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Private health insurance statement – 2014–15 to 2027–28 data-matching program protocol

This protocol contains information about the private health insurance statement data-matching program.

Last updated 8 December 2022

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About the private health insurance statement data-matching program

About the private health insurance (PHI) statement data-matching program objectives and guidelines we follow.

Last updated 8 December 2022

Program objectives

Our data-matching programs help taxpayers comply with their tax and super obligations. It also helps us to detect fraud.

The objectives of the PHI statement data-matching program are to:

- promote voluntary compliance and increase community confidence in the tax and superannuation systems
- assist taxpayers with their reporting, by pre-filling tax returns with PHI statement data
- speed up processing of income tax returns by making the PHI statement data available in our online services
- identify taxpayers who are entitled to claim the private health insurance rebate (PHIR)
- identify the taxpayers who have to pay the Medicare levy surcharge (MLS)
- gain insights to help develop and implement strategies to help improve voluntary compliance; strategies may include educational or compliance activities
- identify and educate individuals who can't meet their registration or lodgment obligations and assist them to comply
- help ensure individuals are meeting their tax and superannuation obligations.

Data-matching guidelines

The PHI protocol outlines our use of PHI statement data from 1 July 2014 to 30 June 2028.

The PHI statement data-matching program follows the Office of the Australian Information Commissioner (OAIC) Guidelines on data matching in Australian Government administration (2014).

These guidelines help us, and other government agencies use data matching as an administrative tool in a way that:

- complies with the Australian Privacy Principles (APPs)

- complies with the Privacy Act 1988 (Privacy Act)
- is consistent with good privacy practice.

Why we look at this data

Your private health insurance statement provides information about your PHI premiums and private patient hospital cover.

We collect PHI statement data to pre-fill your health insurance details in your tax return when using our online services.

The PHI statement data-matching program helps us to identify if you:

- have to pay the Medicare levy surcharge (MLS) liability where
  - you, your spouse, or dependent children don't have an appropriate level of private patient hospital cover
  - your income is above a certain amount
- are eligible for the Private health insurance rebate (PHIR) where you
  - are a PHI beneficiary of a compliant PHI policy
  - are eligible for Medicare
  - meet the income for surcharge purposes test.

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Private health insurance statement data

About private health insurance (PHI) statement data and what we do with the data we collect from the program.

Last updated 8 December 2022

Private health insurance statement data overview

Private health insurance (PHI) statement data is available to taxpayers. We use it to pre-fill their health insurance details in their tax return when using our online services.

Pre-fill information

PHI statement data is available to:

- tax professionals through
  - the pre-filling report in Online services for agents
  - Practitioner Lodgment Service (PLS) through Standard Business Reporting (SBR) enabled software
- individual self-preparers through myTax.

If your pre-filled information is out of date, you can update it with the correct information. If you think the pre-fill information is wrong, contact the organisation that provided the information to resolve any differences before you lodge your return.

If you need to query a PHI statement pre-fill amount, contact us.

When we seek verification from you

We undertake automated checking to ensure you provide correct PHI statement information.

When you lodge your return, we may need to verify PHI information you provide if we identify discrepancies. We will contact you by phone, data-matching letter or email. You will have up to 28 days to verify the accuracy of the information before we undertake administrative action.

Correcting information

In limited circumstances, we may correct the PHI information you provide without verifying the information with you. We do this when we believe you have misunderstood your PHI statement or may have incorrectly complete your return. We may change the tax return with the correct PHI statement data that is available to us.

If you disagree with the decision we made about your information, you can ask us to review our decision or lodge an objection.

Our automated checking process is inconsistent with guideline 6 in the OAIC Guidelines on data matching in Australian Government administration. We have sought an exemption from the Australian Information Commissioner.

Private health insurance statement data insights

We use insights from the data to deliver services to make it easier for taxpayers to comply and harder not to.

The PHI statement data is compared with claims a taxpayer makes in their tax return.

The data helps us:

- ensure individuals correctly report PHI statement data when they lodge
- determine if an individual may have to pay the Medicare levy surcharge (MLS)
- identify individuals trying to avoid the MLS, who don't have the appropriate private patient hospital cover or income to do so
- determine who is entitled to claim the private health insurance rebate (PHIR)
- identify who may have made a claim for the rebate but are not meeting the income threshold or PHI policy requirements
- avoid unnecessarily contacting those that are genuinely exempt from MLS and those entitled to claim the PHIR
- identify relevant cases for administrative action, including compliance activities and educational strategies.

We receive approximately 30 million PHI transactions each year. Our PHI statement data-matching activities allows us to look at approximately 46,000 cases each year, apply the MLS and confirm accurate PHI premium and PHIR reporting.

Previous related programs

The Department of Health and Aged Care (Health) determines PHI policy.

Under Section 282 of the *Private Health Insurance Act 2007*, mandatory collection of PHI statement data was undertaken by Services Australia (Medicare). Medicare was required to provide the data to the ATO to support pre-fill and compliance.

In 2015, Medicare no longer required the data for their purposes and ceased collecting PHI statement data. ATO, Services Australia, Department of Health, private health insurers, and their software developers opted for an administrative solution to continue to provide the pre-fill experience and access to the data for tax compliance.

Private health insurers now report their data directly to us in accordance with notices issued under section 264BB of the *Income Tax Assessment Act 1936*.

This program compliments the existing cooperative framework that allows PHI providers and us to perform our respective legal functions efficiently and effectively.

Data providers

We are the matching agency and, in most cases the sole user of the data obtained during this data-matching program.

We collect data from PHI statement providers. Software developers provide reporting software for the electronic generation of PHI statements. They apply the specifications available on our Software developers website.

We obtain data from:

- BUPA
- Medibank private health fund
- Hospital contribution fund
- NIB health fund
- HBF health limited
- Australian unity health fund
- Defence health LTD

- GMHBA limited
- CBHS health fund limited
- Westfund limited
- Health insurance fund of Australia
- Health partners LTD
- Latrobe health services
- Teachers union health
- Grand united corporate health
- CUA health fund
- People care health insurance
- St Lukes medical and hospital
- Police health limited
- Queensland country health fund
- Navy health
- The doctor's health fund
- RT health fund
- Myown
- Phoenix health fund
- Mildura district hospital fund
- Onemedifund
- Health care insurance LTD
- ACA health benefits fund
- Transport health PTY LTD
- Cessnock district health benefits fund
- Reserve bank health society LTD
- CBHS corporate health fund

The software providers are:

- Agility Pacific Paragon21
- CIVICA Pty Ltd
- HAMBS
- PHI in-house developed software.

Data provider eligibility

We use a principles-based approach to ensure our selection of data providers is fair and transparent.

Data providers are eligible if the:

- PHI policy provider or its subsidiary operates a business in Australia that is governed by Australian law.
- data provider is a private health insurer who provides health insurance for their members.
- data provider supplied PHI for their members for the years in focus.

The data providers for this program are reviewed annually against the eligibility principles.

Our formal information gathering powers

To ensure statutory requirements are met, we obtain data under our formal information gathering powers in Section 264BB of the *Income Tax Assessment Act 1936*.

After issuing a formal notice using the Commissioner's information gathering powers, the PHI statement providers must provide the information requested. There are penalties for refusing or failing to comply with the notice.

We will use the data for tax and superannuation compliance purposes.

Privacy Act

Data will only be used within the limits prescribed by Australian Privacy Principle 6 (APP6) contained in Schedule 1 of the Privacy Act, in particular:

- APP6.2(b) – the use of the information is required or authorised by an Australian law

- APP6.2(e) – the ATO reasonably believes the use of the information is reasonably necessary for our enforcement-related activities.

Data elements we collect

We collect the PHI statement data from private health insurance statement providers. The data includes your PHI premiums and private patient hospital cover.

Software provider details – non-individuals

- Name of the organisation sending the data
- Addresses (residential, postal, other)
- Australian business number (ABN) if applicable
- Email address
- Contact phone numbers

Private health insurance provider details – non-individuals

- Business and trading name
- Fund code
- Addresses (business, postal, registered, other)
- ABN
- Contact name
- Contact phone numbers
- Email address

Identity details – individuals

- Policy membership number
- Unique personal identifier
- Given and surnames (if more than one name on the policy)
- Dates of birth
- Addresses (residential, postal, other)

- Email address
- Contact phone numbers

Private health insurance statement details

- Policy membership number
- Unique personal identifier
- Policy role
- Premium paid in the financial year
- Australian Government rebate received
- Premium eligible for Australian Government rebate
- Benefit code
- MLS record – start and end date

Number of records

We expect to collect data on approximately 14.6 million individuals each financial year for this program.

Data quality

We anticipate the data quality will be of a high standard, given private health insurance:

- is administered by the Department of Health with prudential oversight by Australian Prudential Regulation Authority (APRA) in accordance with the Private Health Insurance (Prudential Supervision) Act 2015
- providers must satisfy specific regulatory requirements, including licencing, registration, and due diligence obligations to maintain the quality of their records to provide quality health insurance cover
- providers operate in cross jurisdictional legislative frameworks
- data has been reported to us for many years with the data and reporting specification routinely refined.

Data retention

We collect data under this program for all financial years from 2014–15 to 2027–28.

We collect the data for each financial year no later than 15 July each year. We collect a number of amendment reports:

- First provision of amendment data – in the first 8 days of the first October after the original report is lodged
- Second provision of amendment data – in the first 8 days of the first April after the original report is lodged
- Third provision of amendment data – in the first 8 days of the second October after the original report is lodged
- Fourth provision of amendment data – in the first 8 days of the second April after the original report is lodged.

We destroy data that is no longer required in accordance with the *Archives Act 1983,* and the general and ATO-specific records authorities issued by the National Archives of Australia.

We keep each financial year's data for 10 years from receipt of the final instalment of verified data files from the data providers. We require the data for this period to protect public revenue:

- Keeping data for 10 years ensures data is available for pre-fill, and to help tax agents complete prior year outstanding tax returns for their clients.
- Keeping data for 10 years doesn't deviate from our general compliance approach of reviewing an assessment in the standard period of review and aligns with the requirements for taxpayers to keep their records.
- The *Private Health Insurance Act 2007* was amended in 2018. This removed the mandatory requirement for private health insurers to provide their members a PHI statement. PHI statement data for pre-fill is now the main and more accessible data source for individuals and their tax agents to complete prior year tax returns.
- Data we keep helps us identify taxpayers who may not be complying with their tax and super obligations.
- Data we keep is used in multiple risk models, including models that create retrospective profiles over multiple years aligned with

periods of review.

For more information, see Data retention and destruction.

We understand that increased data retention periods may increase privacy risks. We have a range of safeguards in place to manage and minimise these risks. We design our systems and controls to ensure the privacy and security of the data we manage.

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Notifying the public of the private health insurance statement data-matching program

How we notify the public about the program.

Last updated 8 December 2022

To notify the public of our intention to collect 2014–15 to 2027–28 data, we have:

- published a notice in the Federal Register of Legislation gazette in the week starting 5 December 2022
- published this data-matching program protocol on our website at ato.gov.au/dmprotocols
- advised the data providers they
  - can notify their clients of their participation in this program
  - update their privacy policies to note that personal information is disclosed to the ATO for data-matching purposes.

Gazette notice content

The following information about the data-matching program appears as a gazette notice in the Federal Register of Legislation.

Gazette notice: Commissioner of Taxation – Notice of a private health insurance statement data-matching program

8 December 2022

The Australian Taxation Office (ATO) will acquire private health insurance (PHI) statement data from private health insurance statement providers for 2014–15 through to 2027–28.

The data items include:

- software provider's identification details – name of the organisation sending the data, addresses, email addresses, phone numbers, Australian Business number etc.
- PHI provider's identification details – business and trading name, fund code, addresses, email addresses, phone numbers, Australian Business number etc.
- insured individuals' identification details – policy membership number, unique personal identifier, names on the policy, dates of birth, addresses, email addresses, phone numbers etc.
- PHI statement details – policy membership number, unique personal identifier, policy role, premium paid in the financial year, Australian Government rebate received, premium eligible for Australian Government rebate, benefit code, Medicare levy surcharge (MLS) record start and end date etc.

We estimate that records relating to approximately 14.6 million individuals will be obtained each financial year.

The ATO acquire and match the data for the administration and enforcement of tax and superannuation laws by:

- making the data available in our pre-filling service to assist taxpayers to meet their obligations
- undertaking compliance checks to determine:
  - liability for MLS
  - eligibility for the private health insurance rebate (PHIR).

These obligations may include registration, lodgment, reporting and payment responsibilities.

The objectives of this program are to:

- promote voluntary compliance and increase community confidence in the tax and superannuation systems
- assist taxpayers with their reporting, by pre-filling tax returns with PHI statement data
- speed up processing of income tax returns by making the PHI statement data available in our online services
- identify taxpayers who are entitled to claim the private health insurance rebate (PHIR)
- identify the taxpayers who have to pay the Medicare levy surcharge (MLS)
- gain insights to help develop and implement strategies to help improve voluntary compliance; strategies may include educational or compliance activities
- identify and educate individuals who can't meet their registration or lodgment obligations and assist them to comply
- help ensure individuals are meeting their tax and superannuation obligations.

A document describing this program is available at ato.gov.au/dmprotocols.

This program follows the Office of the Australian Information Commissioner's *Guidelines on data matching in Australian Government administration* (2014) (the guidelines). The guidelines include standards for the use of data matching as an administrative tool in a way that:

- complies with the Australian Privacy Principles (APPs) and the *Privacy Act 1988* (Privacy Act)
- is consistent with good privacy practice.

A full copy of the ATO's privacy policy can be accessed at ato.gov.au/privacy.

Submission to the Information Commissioner

Details considered for variation to the Guidelines.

Last updated 8 December 2022

We are seeking approval for the Private Health Insurance Statement Data-Matching Program 2014–15 to 2027–28 to vary from one or more of the conditions detailed in Guideline 6 of the Office of the Australian Information Commissioner's *Guidelines on data matching in Australian government administration* (2014) (the Guidelines). We welcome your comments.

We are seeking you exercise your discretion and allow us, in limited circumstances, to take administrative action in response to a match without immediately notifying the individual concerned.

A small number of taxpayers can misunderstand their private health insurance statement and incorrectly fill their return. When these errors are identified at lodgment, the ATO may amend the tax return with the correct PHI statement data that we hold, to help these taxpayers get their reporting obligations right.

The degree of accuracy, quality, completeness, and relevance of the PHI statement data means it is highly reliable for these corrections because:

- the *Private Health Insurance Act 2007* was amended in 2018 to remove the requirement for private health insurers to provide their members a private health insurance statement
- PHI statement data provided for pre-fill is now the main and more accessible data source for individuals and their tax agents to complete current and prior year tax returns.

The data is reported to the ATO by 15 July each year, and updates are reported twice yearly in October and April for the following 2 years.

The ATO is obligated under section 166 of the *Income Tax Assessment Act 1936* to use the available information to make an accurate assessment. We would not be in a position to issue an incorrect assessment ignoring our PHI statement data, or to delay processing

that return and potential refund to wait for a response, when we hold high quality PHI statement data.

This deviation from the normal notification conditions in this circumstance is in the public interest, as these adjustments:

- help ensure taxpayers correctly meet their tax reporting obligations
- avoid unnecessary contact from the ATO
- avoid unfair and unreasonable delays on processing a tax return and issuing a refund
- have a very small impact on assessments compared with the detrimental impacts a delayed return can create.

The ATO values transparency, and our use of PHI statement data in pre-fill is outlined in the Private Health Insurance Statement Data-Matching Program 2014–15 to 2027–28.

This program is subject to an evaluation within 3 years consistent with the requirements of Guideline 9.

Additional information justifying this variation is included in the tables below:

Table 1: Matters considered in accordance with Guideline 10.2 in seeking this variation

Table 2: Consistency with requirements of the other guidelines issued by the Office of the Australian Information Commissioner.

Table 1: Matters considered in seeking this variation to the Guidelines

This section outlines matters considered against the requirements of Guideline 10.2 in seeking this variation.

	Matter considered	Consideration
10.2.a	The effect that not abiding by the Guidelines would have on individual privacy	• We have in place very secure processes for handling and storing data. Once acquired, all data will be stored on our secure computer

		systems where access is strictly controlled, and full audit logs maintained. • The ATO operates under stringent taxpayer confidentiality and privacy legislation that prohibits the improper access to or disclosure of protected information. These obligations are supported by significant penalties, including imprisonment. This substantially mitigates the risks of breaches of privacy.
10.2.b	The seriousness of the administrative or enforcement action that may flow from a match obtained through the data-matching program	• The administrative action is minor, serving to assist the taxpayer to get their tax reporting obligation right. Where we propose to take administrative action where a taxpayer may have reported falsely, we differentiate between those that try to do the right thing and those that set out to deliberately avoid their obligations. Documented procedures, including the Taxpayers' Charter and compliance model will be followed to ensure fairness and consistency.
10.2.c	The effect that not abiding by the Guidelines would have on the fairness of the	• There will be no effect on the fairness of the program or the ability of taxpayers to find out the

	data-matching program – including its effect on the ability of individuals to determine the basis of decisions that affect them, and their ability to dispute those decisions	basis of decisions that impact them or their ability to dispute those decisions and this is outlined in our data matching program. • In the limited circumstance when we correct a mistake, taxpayers are notified of the adjustment in their notice of assessment. This approach is to avoid unfair and unreasonable delays for processing a tax return and delaying a refund. • Other discrepancies require verification. Taxpayers will be given up to 28 days to verify the accuracy of the information that has been derived from this data matching program before administrative action is undertaken. • Where administrative action is to be undertaken, we will adhere to the principles established in the Taxpayers' Charter and compliance model to ensure an equitable balanced and consistent approach is taken. • If a taxpayer does not agree with an assessment, they maintain the right to dispute the decision. They also have the legal right to appeal against those decisions through the courts and tribunals.

10.2.d	The effect that not abiding by the Guidelines would have on the transparency and accountability of agency and government operations	• There will be no adverse effects on the transparency and accountability of government operations. Our pre-fill experiences are designed to make it easier for individuals to comply with their tax reporting obligations. Publishing our data matching program provides education and awareness of how we use data. • ATO data matching is conducted to address compliance more efficiently. A comprehensive description of the data providers is included in the program protocol. The description also identifies the principles and criteria for selecting the data providers. Our practice is to raise awareness of the data we hold, why it is necessary for our operation and ensure all participants are made aware of their obligations and impacts for the application of the Medicare Levy Surcharge and the private health insurance rebate. • The program protocol is submitted to the Office of the Australian Information Commissioner, and we will strictly adhere to the commitments in that document.

		• We will publish a notice with general information about the program in the Federal Register of Legislation - Gazettes before administrative action commences. We will also make a copy of the program protocol available on our website.
10.2.e	The effect that not abiding by the Guidelines would have on compliance of the proposed data-matching program with the Australian Privacy Principles in the *Privacy Act 1988* and the Australian Government Privacy Code	• The data is collected for the stated objectives established in the data-matching program protocol.
10.2.f	The effect that complying with the Guidelines would have on the effectiveness of the proposed data-matching program	• The effectiveness of the program would be reduced if we were not able to use PHI statement data for correction then to issue an incorrect assessment when we hold high quality PHI statement data for pre-fill.
10.2.g	Whether complying fully with the Guidelines could jeopardise or endanger the life or physical safety of information providers or could compromise the source of information provided in confidence	• Not abiding by all the requirements of the Guidelines would not influence or affect the personal safety of any individual identified as part of the program or compromise the source of the information provided in confidence.

10.2.h	The effect that complying fully with the Guidelines would have on public revenue – including tax revenue, personal benefit payments, debts to the Commonwealth and fraud against the Commonwealth	• Not allowing the exemption under the current program may impact our ability to provide a level playing field for taxpayers. We aim to assist those trying to correctly meet their obligations while identifying breaches of taxation laws and subsequent non-payment of tax. Equally not allowing the exemption can impact the taxpayer's experience by facing unnecessary contact from the ATO or unreasonably delayed processing and refunds. • There are risks to the integrity of taxation system when people fail to comply with their obligations. Abiding by all the requirements of the guidelines will reduce the effectiveness of the proposed compliance activity. We would miss the opportunity to assist those taxpayers trying to do the right thing, and deter those that are non-compliant from repeating the behaviour • The effect of abiding by all of the requirements in the guidelines could negatively impact both public revenue and the confidence the public and government have in the ATO as an administrator of the taxation system. People

		not complying with their taxation obligations, including those operating outside the system, set a bad example to compliant taxpayers and may encourage their non-compliance. Maintaining community and government confidence in the taxation system is critical to our ongoing role.
10.2.i	Whether complying fully with the Guidelines would involve the release of a document that would be an exempt document under the *Freedom of Information Act 1982*	• Upon receipt of a freedom of information request only information relating to the taxpayer's own affairs will be released to the taxpayer concerned.
10.2.j	Any legal authority for, or any legal obligation that requires, the conduct of the proposed data-matching program in a way that is inconsistent with the Guidelines.	• There is no specific legislative power authorising the conduct of this program inconsistent with the Guidelines • The Commissioner of Taxation, or his authorised representative, has formed the opinion that this data is required to enable us to effectively and efficiently carry out its legislated functions under the general powers of administration contained in: – Section 3A of the *Taxation Administration Act 1953*

- Section 8 of the *Income Tax Assessment Act 1936*
- Section 1-7 of the *Income Tax Assessment Act 1997*
- Section 356-5 in Schedule 1 of the *Taxation Administration Act 1953*.

- In these limited circumstances where errors are corrected the high quality of the PHI statement data with the supporting reasons detailed in this request align with the Commissioner of Taxation's obligation under section 166 of the Income Tax Assessment Act 1936 to use the available information to make an accurate assessment and supports the proposal to operate outside requirements of the Guidelines.

Table 2: Matters considered in seeking this variation to the Guidelines

This section outlines where we are being consistent with the requirements of the Guidelines.

Paragraph / Guideline		Action taken / To be taken
Paragraph 6	Status of the Guidelines	Our commitment to complying with the

		Guidelines is embedded in our data management policies and principles and clearly stated in the chief executive instruction.
Guideline 1	Application of the Guidelines	We apply the guidelines for all data matching programs where it is anticipated the program will include records of 5,000 or more individuals. We recognise that programs where there are multiple data sources but with common objectives and algorithms are treated as a single data matching program.
Guideline 2	Deciding to carry out or participate in a data-matching program	Cost-benefit analysis considers alternate methods against the conduct a data matching program. Further, we have rigorous governance arrangements, processes and system controls in place to protect the privacy of individuals.
Guideline 3	Prepare a program protocol	Prior to conducting a data matching program, we prepare a data matching program protocol, submit this to the Office of the Australian Information Commissioner and make a copy publicly available on the ATO website. When elements of a data matching program change, the protocol is amended, a copy of the amended protocol is provided to the Office of the Australian Information Commissioner and updated on our website.

Guideline 4	Prepare a technical standards report	Documentation is prepared and maintained to satisfy the requirements of a technical standards report.
Guideline 5	Notify the public	We publish notification of our intention to undertake a data matching program in the Federal Register of Legislation – Gazettes prior to the commencement of the program. This notice will include the following information as required by the Guidelines: • a brief description of the objectives of the data matching program • the matching agency and (where appropriate) source entities involved in the data matching program • a description of the data contained in the data set involved in the data matching program • the categories of individuals about whom personal information is to be matched • the approximate number of individuals affected • reference to our privacy policy. Notification of the program is also published on our website and data providers are advised they can advertise their participation in the data matching program.
Guideline 6	Notify individuals of	In limited circumstances, where we take

	proposed administrative action	administrative action to correct private health insurance information in a taxpayer's income tax return based on the data we hold, we are seeking to notify individuals in the notice of assessment. This notification occurs after the administrative action. When considering administrative action, we take a differentiated approach between those that try to do the right thing and those that set out to deliberately avoid their obligations. Documented procedures, including the Taxpayers' Charter and compliance model, will be followed to maintain taxpayer rights and obligations. When we identify a discrepancy that requires verification, taxpayers will be contacted by phone, data matching letter or email. Taxpayers will be given up to 28 days to verify the accuracy of the information that has been derived from this data-matching program before administrative action is undertaken. If a taxpayer does not agree with an assessment, they retain the right to dispute the decision. They also have the legal right to appeal against those decisions through the courts and tribunals.
Guideline 7	Destroy information that	We regularly review our requirement to retain data and destroy those datasets

	is no longer required	no longer reasonably required.
Guideline 8	Do not create new registers, data sets or databases	We do not create new registers or databases using data obtained during a data matching program.
Guideline 9	Regularly evaluate data-matching programs	Programs are evaluated within three years of the commencement of the data matching program. These evaluations are provided to the Office of the Australian Information Commissioner on request.
Guideline 10	Seeking exemptions from Guideline requirements	When we intend to vary from the requirements of the Guidelines, we seek the approval of the Office of the Australian Information Commissioner and provide documentation to support the variance.
Guideline 11	Data matching with entities other than agencies	We undertake our own data matching programs. This function is not outsourced. Where data is obtained from an entity other than an individual, we usually do so by using our formal information gathering powers. In these instances, the entities are advised they may notify their clients of their participation in the data matching program.
Guideline 12	Data matching with exempt agencies	We do not usually undertake data matching with agencies that are exempt from the operations of the *Privacy Act 1988* under section 7 of that Act and that are subject to the operation of the Guidelines (i.e. any data matching

		undertaken with an exempt agency would usually be for fewer than 5,000 individuals). In the event a data matching activity would otherwise be subject to these Guidelines except for the exemption status, we still adhere to the principles of the Guidelines and prepare a program protocol, seeking to vary from the Guidelines by not publicly notifying of the program and publishing the protocol. We would still lodge a copy of the protocol with the Office of the Australian Information Commissioner.
Guideline 13	Enable review by the Office of the Australian Information Commissioner	We would not prevent the Office of the Australian Information Commissioner from reviewing our data matching activities and processes. These activities and processes have been reviewed by the Australian National Audit Office and Inspector-General of Taxation.

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Our lawful role

Find out what our legislated functions are.

Last updated 8 December 2022

Our powers of administration

The ATO is the Australian Government's principal revenue collection agency. The Commissioner of Taxation has responsibility for ensuring taxpayers meet their tax and superannuation obligations.

We follow the Office of the Australian Information Commissioner's (OAIC) Guidelines on data matching in Australia Government administration (2014) in our data-matching activities.

Our data-matching programs help to ensure that Australians are fulfilling their tax and superannuation obligations.

This information forms part of all data-matching program protocols.

We take our obligations seriously. Failure to address non-compliant behaviour has the potential to undermine community confidence in the integrity of the tax and superannuation systems and our capability to administer those systems.

We carry out our legislated functions through general powers of administration contained in but not limited to:

- section 3A of the Taxation Administration Act 1953
- section 8 of the Income Tax Assessment Act 1936
- section 1-7 of the Income Tax Assessment Act 1997
- section 43 of the Superannuation Guarantee (Administration) Act 1992
- section 356-5 in Schedule 1 of the *Taxation Administration Act 1953*.

Data matching is one of the strategies used to identify and deal with non-compliant behaviour. It helps provide assurance that taxpayers are meeting their obligations.

OAIC data-matching guidelines we follow

Our data-matching programs follow the OAIC Guidelines on data matching in Australian Government administration (2014).

These guidelines help us and other government agencies use data matching as an administrative tool in a way that:

- complies with the Australian Privacy Principles (APPs)
- complies with the Privacy Act 1988 (Privacy Act)

- is consistent with good privacy practice.

The Privacy Act

The Privacy Act 1988 (Privacy Act) regulates how personal information is handled by certain entities, such as companies and government agencies.

Schedule 1 of the Privacy Act lists the 13 Australian Privacy Principles (APPs). The principles cover the collection, use, disclosure, storage and management of personal information.

Data will only be used within the limits prescribed by the APPs and the Privacy Act.

The Australian Government Agencies Privacy Code, embeds privacy in all government agency processes and procedures. It ensures that privacy compliance is a priority in the design of our systems, practices and culture.

We comply with the code's requirements, and we are transparent and open about what information we collect, hold and disclose. We train our staff to keep personal information safe, and all our systems and offices are protected and secure.

Our data stewardship model upholds our data governance practices and embeds 6 ethical standards that guide how we collect, manage, share and use your data:

1. Act in the public interest, be mindful of the individual.
2. Uphold privacy, security and legality.
3. Explain clearly and be transparent.
4. Engage in purposeful data activities.
5. Exercise human supervision.
6. Maintain data stewardship.

Find out more about how we protect your privacy.

How we protect your personal information

Our staff are subject to the strict confidentiality and disclosure provisions contained in Division 355 of Schedule 1 to the *Taxation Administration Act 1953*. Penalties include terms of imprisonment in cases of serious contravention of these provisions.

Keeping data safe

Data-matching programs are conducted on our secure systems that comply with the requirements of:

- the Australian Government Information Security Manual produced by the Australian Cyber Security Centre, which governs the security of government information and communication technology (ICT) systems
- the Australian Government Protective Security Policy Framework , which provides guidance on security governance, personnel security, physical security and information security.

All ATO computer systems are strictly controlled according to Australian Government security standards for government ICT systems, with features including:

- system access controls and security groupings
- login identification codes and password protection
- full audit trails of data files and system accesses.

For more information see Online security.

Data retention and destruction

All information and records are managed in accordance with the provisions of the Archives Act 1983.

The requirement to retain data is reviewed on an ongoing basis in accordance with the timeframes and requirements of the OAIC guidelines. We destroy data that is no longer required, in accordance with the *Archives Act 1983* and the records authorities issued by the National Archives of Australia, both general and ATO-specific.

Under section 24 of the Act, records can be disposed of where it is approved by the National Archives; required by another law, or a normal administrative practice that the Archives approves of.

Approval from National Archives is normally provided through records authorities, which are used in the process of sentencing to make decisions about keeping, destroying or transferring particular information and records.

General or ATO-specific records authorities issued by National Archives apply to our processes of verifying and assuring taxpayer compliance with tax, superannuation and other laws administered by the ATO.

Our record management practices allow us to satisfy the OAIC guidelines and Australian Privacy Principle 11 (APP 11) contained in Schedule 1 of the *Privacy Act 1988* and in particular:

- APP11.1 – An APP entity must take reasonable steps to protect information from
  - misuse, interference and loss
  - unauthorised access, modification or disclosure
- APP11.2 – APP entity must take reasonable steps to destroy or de-identify information it no longer needs.

Our on-disclosure provisions

In very limited and specific circumstances, we may be permitted by law to disclose individual records to other government agencies.

Division 355 of Schedule 1 to the *Taxation Administration Act 1953* sets out the government agencies we can disclose taxpayer information to, and the circumstances in which we are permitted to make those disclosures.

These include agencies responsible for:

- state and territory revenue laws
- payments of social welfare and health and safety programs for determining eligibility for certain types of benefits and rebates
- overseeing super funds, corporations and financial market operators to ensure compliance with prudential regulations
- determining entitlement to rehabilitation and compensation payments

- law enforcement activities to assist with specific types of investigations
- domestic and international partners under tax disclosure and tax treaty arrangements
- policy analysis, costing and effectiveness measurement.

Each request for information by other agencies will be assessed on its merits and must be for an permissible purpose allowed for by taxation laws. In specific permissible circumstances, on-disclosures may include de-identified datasets for statistical analysis.

QC 71014

Why we undertake data matching

Learn why we have data-matching protocols and the costs and benefits of data matching.

Last updated 8 December 2022

Meeting our accountability

To effectively administer the tax and superannuation systems, we are required in accordance with the law to collect and analyse information concerning the financial affairs of taxpayers and other participants in the Australian economy.

In addition to our administrator responsibilities, the Public Service Act 1999 (PS Act) requires each agency head to ensure their agency complies with legislative and whole-of-government requirements.

Agency heads are required to ensure proper use and management of public resources as per the Public Governance, Performance and Accountability Act 2013 (PGPA Act).

We consider and undertake a range of alternatives to data matching to ensure entities are complying with their tax and superannuation obligations. Relying only on data that we already hold is of limited value for the following reasons:

- The tax system operates on willing participation, so our data is derived from taxpayers that are correctly registered and meeting their lodgment obligations.
- The only other way of ensuring that taxpayers are reporting their obligations correctly would be to contact every taxpayer directly.

Uses of data matching

Data matching allows us to cross-reference suitable external data to identify taxpayers who may not be in full compliance with their obligations, as well as those that may be operating outside the tax and superannuation systems. It also reduces the likelihood of unnecessarily contacting taxpayers who are complying with their tax obligations.

Data matching is an effective method of examining the records of thousands of taxpayers. We do this to ensure compliance with lodgment and reporting obligations. This would otherwise be a resource-intensive exercise.

Data matching also assists us to effectively promote voluntary compliance by notifying the public of risk areas and activities under scrutiny.

Costs and benefits analysis

The costs of our data matching activities are more than offset by the benefits.

Benefits

The use of data is increasingly common across government agencies and the private sector. Data, data usage, computer power and storage continue to grow, which increases the benefits from data matching.

Data matching and the insights it provides help us:

- deliver tailored products and services, which underpins our culture of service
- make it easier for taxpayers and agents by providing tailored messages in our online services
- enable early intervention activities, as our goal is prevention rather than correction

- maintain community confidence in our ability to administer the tax and superannuation systems, because we can
  - make better, faster and holistically smarter decisions with measurable results to deliver a level playing field for all
  - solve problems and shape what we do for the community
  - advise government and deliver outcomes with agility

- maintain the integrity of the tax and superannuation systems by
  - providing education to assist taxpayers to do the right thing
  - deterring behaviours so taxpayers adhere to their obligations
  - detecting taxpayers who are not complying with their obligations, targeting those that continue to deliberately abuse the tax and superannuation systems
  - enabling enforcement activity and recovery of tax revenue
  - directing compliance activities to assure that wider risks to revenue do not exist.

Costs

There are some incidental costs to us in the conduct of data-matching programs, but these are more than offset by the total revenue protected. These costs include:

- data analyst resources to identify potential instances of non-compliance
- compliance resources to manage casework and educational activities
- governance resources to ensure compliance with the guidelines and Privacy Act
- quality assurance processes to ensure the rigour of the work undertaken by analysts and compliance staff
- storage of the data.

QC 71014

How we undertake data matching

Find out about the systems and processes we use in data-matching activities.

Last updated 8 December 2022

Data-matching process

Our data-matching process uses both mainframe-based and mid-range applications that comply with an ATO-designed software solution (technical standard). The technical standard supports all our data-matching programs and aligns with OAIC guideline 4.7.

We use over 60 sophisticated identity-matching techniques to ensure we identify the correct taxpayer when we obtain data from third parties. These techniques use multiple identifiers to obtain an identity match. The identity-matching process appends matching information to the original reported transaction to include an ATO identifier number and a 3-character outcome code that indicates to the user the level of matching confidence for the transaction. For example, where a name, address and date of birth are available, all items are used in the identity-matching process. Very high confidence matches will occur where all fields are matched.

Additional manual processes may be undertaken where high confidence identity matches do not occur, or a decision taken to destroy data no longer required. Our manual identity-matching process involves an ATO officer reviewing and comparing third-party data identity elements against ATO information on a one-on-one basis, seeking enough common indicators to allow confirmation (or not) of an individual's identity. We commonly call this process manual uplifting.

Data analysts use various models and techniques to detect potential discrepancies, such as under-reported income or over-reported deductions. Higher risk discrepancy matches will be loaded to our case management system and allocated to compliance staff for actioning. Lower risk discrepancy matches will be further analysed,

and a decision made to take some form of compliance or educational activity, or to destroy the data.

To maintain integrity of the administration of the tax and superannuation systems, only staff with a direct and genuine ‘need to know’ can access the technical standards for our identity and discrepancy matching solutions.

Where administrative action is proposed, additional checks will take place to ensure the correct taxpayer has been identified.

How we amend a return

We may use data to provide tailored messages for individual taxpayers in our online services. This will prompt taxpayers to check they are correctly meeting their reporting obligations.

In limited circumstances where we identify inadvertent mistakes, we may amend a tax return with the correct data that is available to us.

If you disagree with the decision we made about your information, you can request a review by lodging an objection.

After a return is lodged, where we identify a discrepancy that requires verification, we will contact the taxpayer usually by phone, letter or email. Taxpayers will have up to 28 days to verify the accuracy of the information and respond before we take administrative action.

For example, where discrepancy-matching identifies that a taxpayer may not be reporting all their income, but it appears they're reporting the income in another taxpayer's return, they will be given the opportunity to clarify the situation.

The data may also be used to ensure taxpayers are complying with their other tax and superannuation obligations, including registration requirements, lodgment obligations and payment responsibilities.

In cases where taxpayers fail to comply with these obligations, after being reminded of them, we may instigate prosecution action in appropriate circumstances.

Where a taxpayer has correctly met their obligations, the use of the data will reduce the likelihood of contact from us.

In limited circumstances we may use data from a data-matching program to correct mistakes without notifying individuals in advance.

When we do so, we will seek an exemption from the Australian Information Commissioner.

Making a privacy complaint

Our privacy policy outlines how we collect, hold and disclose data and explains what you can do if you're not satisfied with the way your information has been treated.

If you're not satisfied with how we have collected, held, used or disclosed your personal information, you can make a formal complaint.

If you're not satisfied with the outcome of the privacy complaint, you can contact the Office of the Australian Information Commissioner. More details are on the OAIC website at oaic.gov.au/privacy/making-a-privacy-complaint.

For more information, see how we protect your privacy.

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Data quality

Learn about our quality assurance processes and how we assure data is fit for use.

Last updated 8 December 2022

Quality assurance processes

Quality assurance is integrated into our processes and computer systems and applied throughout the data-matching cycle.

These assurance processes include:

- registering the intention to undertake a data-matching program on an internal register
- risk assessment and approval from the data steward and relevant senior executive service (SES) officers prior to any data-matching program being undertaken

- conducting program pilots or obtaining sample data to ensure the data-matching program will achieve its objectives prior to full datasets being obtained
- notifying the OAIC of our intention to undertake the data-matching program and seek permission to vary from the data-matching guidelines (where applicable)
- restricting access to the data to approved users and access management logs record details of who has accessed the data
- quality assurance processes embedded into compliance activities, including
  - review of risk assessments, taxpayer profiles and case plans by senior officers prior to client contact
  - ongoing reviews of cases by subject matter technical experts at key points during the life cycle of a case
  - regular independent panel reviews of samples of case work to ensure our case work is accurate and consistent.

These processes ensure data is collected and used in accordance with our data-management policies and principles and complies with the OAIC's Guidelines on data matching in Australian Government administration.

How we ensure data quality

The data is sourced from providers' systems and may not be available in a format that can be readily processed by our systems. We apply extra levels of scrutiny and analytics to verify the quality of the data.

This includes but is not limited to:

- meeting with data providers to understand their data holdings, including their data use, data currency, formats, compatibility and natural systems
- sampling data to ensure it is fit for purpose before fully engaging providers on task
- verification practices at receipt of data to check against confirming documentation; we then use algorithms and other analytical

methods to refine the data.

Data is transformed into a standardised format and validated to ensure that it contains the required data elements prior to loading to our computer systems. We undertake program evaluations to measure effectiveness before determining whether to continue to collect future years of the data or to discontinue the program.

To assure data is fit for consumption and maintains integrity throughout the data-matching program, it is assessed against the 11 elements of the ATO data-quality framework:

1. Accuracy – the degree to which the data correctly represents the actual value.
2. Completeness – if all expected data in a data set is present.
3. Consistency – whether data values in a data set are consistent with values elsewhere within the data set or in another data set.
4. Currency – how recent the time period is that the data set covers.
5. Precision – the level of detail of a data element.
6. Privacy – access control and usage monitoring.
7. Reasonableness – reasonable data is within the bounds of common sense or specific operational context.
8. Referential integrity – when all intended references within a data set or with other data sets, are valid.
9. Timeliness – how quickly the data is available for use from the time of collection.
10. Uniqueness – if duplicated files or records are in the data set.
11. Validity – data values are presented in the correct format and fall within a predefined set of values.

QC 71014

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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