed with litigation.

## **Protecting the integrity of the system**

While we focus our efforts on preventing non-compliance, as administrators it is also our role to protect the integrity of the Australian tax system and ensure everyone pays the right amount.

We take firm action against taxpayers who intentionally falsify information on their tax returns including penalties or prosecutions in serious cases. In conjunction with partner agencies, we target taxpayers who profit from criminal activity and work to protect taxpayers from fraudulent activities.

Refund fraud occurs when taxpayers make false claims in tax returns to obtain a refund. We use analytical models to assess tax forms and share data and intelligence with our partner agencies to detect and prevent fraud.

We identify, monitor and respond to TFNs that have been (or appear to be) compromised by fraudulent activities. Confirmed cases of compromised TFNs have increased from 6,697 individuals (including some in business) in 2014–15, to 21,626 in 2020–21. This rise is due to significant increases in digital and online interactions, and subsequent higher instances of identity theft and cybercrime. We encourage taxpayers and tax agents to safeguard their personal information and apply extra security measures to protect affected taxpayers. These may include enrolling a voiceprint or applying a password to ensure taxpayers can continue to interact safely with the tax system.

We provide information on our website to help taxpayers identify and **report a scam**. We issue messages warning the community about specific scams as they emerge and encourage all taxpayers to protect

their personal information. Where a person's identity has been stolen, we provide support services, so they can continue to engage in the tax and superannuation systems.

Aggressive tax planning schemes seek to allow participants to inappropriately obtain concessions or other tax benefits. We issue communications and offer education programs to discourage individuals from participating in these schemes.

For more information on fraud, see:

- [If you are a victim of tax fraud](#)
- [Data breach guidance for individuals](#)

## **Instigating prosecution action**

Criminal prosecutions play an important role in helping us to maintain the integrity of the Australian tax system and ensure taxpayers meet their tax obligations. They are only used in the most serious cases.

Generally, we instigate prosecution action to pursue tax administration offences in response to repeated non-compliant behaviour over a sustained period of time. This may include continually ignoring our requests to lodge a tax return or disregarding our advice and deliberately lodging returns with false or inflated claims.

## **Measuring community perceptions and participation**

Like most administrations, we rely on a range of performance indicators to measure the health of the tax system. While direct revenue collections tell an important part of the story, we are also interested in how our interventions affect compliance behaviour over the longer term.

Collectively, our measures offer rich insights that guide us in determining priority risks and opportunities as well as how best to invest our resources.

We do this by assessing [community perceptions of fairness](#), [willing participation](#) and [total revenue effects](#).

## **Community perceptions of confidence**


We regularly conduct surveys and measure ourselves against performance targets to ensure our interactions with taxpayers build trust and confidence in the tax and superannuation systems and foster willing participation. In 2018–19 we introduced a confidence measure aligned to our 2024 aspiration of building trust and confidence.

Our latest survey results show that perceptions of the ATO are much more likely to be favourable than unfavourable. They also indicate that recent contact with us has a positive influence on wider perceptions of us. Nevertheless, we know there is always room to improve. We are constantly working to build community trust and confidence in our administration, across all our service areas.

## **Community beliefs, attitudes and social norms towards tax compliance**

We are engaging with the community to promote the value of the tax and superannuation systems. We are challenging commonly held misunderstandings and working to increase public trust and confidence in our administration of these systems. By publishing [Australian tax gaps](#), we aim to contribute our perspective to the community debate.

## **Willing participation**

We align with Organisation for Economic Co-operation and Development (OECD) best practice guidance, such as [Measures of Tax Compliance Outcomes – A practical guide](#) . We use estimates of tax gaps, audit yield and wider revenue effects to evaluate the impact of our prevention and correction strategies on the level of willing participation of individuals over time.

## **Total revenue effects**

Total revenue effects are a measure of the revenue we collect as a result of our compliance interventions including audits, other direct interventions and improvements to the design of the tax administration process. Here, we separate these collections into audit yield and sustained compliance.

## **Tax assured**

Tax assured is the proportion of tax paid that we are confident is correct. For individuals not in business, third-party data matching provides us with a high level of confidence that income shown at

particular return items is correct. However, we do not have the same ability to assure information relating to deductions and some offsets. As the quantity and quality of data we collect improves, we expect the amount of revenue we deem to be 'assured' will increase.

QC 56219

## Teaching tax and super to youth

See findings, insights and outcomes of research we commissioned on teaching children about tax and superannuation.

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## Background

In 2018 we commissioned independent research company Kantar Public to undertake a community research study to determine the following:

- What are the current levels of awareness, behaviour and perceptions regarding the teaching of tax and super to children?
- What strategies will be most relevant and effective in supporting parents and the wider community in teaching children about tax and super?

Existing research shows that young Australians' knowledge of tax and super is low, particularly in relation to the purpose of tax, the ability to complete a tax return and how to seek help about tax and super. For this reason, we engaged Kantar Public to conduct research to inform the development of strategies, interventions, communication campaigns and tools to support the teaching of tax and super to children.

Our aim is to develop a youth education strategy that ensures an accurate understanding of and willingness to participate in Australia's tax and superannuation systems. This research provides us with a detailed insight into community sentiment and perceptions about the teaching of tax and super to children as well as the associated role that parents and the wider community play.

## **About the research**

To ensure a thorough investigation of the research objectives, Kantar Public delivered a multi-modal research approach, incorporating both qualitative and quantitative elements. The qualitative research involved:

- 4 focus groups with parents of secondary school students in Sydney, Melbourne and Toowoomba
- 6 in-depth interviews with members of parents and citizens associations across Australia (Vic, Tas, Qld, ACT, SA and WA).

The quantitative phase comprised a 15-minute online survey of 1,506 Australians, including 1,005 parents (with at least one child at school) and 501 wider community members (with no children at school). All fieldwork was conducted in May and June 2018.

## **Key insights**

The research found the following 4 key insights.

### **Insight 1**

There are relatively low levels of knowledge and confidence among parents about finances, and in particular tax and super:

- Only half of parents (49%) admit to knowing 'a great deal' about their personal finances.

- One in 5 Australian parents report knowing little to nothing about the Australian taxation system and super (19% tax and 20% super).
- One in 5 Australian parents don't feel confident explaining tax and super to their child (18% super and 19% tax).
- Over half of parents (54%) report to have not had any discussion around tax and super with their child. However, parents with at least one child in secondary school are significantly more likely to have discussed both tax and super than primary school parents (40% and 13% respectively).
- There are low levels of awareness of tax and super being taught in schools – only 7% of parents are aware of superannuation education, while 13% are aware of tax education.

## Insight 2

There is very strong importance placed on educating students about tax and super:

- 9 in 10 parents and wider community members think education on tax and super is important (tax: 88% parent and 86% wider community; super: 90% parents and 87% wider community).
- Education on these topics is understood to extend beyond financial benefit to the individual, by ensuring a more financially literate population who will in turn be less reliant on government welfare. Education about the system as a whole is considered to provide students with a holistic understanding of their duty as a citizen and position in society.
- Education about tax and super is considered to be an essential life skill. It was recognised that the consequences of no education on these topics would lead to poor financial decisions and, in some cases, limited financial security.
- It is widely agreed that education about tax and super should be the responsibility of both parents and schools
  - 7 in 10 parents (73%) and members of the wider community (59%) believe parents at home should be responsible for teaching children about tax and super
  - 7 in 10 parents (68%) and members of the wider community (71%) believe teachers and schools should be responsible for



teaching children about tax and super.

- While there is agreement about the shared responsibility for education, 90% of parents and 94% of wider community members agree that relying on parents to teach their students about tax and super is inequitable for children as not all parents are equally knowledgeable.

### Insight 3

There is almost universal support for the inclusion of education about tax and super in the school curriculum:

- The majority of parents and wider community members (95%) think learning about tax and super should be included in the curriculum. Further to this, parents and wider community members (both 87%) think education about tax and super should be compulsory.
- Of those who think education about tax and super should be compulsory, 80% of parents and 88% of wider community members maintain education should be compulsory even if it meant replacing an existing item in the curriculum.
- The most common year for introducing education about tax and super was considered to be Year 10 – it was seen to have the highest relevance to children at this age as they often commence working.
- However, on prompting, the majority of parents and wider community members support the inclusion of education in primary school (80% parents and 78% wider community). In particular, Year 6 was seen to be an appropriate time to overtly introduce the topics of tax and super, with the potential for it to link with a government unit and trip to Canberra.
- 4 in 5 parents (78%) report how and why Australians pay tax is the most important lesson for students to learn about tax and super, followed by why super is important (75%). Interestingly, parents from a higher socio-economic background placed greater importance on learning about the concepts about tax and super, while lower socio-economic status (SES) parents stressed the importance of learning practical information (such as how to get a TFN).
- The most popular format for delivery of tax and super education is through a separate 'life skills' subject (61% parents and 60% wider

community). Indeed, projects such as a 'mini-business' and teacher directed learning are reported as the most popular options for engaging students.

## **Insight 4**

To ensure that support for the inclusion of tax and super education in schools is optimised, it is essential to start a conversation with parents and the wider community.

The qualitative research demonstrated that the perceptions of parents towards tax and super changed over the course of the focus group. As the discussion progressed, parents became increasingly aware of the importance of educating their children about tax, super and finances more broadly.

This increased urgency was also evidenced in the quantitative research, suggesting that encouraging a public conversation about incorporating education on tax and super in schools will be beneficial to gaining momentum for this cause.

## **Findings**

Other key findings from the research participants include the following:

- Only half of the parents (49%) know 'a great deal' about their personal finances.
- One in 5 parents know little to anything about the Australian taxation system and super (19% tax and 20% super).
- One in 5 parents don't feel confident explaining tax and super to their child (18% super and 19% tax).
- Over half of the parents (54%) have not had any discussion around tax and super with their child. However, parents with at least one child in secondary school are significantly more likely to have discussed both tax and super than primary school parents.
- There are low levels of awareness of tax and super being taught in schools – only 7% of parents are aware of superannuation education, while 13% of parents are aware of tax education.
- 9 in 10 parents and wider community members think education on tax and super is important (tax – 88% parents and 86% wider community, super – 90% parents and 87% wider community).

- It is widely agreed that education about tax and super should be the responsibility of both parents and schools.
- 7 in 10 parents (73%) and members of the wider community (59%) believe parents at home should be responsible for teaching children about tax and super.
- 7 in 10 parents (68%) and members of the wider community (71%) believe teachers and schools should be responsible for teaching children about tax and super.
- The majority of parents and wider community members (95%) think learning about tax and super should be included in the curriculum. Parents and wider community members (both 87%) think education about tax and super should be compulsory.

## **How the research will be used**

The research findings and insights are overwhelmingly positive. They will help us build a case for curriculum changes to have tax and super taught in schools.

This research also supports the potential for all Australian children to become knowledgeable and confident about tax and super. Improving financial literacy will help prevent future strain on our economy.

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