Australian Government
Australian Taxation Office

GST administration annual performance report 2022–23

Acknowledgment of Country

We acknowledge the Traditional Owners and Custodians of Country throughout Australia and their continuing connection to land, waters and community. We pay our respects to them, their cultures, and Elders past and present.

We recognise the unique relationship Aboriginal and Torres Strait Islander peoples have to Country, culture, community and the important role this plays in us all walking together as Australians.

We value the contribution Aboriginal and Torres Strait Islander peoples make to our organisation and the broader tax, superannuation and registry systems.

NAT 75242-10.2024 DE-68115

Deputy Commissioner's review

I am pleased to present the 2022–23 GST administration annual performance report on behalf of the Commissioner of Taxation.

The GST system continued to operate well in 2022–23, with:

- $81.3 billion raised, including $5.7 billion by the Department of Home Affairs – this was 1.4% (or $1.1 billion) below the 2022–23 October Budget estimate of $82.5 billion and 10.5% (or $7.8 billion) higher than in 2021–22
- $4.8 billion liabilities raised from ATO compliance activities – this includes $2.3 billion raised through the GST Compliance Program, exceeding the program's planned commitment of $890 million
- over 2,300 active international GST registrants who paid more than $1.3 billion
- the net GST gap calculated for 2021–22 estimated to be approximately 3.6%, resulting in the ATO receiving over 96% of the GST revenue that was expected to be collected, the bulk of which was collected voluntarily.

The GST environment has changed rapidly and continues to do so, bringing new challenges and risks to the GST system. The Contemporising GST Risk Models project has continued to take advantage of new technology to improve our use of data and deliver new GST risk models, improving our ability to strengthen GST fraud controls in this changing risk environment. Significant work has also been undertaken to ensure the integrity of GST registrations, with clients demonstrating no signs of active operations removed from the system.

Challenging economic conditions continued in 2022–23, and while the majority of clients want to do the right thing, there are businesses that purposely avoid payment obligations. To address this, we applied differentiated strategies and targeted interventions through our firmer posture on debt. Through Operation Protego, we prevented a further $1.0 billion in suspected GST refunds from being paid to fraudsters in 2022–23. The fraud has now been contained.

Looking forward

In June 2023, a new GST Administration Performance Agreement was approved by the Council on Federal Financial Relations (CFFR), comprising Commonwealth, state and territory treasurers. The new agreement forms the basis for administering GST and is effective from 1 July 2023.

The GST Compliance Program was renewed in the May 2023 Federal Budget for a further 4 years, from July 2023 to June 2027.

Our tax system is underpinned by willing participation and excels in its efficiency, transparency, fairness and innovation. We recognise there are still opportunities that can be harnessed to improve GST compliance, and that new strategies need to be developed to address emerging issues.

We have identified several key focus areas essential to the administration of GST in 2023–24. These include the following:

- **Increasing our focus and investment on the GST registration process** – The integrity of the process was improved in 2022–23, with further improvements to continue into 2023–24, by identifying and removing clients who have either incorrectly registered or incorrectly left the system.
- **Leverage insights from Operation Protego** – Investment in our capability to manage compliance risks and behaviours impacting on the GST system will continue into 2023–24. We will broaden our network analysis to identify the highest-risk networks, organised groups and agents involved in large-scale GST fraud.
- **Action GST collectable debt** – We will continue to focus on early intervention strategies but will increasingly take firmer actions where appropriate, with decisive and swift action for those who are choosing not to engage or are avoiding payment.

In summary, we are committed to achieving efficient, effective and sustainable administration of the GST system, maximising the return of GST revenue to the states and territories. Within that is a balance between the cost of administration, the compliance cost for taxpayers, maintaining community confidence, optimising voluntary compliance, and facilitating a level playing field for all taxpayers.

Finally, I would like to acknowledge our strong, cooperative working relationship with representatives from Treasury and the states and territories on the GST Administration Subcommittee and the GST Policy and Administration Subgroup, and thank them for their ongoing support and advice during the year.

Hector Thompson
Deputy Commissioner
of Taxation

Figure 1.1: GST 2022–23 outcomes

$81.3 billion
revenue collected

$15.9 billion
total GST debt

$4.8 billion
GST compliance liabilities raised including
$2.3 billion
GST Compliance Program

$2.8 billion
2021–22 net GST gap
(3.6%)

$653.3 million
administration costs
(actual)

$0.78
cost of collecting
$100 GST revenue

3.3 million
total GST registrants

2.5 million
small businesses

445,000
new registrants

363,000
registration cancellations

84,000
public and multinational
businesses

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1. 2022–23 GST journey and performance

The rapidly changing environment raised new challenges and risks to the GST system and drove our 'back to basics' approach to GST administration in 2022–23 – with certain key focus areas.

For new GST registrants, we delivered tailored education to assist them to get it right from the start and develop positive behavioural practices.

We continued to engage with representatives from across the GST ecosystem, including the GST and Tax Practitioner Stewardship Groups. This assists tax professionals in their critical role of supporting clients to comply with their tax and superannuation obligations.

Our refreshed GST marketing and communications strategy enhanced clients' understanding of GST obligations, and awareness of fraudulent activities such as Operation Protego. We developed tailored, targeted and integrated communications for the different markets, risks and issues via our many channels. For example, this year we increased community awareness of our ability to detect the use of electronic sales suppression tools and the consequences of getting caught. These tools directly facilitate tax evasion, including by permanently deleting business transactions, reducing sales values or misrepresenting transactions.

We continued to manage GST compliance risks and behaviours that impact the integrity of the GST system. This year we strengthened our capability and capacity to deal with high-risk refunds including fraud, using contemporary technology and advanced analytics. A combination of one-to-one and one-to-many approaches ensures large businesses pay the right amount of GST and reduces the GST gap; these include our justified trust assurance programs and advice and guidance strategies.

We refined our information sharing and feedback channels to ensure insights, feedback and intelligence are used to:

- shape and improve compliance strategies and treatment plans across the GST system
- prevent disputes.

Our COVID-19 recovery 'help and assist' posture overlooked some clients' poor payment behaviours and declining payment culture. We resumed levels of client engagement by applying differentiated strategies and targeted interventions through our firmer posture on debt. This means decisive and swift action for those choosing not to engage and who purposely avoid payment obligations.

Internationally, we continue our leading role as an advocate for improved VAT/GST policies and administration.

To plan and set up for the future, we continue to explore improvement and transformation activities.

GST key performance indicators (KPIs)

Table 1.1: GST Gap

Type of measure (%)	2018–19	2019–20	2020–21	2021–22	2022–23
Net gap	7.2	4.5	2.7	3.6	**n/a**
Gross gap	11.3	7.7	7.1	11.2	**n/a**

Table 1.2: Voluntary compliance ratio

Type of measure (%)	2018–19	2019–20	2020–21	2021–22	2022–23
By number of taxpayers (strict)	52	49	48	48	**n/a**
By number of taxpayers (relaxed)	77	78	80	82	**n/a**
By value of GST	81	84	85	82	**n/a**

Table 1.3: Ratio of collectable debt to GST revenue

Type of collection (%)	2018–19	2019–20	2020–21	2021–22	2022–23
Debt collection rate (accrual method)	6.4	11.8	12.1	13.6	**15.0**
Debt collection rate (cash method)	6.6	13.1	12.0	14.1	**15.8**

Table 1.4: Strike rate of audit activities

Measure (%)	2018–19	2019–20	2020–21	2021–22	2022–23
Small business	n/a	n/a	87	95	**83**
Privately owned and wealthy groups	n/a	n/a	66	62	**56**
Public and multinational businesses	n/a	n/a	75	53	**56**
Not-for-profit	n/a	n/a	81	35	**47**
Other	n/a	n/a	85	92	**92**
Overall	**79**	**80**	**86**	**94**	**84**

Table 1.5: Wider revenue effects

Type of action ($m)	2018–19	2019–20	2020–21	2021–22	2022–23
Preventative actions and sustained compliance	253	370	426	390	**398**
Sustained lodgment compliance	707	477	370	224	**346**
Total	**960**	**847**	**796**	**614**	**744**

Note: Total revenue effects which include audit and lodgment actions reported in Table 2.2.

Table 1.6: Other measures

Measure	2018–19	2019–20	2020–21	2021–22	2022–23
GST collection costs as a percentage of GST revenue (%)	1.01	0.92	0.71	0.87	**0.78**
Tourist Refund Scheme (TRS) claims rejected (%)	3.0	1.6	1.7	1.7	**1.6**
GST Compliance Program (Schedule D) return on investment (ratio)	n/a	15.5:1	11.3:1	30.1:1	**23.5:1**
GST assured (%)	6.0	3.9	3.1	n/a	**n/a**

2. GST revenue performance

Revenue collection

In 2022–23, net GST cash collections (excluding non-GIC penalties) were $81.3 billion, including net Department of Home Affairs collections of $5.7 billion. This was 1.4% (or $1.1 billion) below the 2022–23 October Budget estimate of $82.5 billion and 0.4% (or $0.3 billion) below the 2023–24 Budget estimate of $81.7 billion.

The downward revision from the 2022–23 October Budget estimate to the 2023–24 Budget estimate was attributable to weaker-than-expected collections to the end of March 2023. The final cash collections outcome for 2022–23 was lower than the 2023–24 Budget estimate, largely due to weaker-than-expected collections from April and May activity statements.

The cash outcome was 10.5% (or $7.8 billion) higher than in 2021–22, consistent with strong growth in household consumption.

While net GST cash collections were $81.3 billion in 2022–23, net GST accrued on a tax liability method (TLM) was $85.3 billion. TLM is defined as being the earlier of the cash payment being received or the associated liability being recognised. The difference between net GST accruals and cash collections was $4.0 billion, largely reflecting an increase in unpaid debt.

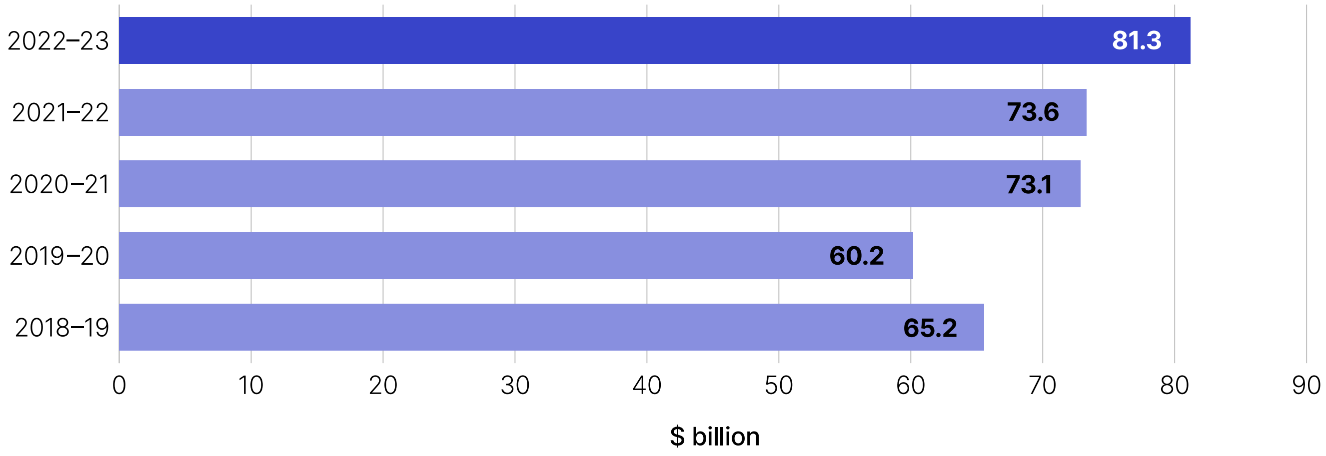
The estimated total statement outcome for June 2022 to May 2023 business activity statements (BAS) due in 2022–23 was $75.1 billion, $6.3 billion higher than the corresponding period in 2021–22. This was mainly due to strength in the professional, scientific and technical services and wholesale trade sectors. Partially offsetting these were higher refunds to the mining and public administration sectors.

Table 2.1: Revenue outcome

GST revenue	2018–19 $m	2019–20 $m	2020–21 $m	2021–22 $m	2022–23 $m
Total GST accrual	66,675	66,682	72,606	76,001	**85,295**
Total GST cash	65,160	60,236	73,073	73,581	**81,332**
– Home Affairs GST cash	4,173	4,175	4,774	5,692	**5,683**

Note: The total GST revenue amount excludes non-GIC penalties.

Figure 2.1: Revenue (cash) outcome



Measurement and effectiveness

The ATO uses a suite of measures that provide insights into the health and operation of the GST system and the impact of our actions. These performance measures include:

- GST gap
- voluntary compliance ratio (VCR)
- total revenue effects (TRE)
- GST assured.

Three of our performance measures (GST gap, VCR and GST assured) are 'lag indicators' that tell us about past performance. We supplement these with the TRE which measures our impact on tax collection.

GST gap

The GST gap estimates the difference between GST collected and the amount that would have been collected if all taxpayers were fully compliant with tax law (theoretical GST).

There are 2 types of GST gap:

1. Gross GST gap – the gap prior to the impact of our engagement
2. Net GST gap – the gap after our engagement.

The latest estimates indicate a significant decline in the estimated net tax gap in 2020–21 (to a historic low of $1.9 billion) before an increase in 2021–22 (to $2.8 billion). Despite the rebound in 2021–22, the estimated net gap remains well below most previous years.

The net gap estimates also incorporate our best current estimate of mature non–pursuable debt for each year, including the impact of COVID-19 and Operation Protego (around $0.8 billion for 2021–22).

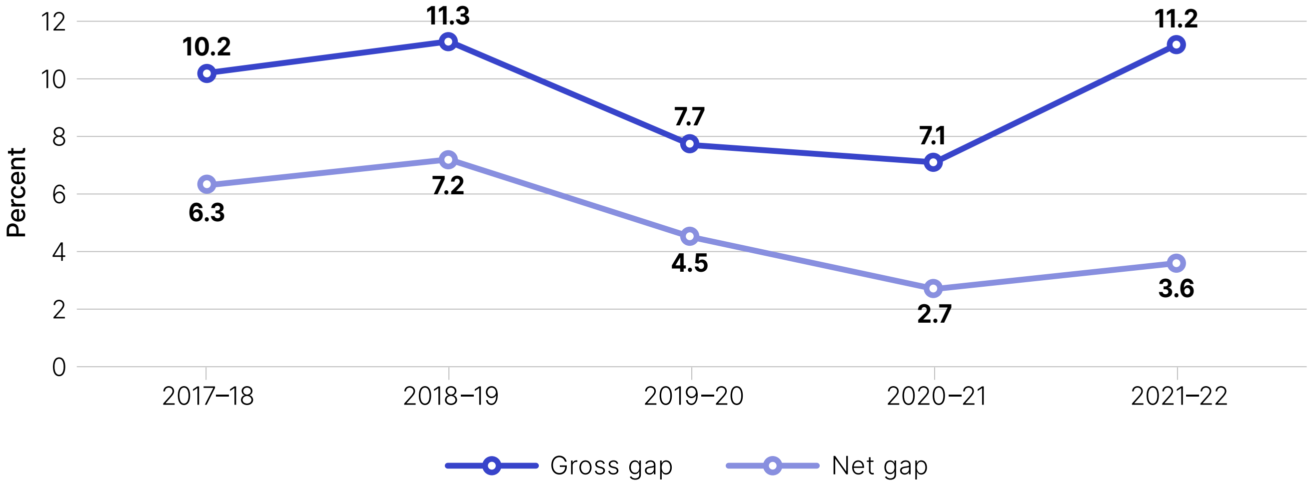
The net gap for 2021–22 is around 3.6% of theoretical GST if all relevant GST businesses and organisations were fully compliant. This means businesses and organisations paid around 96.4% of theoretical GST.

The improvement in measured compliance partly reflects spending patterns caused by COVID-19 that moved spending online and away from components that fully attract the GST. It also moved spending towards goods rather than services, and away from industries with historical compliance issues. This increase was also partly supported by the eligibility requirements for certain COVID-19 government support programs.

Despite the lower net gap outcomes, there was a sharp increase in the gross gap (that is, before the impact of ATO compliance activity) in 2021–22. It was estimated to be around $8.7 billion or 11.2% of theoretical GST for 2021–22.

This predominantly reflects the impact of amendments associated with Operation Protego. Overall, amendments increased from $3.0 billion in 2020–21 to $5.9 billion in 2021–22. Of this, just over $2 billion relates to Operation Protego.

Figure 2.2: Gross and net GST gap



Notes: Net GST gap equals GST liabilities not reported plus non-pursuable debt. The gross GST gap (including non-pursuable debt) is obtained by adding the liabilities raised from ATO compliance activities to the net GST gap figure.

Lower GST gap outcomes during and after COVID-19 are consistent with the experience reported in the United Kingdom as well as a range of countries in the European Union. A common theme appears to be that higher GST/VAT compliance may have resulted from government responses to the COVID-19 pandemic, including support measures which alleviated cash flow pressures and were often contingent on up-to-date tax obligations.

ATO action to reduce the GST gap

We are constantly working to minimise the GST gap and maximise voluntary compliance by addressing and influencing taxpayer behaviour. A range of taxpayer actions can affect the GST gap, including:

- non-reporting of GST
- under-reporting of GST
- over-claiming of refunds
- non-payment of GST liabilities.

These behaviours range in severity from honest reporting errors to deliberate non-compliance.

Our compliance programs therefore have a balance of prevention, early engagement and assurance activities. They are targeted to higher-risk taxpayers and industries.

We continue to focus on managing GST compliance risks and behaviours that impact the integrity of the GST. This year we strengthened our ability to manage GST risks including fraud, by using contemporary technology to:

- improve our risk identification process with techniques that detect risks earlier, enabling us to apply differentiated and tailored treatment strategies
- deliver an automated solution, streamlining processes related to managing high-risk refunds
- support a better client experience by providing staff with a more holistic view of GST lodgment when engaging with clients.

To ensure large businesses pay the right amount of GST and to reduce the gap, we have a combination of one-to-one and one-to-many approaches. These include our justified trust assurance programs and advice and guidance strategies.

Where a BAS lodged online contains an identifiable or likely reporting error, we generate nudge messaging recommending clients check their BAS before they lodge their refund.

A key focus area in the 2023–24 ATO Corporate Plan is to improve small business tax performance with a digital-first approach. This is to encourage enhanced integration that supports high-quality, system-generated tax guidance to:

- minimise errors
- increase confidence
- promote right-time reporting and payment.

This work is aligned to the Organisation for Economic Co-operation and Development (OECD) Tax Administration 3.0 vision and the ATO Digital Strategy.

We prevent compliance issues before they arise, by supporting those who want to do the right thing and helping them reduce mistakes through:

- reminders
- nudges
- improved information on ato.gov.au
- public advice and guidance.

At the same time, we take a firmer approach with those we detect deliberately evading their GST and other tax obligations.

We will continue to work towards closing the gap by:

- building trust and confidence within the community by implementing strategies under the GST Compliance Program
- achieving GST compliance outcomes from other ATO government funded programs including the Shadow Economy, Serious Financial Crime and Phoenix taskforces.

Australian tax gaps – overview provides further information on the concept of tax gaps, including why and how we measure them, and a summary of the latest available tax gap data.

GST voluntary compliance ratio

The GST VCR complements the GST gap by measuring the proportion of taxpayers fully compliant with the 4 pillars of compliance – registration, lodgment, reporting and payment. For a taxpayer to be deemed fully compliant they must:

- be correctly registered
- lodge by the due date
- report the correct amount of GST
- pay the correct amount on time.

The proportion of taxpayers voluntarily complying with their obligations and the value of GST remitted voluntarily are important indicators of the health of the GST system and community confidence.

Measuring the VCR

The GST VCR is measured at 2 levels:

1. Taxpayer level – the number of taxpayers who completely meet all their obligations for the financial year.
2. GST value level – the amount of GST that is voluntarily remitted in accordance with the law for the financial year.

VCR trends and latest findings

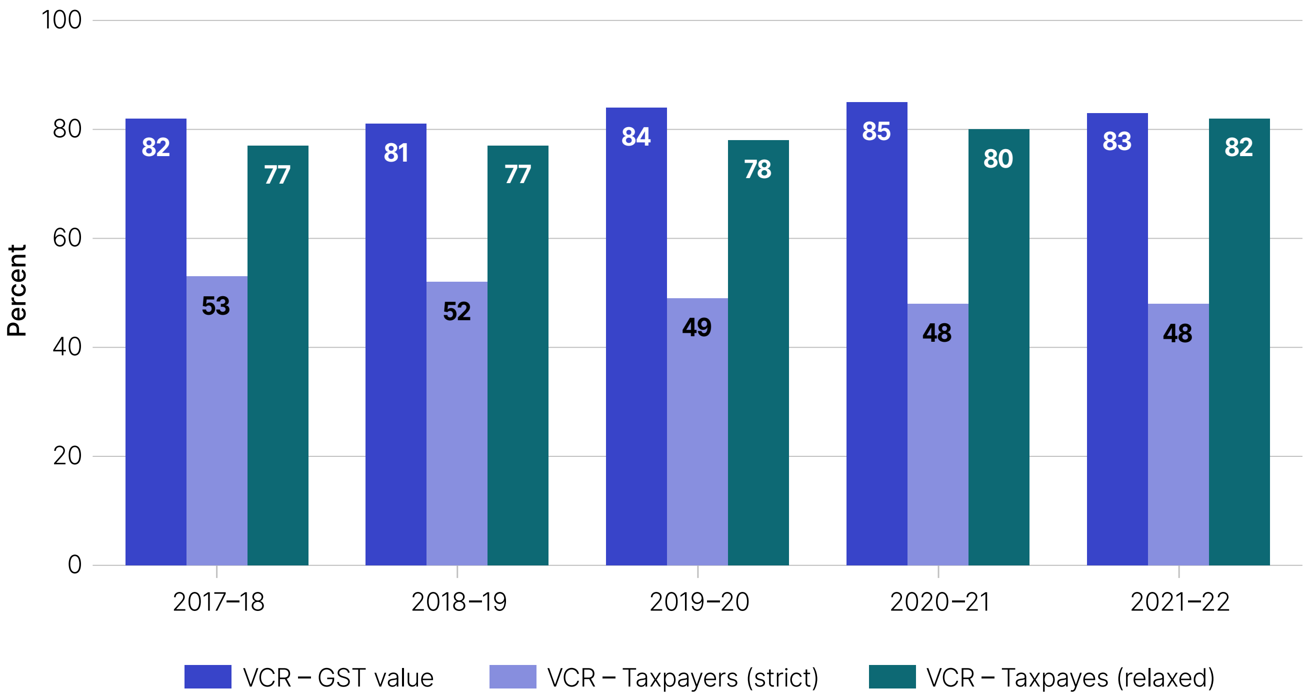
We have updated the VCR methodology to make better use of changes in our internal financial reporting for activity statements. This has resolved an issue regarding payments on time and the estimation of clients correctly registering. This updated method has been applied to previously reported figures from 2017–18 onwards.

Using our strict definition of compliance, which does not include minor unintentional late payments or lodgments, we estimate the VCR for 2021–22 at 48%, unchanged from 2020–21. This was influenced by a more supportive stance towards non-payment by small businesses during COVID-19. The decrease from 2017–18 is due to the decline in lodgment compliance, driven by an accumulation of taxpayers registered for GST who may not be running an enterprise. Many of these taxpayers fail to lodge any BAS and have no evidence of business income. We are focused on ensuring entities are correctly registered and remove those with no signs of business activity.

The VCR increases to 82% using our relaxed definition, adjusting for:

- taxpayers who have no total business income in the year (nil BAS)
- taxpayers who are only considered non-compliant for having one late BAS lodgment or payment.

Figure 2.3: VCR by GST value and taxpayers



In making these adjustments, we remove taxpayers who show no signs of business activity and recognise there is a significant proportion of taxpayers who aim to do the right thing but are late with either a single lodgment or payment.

At GST value level, the VCR was 83%, a slight decline from 2020–21. Both lodgment and payment compliance improved in GST value terms, however the strong GST compliance results from Operation Protego offset these improvements and led to the fall in VCR.

Total revenue effects

GST TRE is a measure of the additional tax revenue collected as a direct result of previous ATO compliance activities, including preventative compliance strategies, that aim to:

- positively change the compliance behaviour of taxpayers
- address non-compliance
- disrupt or prevent evasion and fraud activities.

These activities serve to improve levels of willing participation in the systems and programs we administer. Understanding and measuring the impact of our activities helps us to develop effective new strategies and improve existing ones.

In calculating TRE, we include the:

- payment of liabilities, including penalties and interest that are directly connected to the adjustments we make through our audit actions to ensure the right amount of GST is assessed and paid
- value of incorrect claims that we stopped prior to payment
- estimated additional tax paid voluntarily by clients we influence through our preventative actions, where there is a clear causal connection with our engagements
- revenue associated with our lodgment actions to improve or enforce lodgment of due returns and statements, as well as estimated sustained lodgment compliance following these actions.

In 2022–23, cash collections from our incorrect claims stopped, audit and lodgment actions were $3.1 billion (excluding penalties and interest) and $3.2 billion (including penalties and interest) and cash collections attributed to our preventative and sustained compliance, and lodgment sustained compliance were $744 million. This resulted in the TRE from all activities totalling $3.8 billion (excluding penalties and interest) and $4.0 billion (including penalties and interest).

Table 2.2: GST total revenue effects – excluding penalties and interest

Category	2018–19 $m	2019–20 $m	2020–21 $m	2021–22 $m	2022–23 $m
Audit actions/incorrect claims stopped (excluding Operation Protego)	1,223	1,070	1,132	1,722	**937**
Operation Protego audit actions/incorrect claims stopped (including preventative impacts)	n/a	n/a	n/a	1,667	**1,152**
Lodgment actions	1,350	1,221	702	1,025	**962**
Preventative actions and sustained compliance	253	370	426	390	**398**
Sustained lodgment compliance	707	477	370	224	**346**
Total	**3,533**	**3,139**	**2,631**	**5,028**	**3,795**

Table 2.3: GST total revenue effects – including penalties and interest

Category	2018–19 $m	2019–20 $m	2020–21 $m	2021–22 $m	2022–23 $m
Audit actions/incorrect claims stopped (excluding Operation Protego)	1,244	1,162	1,157	1,784	**1,050**
Operation Protego audit actions/incorrect claims stopped (including preventative impacts)	n/a	n/a	n/a	1,667	**1,153**
Lodgment actions	1,408	1,264	727	1,052	**1,033**
Preventative actions and sustained compliance	253	370	426	390	**398**
Sustained lodgment compliance	707	477	370	224	**346**
Total	**3,612**	**3,273**	**2,679**	**5,117**	**3,979***

Notes: Up to 30 June 2023, the Operation Protego focus was on containing the fraud. In 2023-24, the focus is shifting to appropriate consequences, including penalties.

*Result includes around $332 million in GST collections, including $103 million from large businesses, as a result of voluntary disclosures in 2022–23.

In terms of calculating liabilities for TRE, there are 2 versions:

- Liabilities excluding penalties and interest (Table 2.4). Note that penalties are a small component of audit actions and are not distributed to the states and territories under the Intergovernmental Agreement on Federal Financial Relations.
- Liabilities including penalties and interest (Table 2.5).

Table 2.4: GST total liabilities raised – excluding penalties and interest

Category	2018–19 $m	2019–20 $m	2020–21 $m	2021–22 $m	2022–23 $m
Liabilities raised through active compliance (excluding Operation Protego)	3,164	2,645	2,339	3,181	**2,414**
Operation Protego liabilities raised	n/a	n/a	n/a	2,226	**2,415**
Preventative actions and sustained compliance	253	370	426	390	**398**
Sustained lodgment compliance	707	477	370	224	**346**
Total liabilities raised	**4,124**	**3,493**	**3,135**	**6,020**	**5,573**

Note: Liabilities raised (Operation Protego and non-Operation Protego) include preventative actions in Table 2.2.

Table 2.5: GST total liabilities raised – including penalties and interest

Category	2018–19 $m	2019–20 $m	2020–21 $m	2021–22 $m	2022–23 $m
Liabilities raised through active compliance (excluding Operation Protego)	3,386	2,827	2,798	3,578	**2,846**
Operation Protego liabilities raised**	n/a	n/a	n/a	2,228	**2,538**
Preventative actions and sustained compliance	253	370	426	390	**398**
Sustained lodgment compliance	707	477	370	224	**346**
Total liabilities raised	**4,346**	**3,675**	**3,594**	**6,419**	**6,128***

Notes: Liabilities raised (Operation Protego and non-Operation Protego) include preventative actions in Table 2.2.
*This includes around $360 million in GST liabilities, including $166 million from large businesses, as a result of voluntary disclosures in 2022–23.
**This does not include around $220 million in accrued statutory interest to 31 August 2023, as reported under Operation Protego.

For more information on total revenue effects, see ato.gov.au/totalrevenueeffects

Audit actions and incorrect claims stopped

In 2022–23, we estimate that our audit actions and incorrect claims stopped contributed $2.1 billion (excluding penalties and interest) in total revenue effects. We also continued to treat the tail end of unusually high risks of GST refund fraud including specific actions undertaken as part of Operation Protego. While these risks have normalised, our enhanced capability remains.

Lodgment actions

The 2022–23 lodgment program included a strong focus on GST lodgment performance, with the volume of lodgment-related activities undertaken returning to pre-COVID-19 levels. Lodgment activities include a mix of letters, telephony and firmer actions including failure to lodge penalties, default assessments and prosecution referrals.

A key driver of lodgment performance is the number of returns lodged per coverage activity. This measure returned to pre-COVID-19 levels in 2022–23, indicating an improvement in lodgment performance. However, while revenue from lodgment activity has been recovering from a low in 2020–21, it is still below pre-COVID-19 levels, with GST revenue recovering more slowly than income tax revenue, particularly in terms of small business clients.

In 2022–23:

- lodgment-related activities contributed $962 million (excluding penalties and interest) in total revenue effects
- sustained lodgment compliance following action contributed $346 million (excluding penalties and interest) in total revenue effects.

Prevention and sustained compliance

Preventative actions are those aimed at helping taxpayers get it right before a BAS is finalised. This includes targeted letter campaigns, messaging, real-time nudges and automation that helps ensure the amount of tax paid is correct.

Our prevention and sustained compliance activities benefit the broader integrity and long-term management of the GST system. When there is a positive change in compliance behaviour and the confidence that the correct amount of tax is being paid, this flows through into our tax assured work. The tax assured work maintains confidence that the right amount of tax is paid at the right time. Sustaining the compliance of taxpayers, including those who cooperatively comply because of our preventative actions, reduces the tax gap. This demonstrates how our revenue performance measures including total revenue effects, tax assured and tax gap work together to improve the overall performance of the system.

For 2022–23, our estimates for prevention and sustained compliance are higher than 2021–22, with an estimated total of $398 million contributing to total revenue effects.

GST assured

GST assured is an estimate of the tax that we are highly confident is correctly reported.

This indicator is based on the concept of 'justified trust'. Justified trust is achieved and GST is assured when we have clear evidence that demonstrates that the reporting of GST is complete and accurate.

For businesses (particularly larger businesses), we primarily assure GST by reviewing objective evidence obtained through one-to-one engagements. GST results are primarily driven by public and multinational businesses, due to their economic size. There was approximately $2 billion of GST assured in the public and multinational businesses sector in 2020–21, predominantly from the Top 100 and Top 1000 programs.

In practice, we cannot gather third-party data or other information to compare against all GST reported on the BAS. As such, our tax assured estimates will always be lower than the real amount of tax that is correctly reported. Where we cannot gather information to assure tax, we rely on our broader risk management approaches to provide us with confidence over the rest of the total tax reported.

It is estimated $2.1 billion (3.1%) of the total net GST BAS outcome of $67.1 billion could be assured for 2020–21 (the most recent year that estimates can be made).

The decline in GST assured since 2018–19 is not due to a decrease in assurance activities, but because we have conducted further assurance activities on prior year returns, increasing the GST assured in previous years.

Table 2.6: GST assured and the equivalent tax base

Results	2018–19	2019–20	2020–21
GST assured ($m)	3,675	2,349	**2,102**
Net GST BAS outcome ($m)	61,116	59,725	**67,100**
Percentage assured (%)	6.0	3.9	**3.1**

3. GST administration expenditure

The ATO administers the GST on behalf of the Commonwealth, states and territories. The states and territories then reimburse the Commonwealth for the ATO's cost of administering GST. Our obligations to the states and territories are set out in the GST Administration Performance Agreement between the ATO and the Council on Federal Financial Relations (per the Intergovernmental Agreement on Federal Financial Relations).

The cost of administering GST is calculated by using the ATO's Strategic Costing Framework (SCF). This is a cost attribution model consistent with the Australian Government's accrual-based outcomes and programs costing framework. It calculates the proportion of the ATO's total operating expenses that relate to GST administration activities on a full-cost basis.

GST administration costs are monitored throughout the year, with oversight provided by the ATO GST Product Committee. The GST costs are endorsed by the Chief Finance Officer and subject to an annual independent audit by the Australian National Audit Office (ANAO). Costs are reported against the Program Framework Deliverables set out in Schedule B of the GST Administration Performance Agreement.

The ATO prepares a Schedule B estimate for consideration by the states and territories ahead of each financial year. Once agreed, the estimate serves as the initial intended cost of GST administration for the upcoming financial year. The SCF maps GST activities to program deliverables to capture the direct costs to administer the GST. The percentage of direct costs is applied to the ATO's indirect costs to calculate the GST portion of indirect costs. The direct and indirect costs are then added together to derive the full cost of administering the GST.

The Schedule B estimate is calculated before the financial year commences and before the ATO's final budget for the financial year is settled. As such, there is an expected difference between the endorsed Schedule B estimate and eventual actual costs.

The full year actual cost for 2022–23 was $653.3 million, an increase of 0.04% from 2021–22 and $23.9 million below the agreed Schedule B estimate.

The direct cost of the GST Compliance Program in 2022–23 was $101.8 million, down from $104.8 million in 2021–22.

Figure 3.1: Administration costs

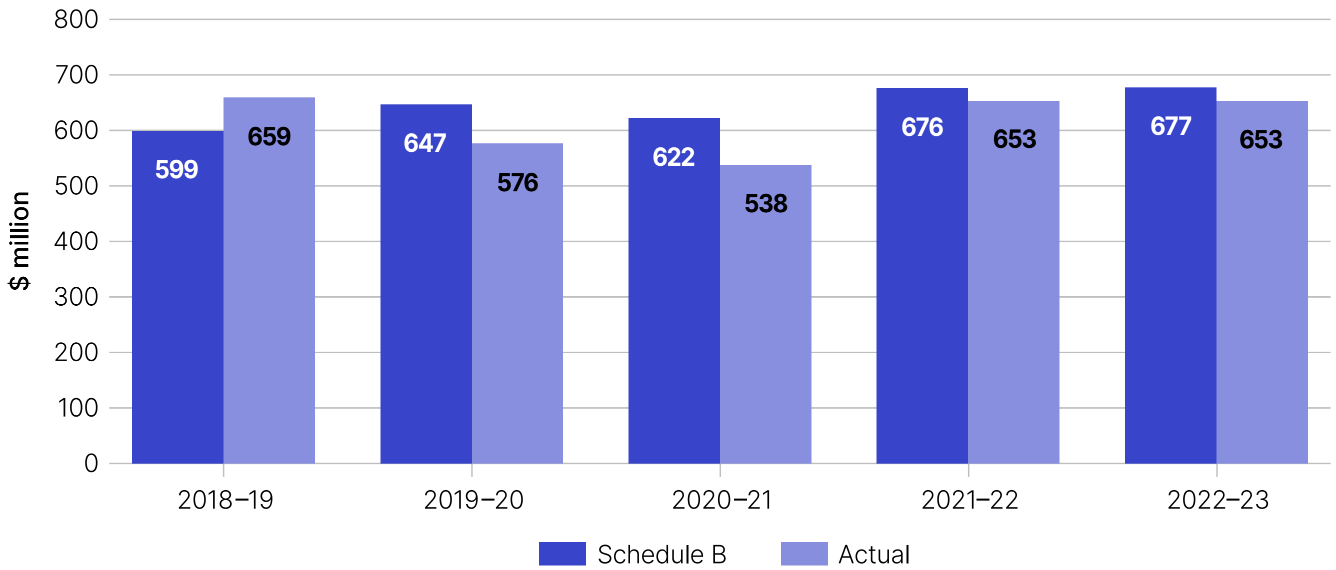
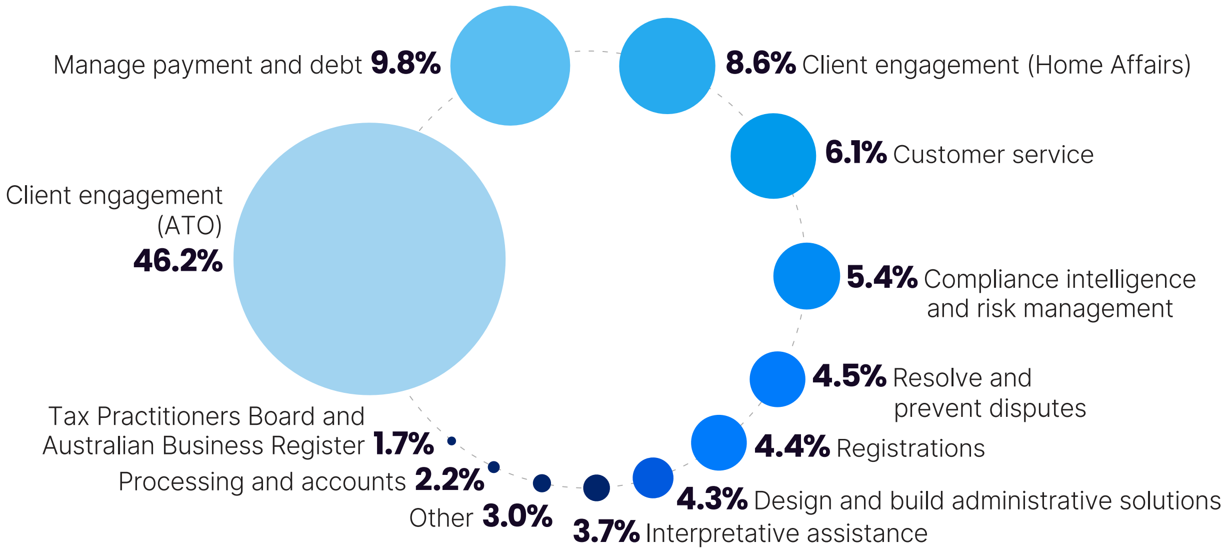


Table 3.1: GST costs

Category	2018–19 $m	2019–20 $m	2020–21 $m	2021–22 $m	2022–23 $m
Direct	351.8	303.6	281.2	343.8	**346.0**
Indirect	307.2	272.2	257.0	309.2	**307.3**
Total	**659.0**	**575.8**	**538.2**	**653.0**	**653.3**

Figure 3.2: Program framework deliverables 2022–23



Cost of collection

The cost of collection measures the cost of collecting every $100 of GST and is often used as a broad measure of a tax administration's efficiency and effectiveness. Movements in the ratio from year-to-year may reflect variations in efficiency and effectiveness, however the ratio can also be influenced significantly by factors such as:

- changes in tax rates
- fluctuations in tax revenues due to economic factors
- new administrative expenditure programs that are non-discretionary or that may have a medium or longer-term impact on efficiency and effectiveness (for example, investment in new technology).

For these reasons, variations in the cost of collection ratio from year-to-year need to be assessed carefully.

The cost to collect $100 of GST decreased from $0.87 in 2021–22 to $0.78 in 2022–23. The large decrease in the ratio is due to a 10.5% increase in GST revenue. This was driven by a general strength in the economy and a strong growth in consumption subject to GST, while costs remained relatively constant.

4. GST administration

Best practice

Schedule A of the GST Administration Performance Agreement provides a range of agreed measures in the following categories:

- Maintain compliance
- Client engagement outcomes
- Cost-effective administration.

By reporting against these measures, the ATO can demonstrate it has achieved best practice.

International

We continue to be recognised as a leading international administrator of cross-border VAT/GST. Our education and compliance activities saw 282 new international GST registrants in 2022–23. There are now over 2,300 active international GST registrants who paid more than $1.3 billion in 2022–23. Our direct compliance activities resulted in GST of $56.7 million.

Access to and use of financial data is critical to our success in identifying offshore businesses with unmet GST obligations under our laws and bringing them within our system. We are advancing this through 2 programs of work:

- Domestically, we have obtained card payment data from Australian banks which supplements Australian Transaction Reports and Analysis Centre (AUSTRAC) data already available to us. This new data source expands our coverage of payments to offshore businesses by consumers in Australia, and has led to better-targeted education and compliance activities.
- Internationally, the ATO chairs an OECD focus group on enhancing international VAT/GST compliance in the digital economy. This program of work will result in better identification of entities holding relevant financial data and access to that data. It will also lead to improved international information and intelligence sharing processes and opportunities, thereby drawing the VAT/GST net closer around non-compliant businesses globally.

Digital transformation

The ATO holds and has access to a wealth of data to make it easier for people to comply with their obligations, and hard not to. The emergence of new analytical tools, increased digitalisation and availability of data offer significant opportunities to enhance tax administration and reduce the burden on business.

Contemporising GST Risk Models project

The project commenced 4 years ago and takes advantage of cutting-edge technology to improve our use of data and deliver new GST analytical risk models. We will continue this investment in our capability to manage GST compliance risks and behaviours impacting the integrity of the GST system.

The Tourist Refund Scheme (TRS) mobile app

This app was significantly upgraded in 2022–23 for both the iOS and Android platforms, allowing TRS claimants to upload their personal and claim details before lodging a TRS claim at their port of departure.

Transparency

The ATO is transparent in its accountability to states and territories through regular updates at GST Policy and Administration Sub-group (GPAS) and GST Administration Sub-Committee (GSTAS). We report against these 4 schedules to the GST Administration Performance Agreement:

- **Schedule A** – performance outcome measures
- **Schedule B** – GST program deliverables that form the GST administration budget
- **Schedule C** – monitoring and review arrangements
- **Schedule D** – performance outcome measures for the 'MYEFO 2018 Measure: Additional Funding – GST Compliance Program'.

Justified trust

The ATO gives the community confidence that large businesses pay the right amount of GST and have robust governance and systems in place to meet their obligations through our justified trust programs. Information on the outcomes of ATO assurance programs are released through the annual publication of its findings reports for the Top 100 and Top 1000 programs. We take a proactive approach to understand and address the GST risks that arise for public and multinational business, and actively drive initiatives to address these risks (for example, through public advice and guidance), ensuring that the GST revenue base is protected.

Cooperative relationships

The ATO has maintained and further enhanced cooperative relationships with key stakeholders, in particular the:

- states and territories
- Treasury
- Department of Home Affairs (Home Affairs).

We work collaboratively with the Treasury to manage our working relationship with the states and territories, primarily through GPAS. This enables us to:

- consult more effectively with them
- inform them of risks and issues
- improve outcomes.

International cooperation

We continue our leading role as an advocate for improved VAT/GST policies and administration through representation at the OECD. We also continue to strengthen our relationships with other tax administrations through bi-lateral engagements.

The GST Stewardship Group

The GST Stewardship Group enables strategic discussion between the ATO and external stakeholders on developing and improving the operation and administration of the GST system. It is an avenue through which the ATO gains insights into issues faced by taxpayers operating in the GST system, and it plays an important role in communicating ATO messages to the broader GST community.

The group is chaired by ATO Deputy Commissioner Hector Thompson and comprises representatives from business, industry groups and academia as well as Commonwealth and state and territory treasuries.

5. GST compliance

Registration

GST registration is the front door to the GST system. In assisting clients to correctly register for GST, we enable them to enter and exit the GST system when required.

There were 3.3 million businesses registered for GST on 30 June 2023, similar to the number of registrants on 30 June 2022. Small business is the largest sector, comprising 77% of GST registrants, followed by privately owned and wealthy groups at 15%.

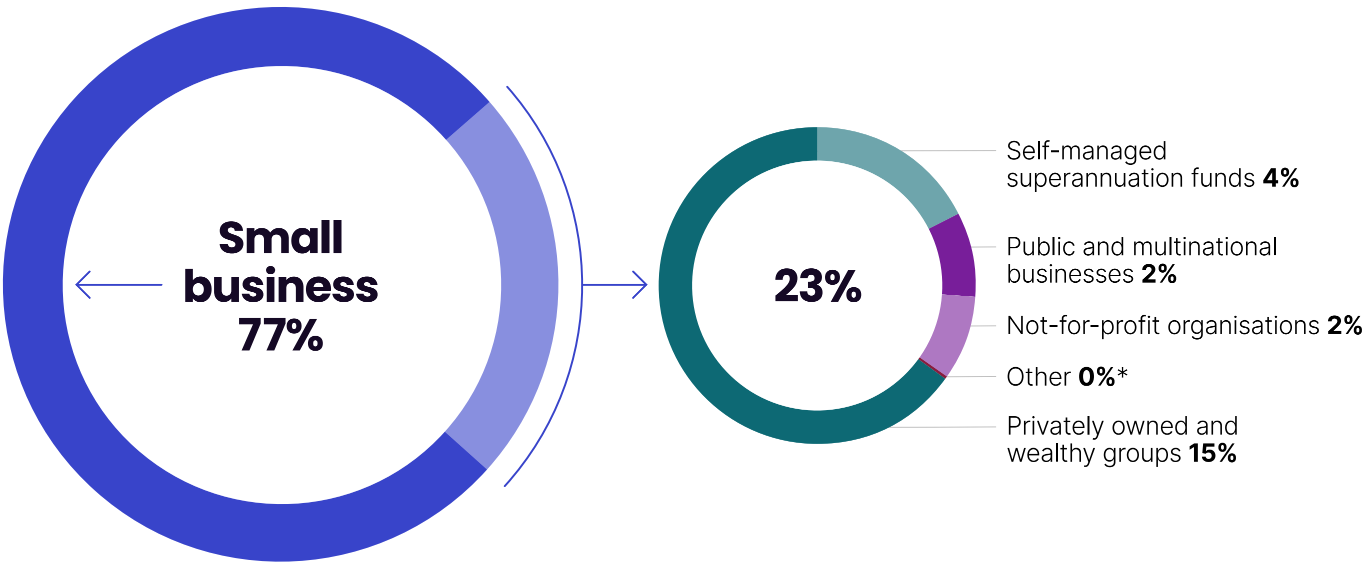
During 2022–23:

- Approximately 445,000 new GST registration requests were received. This represents a 10% decrease from the previous year, with most new registrations coming from the administrative and support services, transport, postal and warehousing, and construction sectors.
- Approximately 363,000 GST registration cancellations were processed. This represents a 23% increase from the previous year, with the administrative and support services, transport, postal and warehousing, and construction sectors being the main contributors. Of the 363,000 registrations:
  - 240,000 were client-initiated
  - 59,000 were cancelled by the Australian Business Register (ABR)
  - 64,000 were a mix that included ATO-initiated cancellations.

ATO-initiated cancellation activities improved the integrity of the GST client register by identifying and removing GST clients who:

- incorrectly registered (registered, but not required to register)
- incorrectly left the system (no longer requiring a GST registration but failed to cancel their registration).

Figure 5.1: Total GST registrants by client experience – 30 June 2023



Note: *Other is rounded down to 0% (less than 1%) and includes APRA-regulated superannuation funds and Individuals.

Lodgment and payment

There are continued challenges for businesses in the payment of taxation liabilities, including GST. Environmental and economic pressures since late 2019 have substantially impacted overall ATO payment performance, including GST.

We have not yet returned to pre-COVID-19 levels of payment, particularly in the small business client experience, which accounts for approximately 75% of unpaid GST. The resumption of firmer and stronger actions in 2022–23, combined with a normalisation of insolvency action within the general community, are expected to slow the growth in new GST debt and put downward pressure on collectable GST debt.

Lodgment

Approximately 2 million on-time monthly BAS lodgments were received in 2022–23 (22,600 more than 2021–22), along with approximately 4.9 million on-time quarterly lodgments (183,600 more than 2021–22).

The BAS lodgment performance had been deteriorating over the last 4 years. This year's improvement can be attributed to the strategic approaches implemented to improve the integrity of the BAS lodgment population.

For example, as part of our ongoing commitment to ensure the GST registration of entities is correct, clients demonstrating no signs of active operations for GST purposes were identified and removed from our BAS lodgment population. They were notified of this decision and provided with guidance on how to re-establish their GST registration, if required.

These actions have reduced unnecessary correspondence and interactions. We continue to review risk categories and expand this program to include more entities.

Revenue from lodgment activity has been recovering from a low in 2020–21 but is still below pre-COVID-19 levels. GST revenue is recovering more slowly than income tax revenue, particularly in small business clients.

Payment

During COVID-19 we took an accommodative stance towards outstanding tax obligations, shifting focus to maintaining voluntary lodgment and payment and keeping clients engaged with the tax system. This was particularly evident in the small business sector, which continued to represent the majority (74%) of the GST collectable debt.

While we deemed this action as appropriate, our 'help and assist' approach appears to have impacted payment culture and payment behaviour for many businesses. Collectable debt has continued to grow, with the overall ATO collectable debt on 30 June 2023 at $50.2 billion, including $12.9 billion of GST. It is anticipated GST collectable debt will continue to increase in 2023–24.

Despite resuming firmer and stronger actions, businesses are not prioritising payment of their ATO debts and appear comfortable waiting for ATO contact before taking payment action. Many with the capacity to pay are not paying or are entering payment plans rather than paying in full. Further pressures have arisen due to liabilities from GST fraud (Operation Protego).

To address this, we are applying differentiated strategies and targeted interventions through our firmer posture on debt, with decisive and swift action for those who are choosing not to engage or purposely avoid payment obligations.

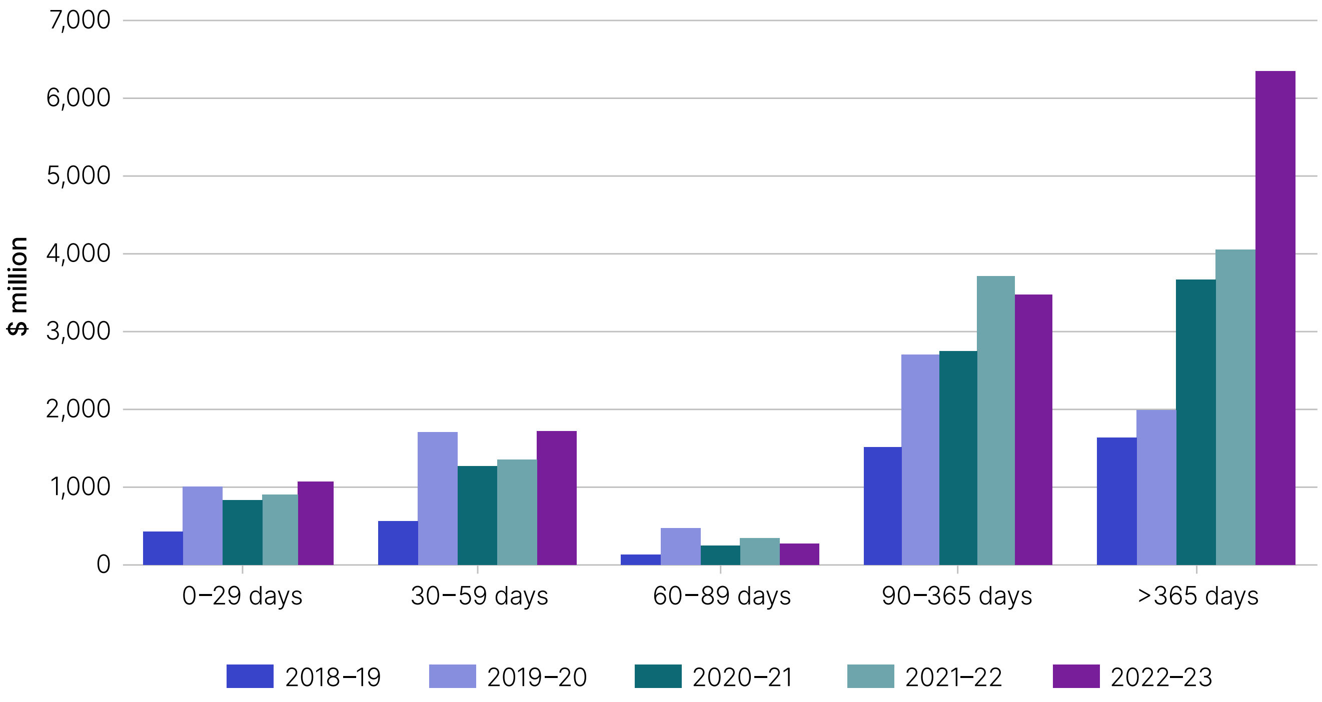
Table 5.1: GST debt

Core indicators	2018–19	2019–20	2020–21	2021–22	2022–23
Total GST debt outstanding ($m)	5,668	10,185	10,660	12,302	**15,930**
GST collectable debt ($m)	4,270	7,869	8,766	10,366	**12,883**
Insolvent debt ($m)	n/a	n/a	1,628	1,819	**2,664**
Disputed debt ($m)	n/a	n/a	265	117	**383**
Debt collection rate – TLM accrual (%)	6.4	11.8	12.1	13.6	**15.0**
Debt collection rate – cash (%)	6.6	13.1	12.0	14.1	**15.8**

Notes: Collectable debt is debt for which there is no impediment to collection – it is not subject to objection or appeal or to some form of insolvency administration. Insolvent and disputed debt were reported for the first time in 2020–21. The debt collection rate is calculated using the GST collectable debt amount as a percentage of 12-month rolling GST (TLM accrual or cash) collections.

The ATO's change in posture commencing in 2023–24 is anticipated to slow the growth in GST debt aged greater than one year, by ensuring those who can pay do, and those who cannot are exited from the system.

Figure 5.2: Ageing of GST debt by value



Notes: Figures reported for 2019–20 onwards are derived from a new reporting source following the transition to a single accounting system. Age of debt is determined by the later of the processed date or the effective date of the transactions.

Compliance engagement

In 2022–23, through compliance activities, the ATO raised $4.8 billion in liabilities. The liability outcomes peaked in 2021–22 for Operation Protego, and this year's lower results compared with last year reflect the improved mitigation of the fraudulent refund risk.

The Contemporising GST Risk Models project was set up to improve risk models to take advantage of technology and make better use of data. Over 4 years it delivered new GST risk models that use sophisticated analytical techniques to keep pace with the changing risk environment. During 2022–23, we:

- improved risk detection earlier in the process – providing differentiated and tailored treatment strategies to be applied
- delivered automation of streamlined treatment processes – enabling staff to focus more on decision making and less on repetitive processing tasks
- provided a better client experience by giving staff greater visibility of client data within core ATO systems – reducing the need to access multiple systems for a holistic view of GST lodgment.

The framework we have developed for assessing and treating GST risk can expand to meet demand. Further risk models are being developed as we continue to strengthen our ability to manage GST compliance risks and behaviours impacting the integrity of the GST system.

Table 5.2: Compliance liabilities

Type of measure	2018–19 $m	2019–20 $m	2020–21 $m	2021–22 $m	2022–23 $m
GST liabilities raised	3,164	2,645	2,339	3,181	**2,414**
Operation Protego GST liabilities raised	n/a	n/a	n/a	2,226	**2,415**
Total GST liabilities raised	**3,164**	**2,645**	**2,339**	**5,407**	**4,829**

Table 5.3: Contemporising GST Risk Models

Action	2021–22	2022–23
Nudge messaging – messages sent	196,000	**543,000**
Nudge messaging – clients receiving messages	102,000	**217,000**
Nudge messaging – self-correction and protection of revenue ($m)	51.1	**43.2**
Automated amendments – BAS amended	9,000	**9,000**
Automated amendments – clients assisted	2,500	**2,300**
Automated amendments ($m)	47.3	**39.6**

Table 5.4: GST refund integrity

Refund checks	2018–19	2019–20	2020–21	2021–22	2022–23
Total cases pre-issue	14,130	12,509	17,182	66,494	**43,084**
Total cases post-issue	19,433	13,749	6,913	22,635	**26,789**
Total	**33,560**	**26,260**	**24,090**	**89,140**	**69,873**
Pre-issue GST revisions ($m)	460	273	464	2,762	**1,615**
Post-issue GST revisions ($m)	46	33	19	436	**1,053**
Total	**506**	**306**	**483**	**3,214**	**2,668**

Note: Approximately 4,000 letters were issued, to help clients self-correct (post-issue) inadvertent reporting errors.

Operation Protego

It has been over a year since we first warned the community about participating in the large-scale GST fraud, and we continue to hold to account those people who chose to get involved.

The ongoing effectiveness of Operation Protego to protect community revenue and contain this fraudulent behaviour is evidenced by the further $1.0 billion in suspect GST refunds that we prevented being paid to fraudsters in 2022–23. This is in addition to around $1.7 billion in suspect GST refunds that we reviewed and stopped prior to payment in 2021–22.

Our investigations led to further GST primary liabilities raised of approximately $1.4 billion to 30 June 2023 and brings the total primary liabilities raised between the commencement of Operation Protego in mid-April 2022 and 30 June 2023 to just under $2.0 billion. Penalties of more than $120 million have also been issued to 30 June 2023. Statutory interest will continue to accrue on fraudulently obtained amounts not repaid, which was around $220 million at 31 August 2023.

This fraud has been contained, with more than 90% of the primary liabilities relating to fraudulent claims up to 30 June 2022. We have taken a range of compliance actions against more than 57,000 perpetrators, and our strategies have driven a continuous reduction in these GST fraud attempts.

We continue to significantly strengthen our controls and prioritise protecting the system and community against fraud.

We are also escalating our efforts to enforce repayment of fraudulently received funds and will look to implement other consequences. This includes, where appropriate, proceeds of crime referrals to the Australian Federal Police and departure prohibition orders to prevent people with a significant tax debt from leaving the country. As at 31 August 2023, we have recovered more than $120 million since the commencement of Operation Protego.

Through the ATO-led Serious Financial Crime Taskforce and with the support of state law enforcement agencies, we continue to take strong action against individuals involved in this fraud. As at 31 August 2023, criminal investigations have resulted in more than 100 arrests and 16 convictions. Jail terms of up to 7 years and 6 months have been imposed. Investigations are continuing.

Prosecutions and investigations

It is the responsibility of the ATO to protect the GST system against fraud and related crimes. Our firmest actions to deal with fraudulent behaviour are undertaken as part of a 'consequence strategy' which comprises criminal investigations and prosecutions.

In 2022–23:

- there were 67 completed criminal investigations for the work program, 46 of which proceeded to a referral to prosecution
- cases referred to Commonwealth Department of Public Prosecutions (CDPP) resulted in 5 successful prosecutions with successful outcomes were finalised, including 3 resulting in custodial sentences.

Notable CDPP-led prosecutions completed under the *Criminal Code Act 1995*

A person used ABNs not linked to active businesses to submit a series of false claims for GST input tax credits. While some of the earlier claims were paid, ATO audits found the person could supply no evidence to prove they were running a business. The person was sentenced to 5 years jail, with a non-parole period of 20 months, for attempting to fraudulently obtain more than $650,000 in GST refunds, as well as other offences.

Notable ATO-led prosecutions completed under the *Taxation Administration Act 1953* (TAA)

- An individual was convicted and fined $65,000 for failing to lodge 99 GST and 11 income tax returns.
- An individual was convicted and fined $50,000 for failing to lodge 29 GST and 9 income tax returns and was ordered to lodge all outstanding returns within 3 months.
- An individual was convicted for failing to lodge 21 GST and 3 income tax returns. A global penalty of $25,500 was imposed and orders pursuant to s8G TAA were made to lodge the outstanding returns within 2 months.
- An individual was convicted and fined $12,400 for failing to lodge 23 GST and income tax returns. Orders pursuant to s8G TAA were issued requiring lodgment of the 2018–2021 income tax returns.
- An individual was convicted and fined $4,000 for failing to lodge 9 GST and income tax returns.

6. GST Compliance Program

The GST Compliance Program was established in 2010 and contributes a significant proportion of all GST administration results, returning approximately $16 billion in GST revenue to the states and territories since 2010.

In 2019, the ATO was provided additional funding for the program to June 2023. The following summarises the 2022–23 financial outcomes for the program objectives:

1. **Taxpayers are correctly registered** – This strategy is focussed on identifying and deregistering those individuals incorrectly or fraudulently registered for GST. It resulted in $54.7 million in additional GST liabilities, exceeding the planned commitment of $14.5 million.
2. **Correct reporting is focused on tackling refund exploitation and dealing with systematic or deliberate under-reporting of GST** – Compliance activities raised $1.5 billion in 2022–23, exceeding the target of $333.6 million. This strategy has maintained a strong focus on pre-issue reviews for high-risk GST refunds and detecting fraudulent behaviours (including those addressed by Operation Protego). Program-funded analytical risk models implemented in 2021–22 continue to be highly successful in protecting GST revenue by detecting a wider range of suspect refunds and fraud.
3. **Large businesses pay the right amount of GST** – Assurance programs build and maintain community confidence that taxpayers are paying the right amount of GST. This assurance strategy raised $75.2 million in 2022–23 against a planned commitment of $141.1 million.
4. **More direct contact between the ATO and non-lodgers** – Lodgment compliance activities raised $656.4 million against a planned commitment of $401.2 million.
5. **More direct contact between the ATO and taxpayers with a GST debt** – GST debt recovery activities returned $919.2 million against a planned commitment of $256.8 million.

These objectives were managed through various strategies.

Through compliance and lodgment enforcement activities in 2022–23, the program raised total liabilities of $2.3 billion, exceeding the commitment of $890.3 million by $1.4 billion. In pattern with 2021–22, this year's high results were driven by Operation Protego. The liability outcomes peaked in 2021–22 for Operation Protego, with lower results this year reflecting the improved mitigation of the fraudulent refund risk. The continuing investment in GST risk models is strengthening the ATO's capability to guard against threats to the GST system.

The GST Compliance Program was renewed in the May 2023 Federal Budget for a further 4 years, from July 2023 to June 2027.

The strategies and compliance liabilities raised within the objectives are detailed in the table below.

Table 6.1: GST Compliance Program strategies and liabilities raised

Strategy number	Key objective	Description	GST ($m)
1, 11	4	**Lodgment compliance** activities to ensure taxpayers that are required to lodge are lodging, promoting fairness and confidence in the system; to address declining performance of quarterly BAS lodgment, predominately for the small and micro segments.	656.4
3	1	**Ensure taxpayers are correctly registered** in key risk areas such as GST registrations, deferred GST, and associated account integrity.	54.7
4	2	**E-audit capabilities** to more efficiently and effectively analyse taxpayer-provided data.	71.6
5	2	**Correct reporting tackling refund exploitation** to detect, address and deter GST incorrect reporting and GST refund fraud.	1,401.3
6(a)	2	**Detect and deal with the most egregious taxpayers** who seek to hide or avoid GST to obtain an unfair advantage.	27.3
6(b)	5	**Investigations and prosecutions** action that sends a strong message to the community of the high risk of being detected and the consequences of non-compliance behaviour.	n/a
7	5	**Dispute resolution** leading to the prevention or early resolution of disputes under objection.	n/a
8	All	**Risk and strategy** resourcing to assess risk to the GST system and determine the most appropriate strategies for the resources available.	n/a
9	All	**Program management, effectiveness, and GST gap research** to better understand influences on the GST gap and international benchmarking across jurisdictions.	n/a
10	2	**Improve risk models** to take advantage of technology and better use of data.	n/a
12	3	**Large business compliance** to provide greater assurance that large public, multinationals and private businesses are meeting their GST obligations.	75.2
Total			**2,286.6**
2	5	**Prevent and reduce GST debt**.	919.2

7. GST advice and dispute management

Advice and guidance

We offer public and private advice and guidance to help our clients understand their GST obligations, ensure a level playing field and address GST risks.

Key advice topics include:

- GST international and cross-border
- core provision/special rules
- real property transactions
- food classification
- financial supplies
- GST registration.

In 2022–23, 449 GST-related private ruling requests were finalised, with 92% finalised within 28 calendar days of receiving all the necessary information. This exceeded the service standard of 80%.

There were 2,120 guidance cases completed in 2022–23, a decrease of 35% from last year and continuing a long-term decline since 2017–18. We continued to provide practical advice with a one-to-many focus through newly developed ato.gov.au guidance, including:

- digital currency and crypto assets
- social media content creators and influencers.

The following GST-related public advice and guidance was published in 2022–23:

- Corrections to the Addendum to Goods and Services Tax Industry Issues Detailed Food List. This included deleting duplicate or outdated entries as well as adding new food and beverage product lines to reflect their classification as per positions taken by the Commissioner in private advice requests.
- The Addendum to Goods and Services Tax Ruling GSTR 2002/2 *Goods and services tax: GST treatment of financial supplies and related supplies and acquisitions* incorporated legislative updates, including updates for the cross-border GST law changes and digital currency, and a new buy-now pay-later example.
- Practical Compliance Guideline PCG 2022/3 *Goods and services tax and residential colleges – ATO compliance approach* was published due to the retirement of the Residential Colleges GST Tool. The PCG's purpose is to assist universities and residential colleges to determine if supplies of accommodation, meals, tertiary residential college courses and religious services satisfy requirements to be treated as GST-free supplies.

Table 7.1: GST-related advice and guidance

Type of GST-related activity	2018–19 No.	2019–20 No.	2020–21 No.	2021–22 No.	2022–23 No.
Finalised private ruling requests	641	565	614	602	**449**
Completed guidance cases	4,712	3,966	3,941	3,286	**2,120**

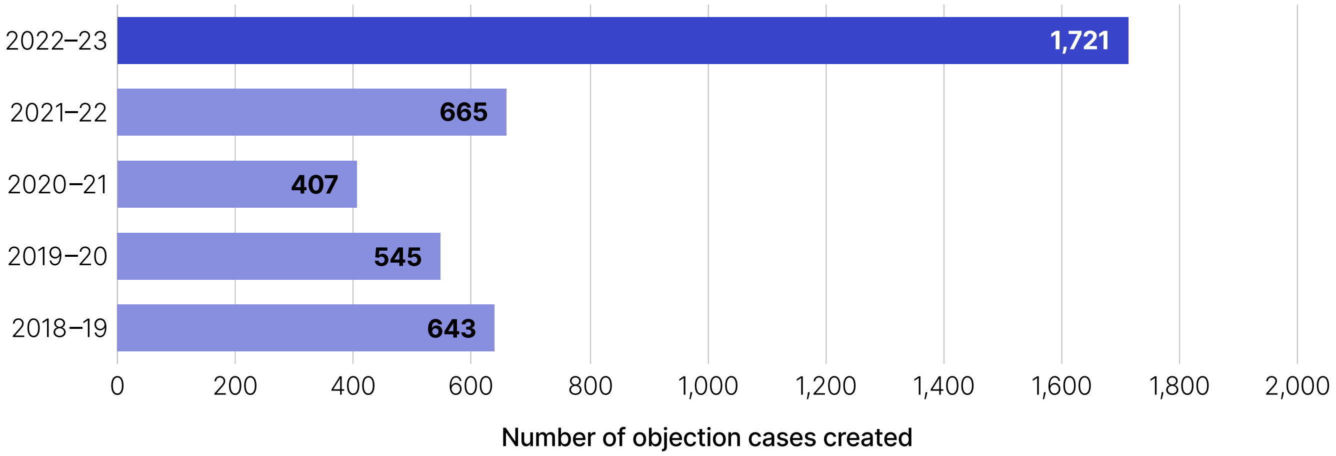
Dispute management

GST objections

The number of GST objections received and resolved increased significantly this year. Cases received increased from 665 in 2021–22 to 1,721 in 2022–23.

The majority (88%) related to audit activity undertaken by the ATO and specifically in relation to Operation Protego compliance activities focused on GST refund integrity. Consistent with the heightened audit focus, 80% of GST objections came from small businesses.

Figure 7.1: Number of objection cases created



The ATO resolved 1,309 GST objections in 2022–23, a 144% increase on the previous year. Most of these objections were unfavourable to the client. This was due to either an inability to contact the client or because the client was unable to provide sufficient documentation to support their claim of conducting an enterprise or entitlement to GST credits. This is aligned with the known behaviours of clients who participate in fraud and of the Operation Protego population.

The proportion of GST objections to new first instance Part IVC litigation appeals reduced significantly from 88 per 1,000 GST objections in 2021–22 to 41 per 1,000 GST objections in 2022–23.

Table 7.2: GST dispute management outputs

Activity	2018–19 No.	2019–20 No.	2020–21 No.	2021–22 No.	2022–23 No.
Audit to objection rate (per thousand)	52	95	56	11*	**30**
Audit to audit-related objection (per thousand)	n/a	62	37	9*	**27**
Objection cases resolved	**591**	**512**	**813**	**535**	**1,309**
Allowed in full	165	108	104	88	**280**
Allowed in part	108	91	97	28	**56**
Disallowed	121	125	405	172	**313**
Either withdrawn following initial contact, or invalid and unable to be altered to be treated as valid objections	197	188	207	247	**660**
Objections which result in Part IVC litigation cases (per thousand)	108	117	49	88	**41**
GST litigation cases completed	**45**	**52**	**52**	**63**	**37**
Favourable	6	11	6	12	**17**
Partly favourable	1	0	1	2	**0**
Unfavourable	2	2	4	4	**3**
Conceded (whole or in part)	18	22	9	6	**2**
Settled	4	4	20	20	**3**
Withdrawn by taxpayer	9	11	9	16	**9**
Dismissed by court or AAT	4	2	3	3	**3**
Other	1	0	0	0	**0**

Note: *In 2021–22, the audit to objection rates decreased substantially. This was due to the increase in the number of audits following the commencement of Operation Protego and the recommencement of firmer action.

GST litigation

As at 30 June 2023, there were 107 current Part IVC litigation cases on hand, a 40% increase from 77 cases last year. This upward trend is largely attributed to cases involving property and refund integrity issues, with the majority of the refund integrity cases increase resulting from Operation Protego.

The number of cases settled by the Commissioner this year was 8% of all finalised cases, compared to 32% last year. Despite this reduction in settled cases, there is still a concerted effort by the Commissioner to adopt alternative dispute resolution options where appropriate and ensure the right cases are being litigated.

The number of decisions received from the courts and tribunals this year increased to 54% of finalised cases, an increase from 29% in 2021–22, with 85% fully favourable to the Commissioner. Cases conceded in whole or in part by the Commissioner made up only 6% of all finalised cases in 2022–23.

Table 7.3: Strategic case decisions

Matter	Issue and decision
***Landcom v Commissioner of Taxation* [2022] FCAFC 204**	On 22 December 2022, the Full Federal Court (FFC) dismissed the Commissioner's appeal. The FFC affirmed the Federal Court's decision that, for the purpose of applying the margin scheme to the supply of multiple freehold titles, the law applies to each freehold interest sold separately. The Commissioner published a Decision Impact Statement on this case on 15 March 2023.
***Chobani Pty Ltd v Commissioner of Taxation* [2023] AATA 1664**	On 16 June 2023, the Administrative Appeals Tribunal (AAT) affirmed the decision under review. The AAT decided the relevant product, Chobani Flip Strawberry Shortcake flavoured yogurt, was not GST-free. It comprised yogurt and separate dry inclusions of cookie pieces and white chocolate chips. The AAT found the product gave the overall impression of being a combination of the 3 components, of which the cookie pieces and chocolate chips are not insignificant and remain readily identifiable and not subsumed into a separate product. The AAT also agreed with the Commissioner that the characterisation must occur at the time of supply, and it is the thing supplied that must be classified for GST, not the thing as varied or applied by the ultimate consumer. The appeal period has expired, and the taxpayer did not lodge an appeal.
***Hannover Life Re of Australasia Ltd v Commissioner of Taxation* [2023] FCA 680**	On 22 June 2023, the Federal Court handed down a partly favourable decision. The case involved the extent of creditable purpose of acquisitions made by the taxpayer for services it acquired in respect to the issuing of life insurance policies to Australian residents, referred to as 'Greenstone' acquisitions and 'overhead' acquisitions. The Federal Court agreed with the Commissioner that the 'Greenstone' acquisitions exclusively related to the input taxed supplies made by the taxpayer and as such were not creditable acquisitions. However, the Court concluded that the 'overhead' acquisitions, to the extent they related to the taxpayer's GST-free supplies, were creditable acquisitions and, subject to an adjustment to account for the taxpayer's input taxed investment supplies, the taxpayer's proposed methodology of apportionment was fair and reasonable. The Commissioner has filed an appeal in respect to the decision on overhead acquisitions. Note that because the Federal Court made final orders on 7 July 2023, this decision is not included in this year's reported statistics.

8. Department of Home Affairs

The Home Affairs portfolio, including the Australian Border Force (ABF), is responsible for the collection of customs duty and other indirect taxes including GST at the border. Home Affairs also administers the deferral of GST on imported goods for registered importers under the GST Deferral Scheme.

In 2022–23, Home Affairs:

- collected $5.7 billion GST and $39.8 billion deferred GST on imported goods, representing a total GST liability assessed of $45.7 billion
- processed 4.4 million import declarations and self-assessed clearance declarations
- processed 1.3 million export declarations
- processed 532,000 Tourist Refund Scheme (TRS) claims resulting in $188.8 million of GST and wine equalisation tax (WET) being refunded to travellers.

The focus of the ATO and Home Affairs/ABF is to manage compliance with Australia's import and export framework and to control, detect, deter and address illicit trade behaviours.

Compliance program

Australia's prosperity is driven by open access to a global market where goods can move freely across borders. The ABF maintains the integrity of Australia's trade system through:

- secure systems and services
- intelligence-led, risk-based border management
- aviation and maritime security.

The Integrated Cargo System facilitates clearance of imported cargo and applies revenue payment obligations. Home Affairs and the ABF deploy measures to detect and deter serious revenue non-compliance, including combating the shadow economy.

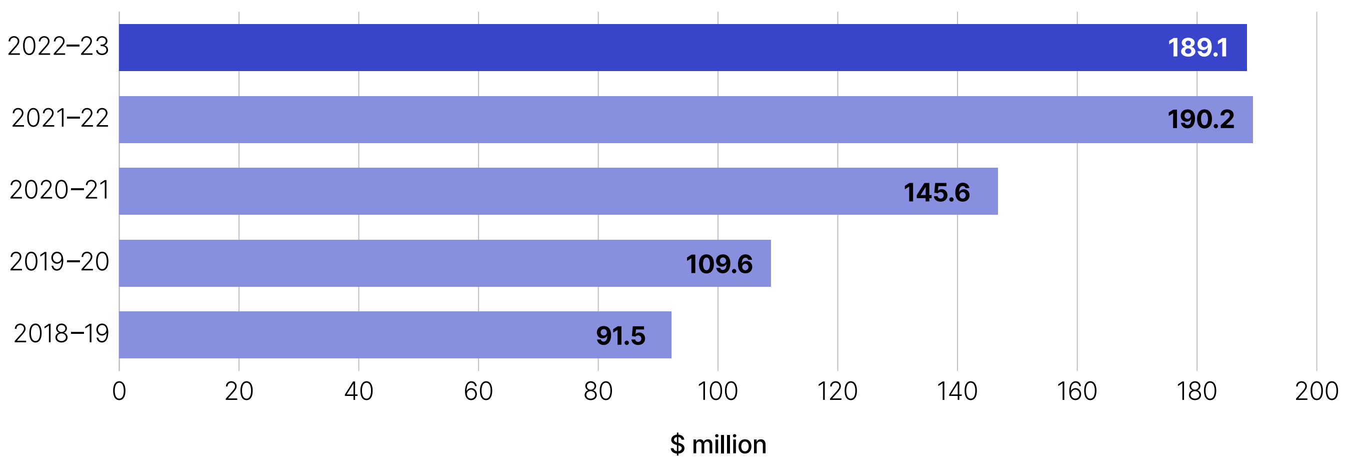
In 2022–23, Home Affairs continued to focus on:

- misclassification, under-valuation and non-declaration of goods
- false claims for GST exemptions
- improper application for preferential treatment under free trade agreements or duty refunds and concessions.

In 2022–23, Home Affairs/ABF compliance activities identified a total of $189.1 million in GST understatements.

The ABF continues to work with the ATO on several high-profile ongoing investigations.

Figure 8.1: GST understatements



There were $147.7 million in voluntary disclosures in 2022–23. As voluntary disclosure cases rely upon self-reporting, fluctuations are common. Reported values are not indicative of seasonal trends or operational tempo and are not a predictor of future trends.

The trade and goods Compliance Advisory Group (CAG) continued to bring together industry representatives from a number of sectors involved in the movement of goods across Australia's border. The group's purpose is to recommend solutions relating to trade and goods compliance issues. This specifically includes a focus on maximising voluntary compliance through co-designing solutions for both existing and emerging issues.

Tourist Refund Scheme

During 2022–23, 532,000 TRS claims were processed, up from 138,000 in 2021–22. This resulted in $188.8 million in refunds to travellers, including $188.2 million of GST and $0.6 million of WET, up from a total of $47.2 million in 2021–22.

Activity for TRS increased in 2022–23. Claims received increased by 286% and refund value increased by 300% compared to 2021–22, however it was still significantly below pre-COVID-19 levels.

During 2022–23, significantly improved Apple iOS and Android versions of the TRS mobile phone app were released, allowing TRS claimants to upload their personal and claim details before lodging a TRS claim at their port of departure. This improved the claimant experience significantly and reduced queueing and processing times. The updated apps enable more efficient and cost-effective ongoing maintenance and improved synchronisation with software updates.

9. Performance reports

This section of the report provides information on our performance outcomes under the GST Administration Performance Agreement. Table numbers reflect the location within the agreement. Data for prior years is published on ato.gov.au.

Schedule A: Performance outcome measures

Schedule A of the Performance Agreement relates to our performance outcome measures, detailed in 4 major sections of the agreement. Our results against these are provided in the tables below. Note that figures may vary slightly due to rounding.

Maintain compliance

Core indicators

1. Revenue outcome

Table 1a: GST revenue

Outcome	2018–19 $m	2019–20 $m	2020–21 $m	2021–22 $m	2022–23 $m
Total GST accrual	66,675	66,682	72,606	76,001	**85,295**
Total GST cash	65,160	60,236	73,073	73,581	**81,332**
– Home Affairs GST cash	4,173	4,175	4,774	5,692	**5,683**

Note: The total GST revenue amount excludes non-GIC penalties. GST accrual revenue is provided using the tax liability method (TLM). Under the TLM basis, GST revenue is defined as being the earlier of the cash payment being received or the associated liability being recognised.

2. Trend in GST gap

Table 2a: Estimated GST gap (value)

Type of measure	2017–18 $b	2018–19 $b	2019–20 $b	2020–21 $b	2021–22 $b
Excluding non-pursuable debt	3.6	4.2	1.8	0.6	**0.5**
Including non-pursuable debt	4.3	5.0	3.0	1.9	**2.8**

Note: Due to the increase in GST debts in the COVID-19 period, it is anticipated that historic patterns of non-pursuable debt may not continue, with the potential for upward revision of recent year gap figures over time.

Table 2b-c: Estimated GST gap

Type of measure	2017–18 %	2018–19 %	2019–20 %	2020–21 %	2021–22 %
Net GST gap (excluding non-pursuable debt – percentage of theoretical revenue	6.3	7.2	4.5	2.7	**3.6**
Net GST gap (including non-pursuable debt) – percentage of theoretical revenue	5.3	6.1	2.6	0.8	**0.7**

3. GST debt

Table 3a: GST debt outstanding

Type of GST debt	2018–19 $m	2019–20 $m	2020–21 $m	2021–22 $m	2022–23 $m
Total GST debt outstanding	5,668	10,185	10,660	12,302	**15,930**
GST collectable debt	4,270	7,869	8,766	10,366	**12,883**
Insolvent debt	n/a	n/a	1,628	1,819	**2,664**
Disputed debt	n/a	n/a	265	117	**383**

Note: Collectable debt is debt for which there is no impediment to collection – it is not subject to objection, appeal, or to some form of insolvency administration.

Table 3b: Ratio of collectable debt to GST revenue

Type of collection	2018–19 %	2019–20 %	2020–21 %	2021–22 %	2022–23 %
Tax liability method (TLM) accrual	6.4	11.8	12.1	13.6	**15.0**
Cash	6.6	13.1	12.0	14.1	**15.8**

Note: The debt collection rate is calculated using the GST collectable debt amount as a percentage of 12-month rolling GST (TLM accrual or cash) collections. This is a measure used by revenue agencies to gauge their relative effectiveness in managing their debt holdings.

Supplementary debt indicators

Table 3c: GST debt non-pursuit

Type of measure	2018–19 %	2019–20 %	2020–21 %	2021–22 %	2022–23 %
GST debt non-pursuit to total GST debt	23.8	4.3	5.1	5.4	**4.6**
GST debt non-pursuit to GST revenue	2.1	0.7	0.7	0.9	**0.9**

Notes: GST debt non-pursuit – this measure is calculated using GST debt non-pursuit as a proportion of total GST debt. GST debt non-pursuit to GST revenue – this compares GST debt non-pursued to GST revenue (cash). Identifying non-pursuits helps ensure we are focusing our debt collection activities on the right cases by removing those where we are either prevented by law from pursuing recovery (irrecoverable at law) or where recovery is unviable (uneconomical to pursue). The ATO uses data-driven decision-making to pursue, pause or cease recovery actions where appropriate, including where the client becomes insolvent or the debt is considered uneconomical to pursue.

Table 3d: GST on-time payment rate

Type of measure	2018–19 %	2019–20 %	2020–21 %	2021–22 %	2022–23 %
GST payments made on time	75.3	76.3	73.0	70.4	**71.3**
Value of GST paid on time	88.7	86.5	85.9	85.8	**87.7**

Notes: GST payments made on time measures the compliance level for GST payments and is calculated as the number of GST payments paid on time divided by the total number of GST payments due. The value of GST paid on time measures the compliance level for GST payments and is calculated as the value of GST payments paid on time divided by the total value of GST payments due.

Table 3e: Ageing of GST debt – number of BAS debit assessments

Category	2018–19 No.	2019–20 No.	2020–21 No.	2021–22 No.	2022–23 No.
< 30 days	n/a	756,500	181,100	113,700	**129,300**
30–59 days	n/a	274,600	236,600	247,100	**197,700**
60–89 days	n/a	56,700	35,200	68,900	**162,300**
90 days to one year	n/a	688,900	613,600	812,100	**873,100**
> one year	n/a	778,500	1,142,100	1,260,800	**1,583,600**
Total GST debit assessments	**n/a**	**2,555,200**	**2,208,600**	**2,502,700**	**2,946,000**

Note: Figures reported for 2019–20 and onwards are derived from a new reporting source due to transition to a single accounting system. A GST debt may appear in multiple age ranges where the client owes amounts relating to multiple assessments. Total GST debt aged represents the number of activity statement accounts multiplied by a GST attribution rate.

Table 3f: Ageing of GST debt – value

Category	2018–19 $m	2019–20 $m	2020–21 $m	2021–22 $m	2022–23 $m
< 30 days	426	1,006	835	905	**1,069**
30–59 days	564	1,705	1,270	1,352	**1,717**
60–89 days	129	470	248	341	**275**
90 days to one year	1,511	2,701	2,745	3,712	**3,475**
> one year	1,639	1,987	3,668	4,056	**6,346**
Total GST debt value	**4,270**	**7,869**	**8,766**	**10,366**	**12,883**

Note: Figures reported for 2019–20 and onwards are derived from a new reporting source due to transition to a single accounting system. Age of debt is determined by the latter of the processed date or the effective date of the transaction(s).

4. Cross-border services and goods

Table 4a: Digital products and services new registrants

Category	2018–19 No.	2019–20 No.	2020–21 No.	2021–22 No.	2022–23 No.
New registrants	175	95	125	135	**140**

Note: Registration year is a taxpayer's effective registration start date; that is, the time they declare they should be registered from, not the actual date they apply for registration.

Table 4b: Value of digital products and services GST

Category	2018–19 $m	2019–20 $m	2020–21 $m	2021–22 $m	2022–23 $m
Total	470	550	695	770	**790**
Top 20 payers	360	410	530	565	**585**

Note: All figures have been rounded to the nearest $5m.

Table 4c: Low value imported goods new registrants

Category	2018–19 No.	2019–20 No.	2020–21 No.	2021–22 No.	2022–23 No.
New registrants	935	135	145	155	**130**

Note: Registration year is a taxpayer's effective registration start date; that is, the time they declare they should be registered from, not the actual date they apply for registration.

Table 4d: Value of low value imported goods GST

Category	2018–19 $m	2019–20 $m	2020–21 $m	2021–22 $m	2022–23 $m
Total	370	420	495	560	**590**
Top 20 payers	230	265	315	365	**415**

Note: All figures have been rounded to the nearest $5m.

Client engagement outcomes

Core indicators

Table 5a(i): GST compliance liabilities raised by client experience. Cash collections on those liabilities in the financial year, cash collection rate within the year, and total compliance cash collections

Client experience	GST compliance liabilities $m	Within year compliance cash collections $m	GST cash collection rate %	Total compliance cash collections $m
Small business	3,527	1,628	46.1	2,004
Privately owned and wealthy groups	962	619	64.3	758
Public and multinational businesses	306	245	80.3	261
Not-for-profit	4	0	-11.1	6
Other	30	20	66.1	22
Total	**4,829***	**2,511**	**52.0**	**3,051**

Notes: Compliance liabilities are the net value of debit and credit amendments from active compliance intervention and exclude penalties and interest. Due to the running balance account, collections are determined using a combination of actual collections and estimates of collections based on sampling. The cash collection rate from client engagement activities is based on those collections within the year that relate to the liabilities raised in that year only. Total cash collections (excluding penalties and interest) are estimated within the year and can include collections that relate to compliance liabilities raised from previous years.

*This includes GST liabilities of $2,415 million relating to Operation Protego (GST refund fraud), which includes $1.0 billion stopped prior to issue. A major proportion of these liabilities are included in the above table against the small business market, notwithstanding they are not considered to be genuine small businesses.

Table 5a(ii): GST compliance liabilities raised by industry. Cash collections on those liabilities in the financial year, cash collection rate within the year, and total compliance cash collections

Industry	GST compliance liabilities $m	Within year compliance cash collections $m	GST cash collection rate %	Total compliance cash collections $m
Construction	1,528	865	56.6	1,051
Professional, Scientific and Technical Services	480	255	53.2	312
Administrative and Support Services	460	230	49.9	258
Transport, Postal and Warehousing	436	217	49.8	253
Other Services	354	158	44.8	180
All Other	1,571	785	50.0	997
Total	**4,829***	**2,511**	**52.0**	**3,051**

Notes: Compliance liabilities are the net value of debit and credit amendments from active compliance intervention and exclude penalties and interest. Due to the running balance account, collections are determined using a combination of actual collections and estimates of collections based on sampling. The cash collection rate from client engagement activities is based on those collections within the year that relate to the liabilities raised in that year only. Total cash collections (excluding penalties and interest) are estimated within the year and can include collections that relate to compliance liabilities raised from previous years.

*This includes GST liabilities of $2,415 million relating to Operation Protego (GST refund fraud), which includes $1.0 billion stopped prior to issue. They are categorised based on the industry disclosed by the fraudster, which may not reflect the actual industry (if indeed any business was carried on at all).

Table 5b: Strike rate by client experience

Client experience	2018–19 %	2019–20 %	2020–21 %	2021–22 %	2022–23 %
Small business	n/a	n/a	87	95	**83**
Privately owned and wealthy groups	n/a	n/a	66	62	**56**
Public and multinational businesses*	n/a	n/a	75	53	**56**
Not-for-profit*	n/a	n/a	81	35	**47**
Other	n/a	n/a	85	92	**92**
Overall	**79**	**80**	**86**	**94**	**84**

Note: The strike rate (percentage of cases leading to re-assessment) is an OECD measure that can indicate the effectiveness of case selection in detecting non-compliance. Strike rate was reported by client experience for the first time in 2020–21.

*The strike rate for client experiences with low case numbers can fluctuate dramatically from one reporting period to the next.

Table 5c(i): Refund integrity active compliance GST liabilities raised by client experience

Client experience	2018–19 $m	2019–20 $m	2020–21 $m	2021–22 $m	2022–23 $m
Small business	n/a	n/a	374	2,688	**2,054**
Individuals	n/a	n/a	18	388	**459**
Privately owned and wealthy groups	n/a	n/a	66	86	**130**
Public and multinational businesses	n/a	n/a	19	23	**10**
Not-for-profit	n/a	n/a	4	10	**12**
Other	n/a	n/a	2	2	**4**
Total	**506**	**306**	**484**	**3,198**	**2,668**

Note: Refund integrity active compliance GST liabilities raised was reported by client experience for the first time in 2020–21.

Table 5c(ii): Refund integrity strike rate by client experience

Client experience	2018–19 %	2019–20 %	2020–21 %	2021–22 %	2022–23 %
Small business	n/a	n/a	95	98	**88**
Individuals	n/a	n/a	98	97	**95**
Privately owned and wealthy groups	n/a	n/a	74	70	**65**
Public and multinational businesses*	n/a	n/a	85	50	**66**
Not-for-profit*	n/a	n/a	92	36	**56**
Other*	n/a	n/a	92	40	**57**
Overall	**77**	**85**	**94**	**97**	**89**

Notes: This measure applies to cases where a refund has been held by the ATO. Significant costs are incurred by both government and business because of the time lag involved when a refund is stopped; for example, delayed cash flows and GST administration costs. When considered over time, this measure will indicate if improvements have been made to the ATO's risk-based audit selection strategy. Strike rate was reported by client experience for the first time in 2020–21.

*The strike rate for client experiences with low case numbers can fluctuate dramatically from one reporting period to the next.

Table 5d: Compulsory GST registrations compared to potential GST registrations

Type of measure	2018–19 %	2019–20 %	2020–21 %	2021–22 %	2022–23 %
Compulsory GST registrations compared to potential GST registrations based on income tax returns data	97.2	96.6	97.2	96.9	**97.2**

Note: We are comparing the number of entities that declare business income (in excess of $75,000) in their income tax returns with the number of compulsory registrants. This indicator is reported one year in arrears due to reliance on corresponding income tax data.

Table 5e: BAS lodgment

Type of lodgment	2018–19 %	2019–20 %	2020–21 %	2021–22 %	2022–23 %
Lodged (monthly)	93.0	90.8	89.9	88.9	**87.3**
Lodged (quarterly)	85.6	82.3	81.9	80.9	**82.0**
Total BAS lodged	**87.7**	**84.6**	**84.1**	**83.1**	**83.4**
Lodged on time (monthly)	83.4	81.8	78.5	76.1	**76.3**
Lodged on time (quarterly)	73.1	71.0	67.3	67.9	**69.3**
Total lodged on time	**76.0**	**74.0**	**70.3**	**70.1**	**71.2**

Notes: This measure captures all BAS lodgment periods that have due dates between 1 July to 30 June for each year. BAS lodged within 7 days of the due date is regarded as lodged on time.

Table 5f: Return on investment from compliance activities

Type of activity	2018–19	2019–20	2020–21	2021–22	2022–23
Business as usual (ratio)	n/a	7.0:1	7.9:1	10.4:1	**10.6:1**
GST Compliance Program (ratio)	n/a	15.5:1	11.3:1	30.1:1	**23.5:1**

Supplementary client engagement indicators

Table 6a: Voluntary compliance ratio (VCR) by number of taxpayers

Type of measure	2017–18 %	2018–19 %	2019–20 %	2020–21 %	2021–22 %
By number of taxpayers (strict)	53	52	49	48	**48**
By number of taxpayers (relaxed)	77	77	78	80	**82**

Note: The strict VCR does not give any consideration to minor unintentional late payments or lodgments. The relaxed VCR adjusts for:
- taxpayers who have no total business income in the year; that is, a nil BAS
- taxpayers who are only considered non-compliant due to a single BAS lodged late and/or a single late payment.

Table 6b: Voluntary compliance ratio by value of GST

Type of measure	2017–18 %	2018–19 %	2019–20 %	2020–21 %	2021–22 %
By value of GST	82	81	84	85	**83**

Table 6c (i): GST total revenue effects – excluding penalties and interest

Category	2018–19 $m	2019–20 $m	2020–21 $m	2021–22 $m	2022–23 $m
Audit actions/incorrect claims stopped (excluding Operation Protego)	1,223	1,070	1,132	1,722	**937**
Operation Protego audit actions/incorrect claims stopped (including preventative impacts)	n/a	n/a	n/a	1,667	**1,152**
Lodgment actions	1,350	1,221	702	1,025	**962**
Preventative actions and sustained compliance	253	370	426	390	**398**
Sustained lodgment compliance	707	477	370	224	**346**
Total	**3,533**	**3,139**	**2,631**	**5,028**	**3,795**

Table 6c (ii): GST total revenue effects – including penalties and interest

Category	2018–19 $m	2019–20 $m	2020–21 $m	2021–22 $m	2022–23 $m
Audit actions/incorrect claims stopped (excluding Operation Protego)	1,244	1,162	1,157	1,784	**1,050**
Operation Protego audit actions/incorrect claims stopped (including preventative impacts)	n/a	n/a	n/a	1,667	**1,153**
Lodgment actions	1,408	1,264	727	1,052	**1,033**
Preventative actions and sustained compliance	253	370	426	390	**398**
Sustained lodgment compliance	707	477	370	224	**346**
Total	**3,612**	**3,273**	**2,679**	**5,117**	**3,979***

Notes: Up to 30 June 2023, the Operation Protego focus was on containing the fraud. In 2023-24, the focus is shifting to appropriate consequences, including penalties.

*Result includes around $332 million in GST collections, including $103 million from large businesses, as a result of voluntary disclosures in 2022–23.

Table 6d: Tax assured – proportion of the GST base where the ATO has justified trust that the amount of GST is correct

Type of measure	2018–19 %	2019–20 %	2020–21 %
Proportion of the GST base where the ATO has justified trust that the amount of GST is correct	6.0	3.9	**3.1**

Supplementary dispute resolution indicators

Table 7a: Number of objection cases created

Category	2018–19 No.	2019–20 No.	2020–21 No.	2021–22 No.	2022–23 No.
Audit-initiated objection cases created	n/a	421	267	528	**1,519**
Client-initiated objection cases created	n/a	124	138	137	**201**
Other	n/a	0	2	0	**1**
Total cases created	**643**	**545**	**407**	**665**	**1,721**

Notes: The process for identifying GST-related objections improved in 2020–21 so as to capture all GST-related work items. Previously only cases where GST was the primary revenue product in dispute were included.

Table 7b: Number of objection cases resolved

Category	2018–19 No.	2019–20 No.	2020–21 No.	2021–22 No.	2022–23 No.
Audit-initiated objection cases resolved	n/a	n/a	426	413	**1,127**
Client-initiated objection cases resolved	n/a	n/a	386	122	**182**
Other	n/a	n/a	1	0	**0**
Total cases resolved	**591**	**512**	**813**	**535**	**1,309**

Table 7c: Audit to objection transition rate

Category	2018–19 No.	2019–20 No.	2020–21 No.	2021–22 No.	2022–23 No.
Audit to objection transition rate (per thousand)	52	95	56	11	**30**
Audit to audit-related objection transition rate (per thousand)	n/a	62	37	9	**27**

Note: In 2022–23, 57,145 audits were finalised with a financial adjustment.

Table 7d: Number of new Part IVC litigation cases

Category	2018–19 No.	2019–20 No.	2020–21 No.	2021–22 No.	2022–23 No.
First Instance cases created	60	60	41	47	**58**
Appeal cases created	1	3	4	5	**1**
Administrative matter cases created	5	0	0	0	**1**

Note: Part IVC First Instance cases are those where the taxpayer lodges an Administrative Appeals Tribunal or Federal Court application when they are dissatisfied with the Commissioner's objection decision.

Table 7e: Number of new Part IVC litigation resolved

Category	2018–19 No.	2019–20 No.	2020–21 No.	2021–22 No.	2022–23 No.
First Instance cases resolved	42	50	45	59	**35**
Appeal cases resolved	1	2	5	4	**2**
Administrative matter cases resolved	2	0	2	0	**0**

Table 7f: Proportion of objections to new Part IVC litigation cases

Type of measure	2018–19 No.	2019–20 No.	2020–21 No.	2021–22 No.	2022–23 No.
Proportion of objections to new Part IVC litigation cases (per thousand)	108	117	49	88	**41**

Table 7g: Litigation outcomes

Category	2018–19 %	2019–20 %	2020–21 %	2021–22 %	2022–23 %
Decisions in courts/tribunals that wholly support the ATO position	67	85	55	67	**85**
Decisions in courts/tribunals that partially support the ATO position	11	0	9	11	**0**
Decisions in courts/tribunals that wholly support the taxpayer position	22	15	36	22	**15**

Cost-effective administration

Core indicators

Table 8a: Cost as a percentage of GST revenue

Type of measure	2018–19 %	2019–20 %	2020–21 %	2021–22 %	2022–23 %
Cost of collection as a percentage of revenue (cash)	1.01	0.92	0.71	0.87	**0.78**

Note: This measure equates to the cost of collecting $100 of GST revenue.

Table 8b: Cost per GST registrant

Type of measure	2018–19 $	2019–20 $	2020–21 $	2021–22 $	2022–23 $
Cost per GST registrant	232	198	176	201	**197**

Note: The calculation is based on total administration costs divided by the total registered active GST client base.

Table 8c: Total registered client base by client experience

Category	2018–19 million	2019–20 million	2020–21 million	2021–22 million	2022–23 million
Small business	n/a	n/a	2.40	2.51	**2.55**
Privately owned and wealthy groups	n/a	n/a	0.40	0.47	**0.48**
Public and multinational businesses	n/a	n/a	0.08	0.08	**0.08**
Not-for-profit	n/a	n/a	0.07	0.07	**0.08**
Other	n/a	n/a	0.12	0.13	**0.12**
Total registered client base	**2.84**	**2.91**	**3.08**	**3.25**	**3.32**

Note: This is the total registered population as of 30 June in each respective year. Over time this measure will show how fluid the client base is through GST registrations. Total registered population was reported by client experience for the first time in 2020–21.

Table 9a: Variation of GST administration costs from agreed budget

Type of measure	2018–19 %	2019–20 %	2020–21 %	2021–22 %	2022–23 %
Variation of GST administration costs from agreed budget (total administration budget)	10.0	−10.9	−13.4	−3.4	**−3.5**

Note: This measure reflects the percentage that the actual GST product cost varies from the agreed budget, as specified in Schedule B. It is reported retrospectively.

Table 9b: Client engagement costs as a percentage of total administration costs

Category	2018–19 %	2019–20 %	2020–21 %	2021–22 %	2022–23 %
Total client engagement costs	53.4	52.9	57.8	59.7	**60.3**
GST Compliance Program operating funding	12.8	20.2	21.5	18.0	**17.7**

Notes: The percentage is calculated as compliance costs divided by total GST administration costs. GST Compliance Program costs only include operating funding.

Supplementary indicators

Table 9c: Electronic activity statements finalised in 12 business days

Type of measure	2018–19 %	2019–20 %	2020–21 %	2021–22 %	2022–23 %
Proportion finalised in 12 business days	99.7	99.7	99.2	98.7	**99.7**

Note: This is a service commitment. A 94% target applies.

Table 9d: Percentage of BAS lodged electronically

BAS lodgment frequency	2018–19 %	2019–20 %	2020–21 %	2021–22 %	2022–23 %
Monthly remitters	83.7	87.4	92.2	93.3	**94.5**
Quarterly remitters	83.6	88.2	88.4	92.1	**89.8**
Annual remitters	91.0	91.3	95.0	95.5	**95.4**
Overall	**83.8**	**88.2**	**88.9**	**92.3**	**90.4**

Table 9e: Written technical advice – finalised with 28 calendar days of receiving all necessary information

Category	2018–19 %	2019–20 %	2020–21 %	2021–22 %	2022–23 %
Taxpayer guidance requests	97	98	95	90	**92**
Private rulings	98	98	99	96	**92**

Note: This is a service commitment. An 85% target applies for general taxpayer requests and an 80% target applies to private rulings.

Table 9f: Quality of technical advice

Type of measure	2018–19 %	2019–20 %	2020–21 %	2021–22 %	2022–23 %
Technical advice cases rated as 'achieved' for the accuracy of the technical decision/s	97.6	94.4	100.0	97.0	**97.5**

Note: Cases are assessed against 4 criteria: Service, Accountability, Accuracy, and Performance.

Table 9g: Australian Business Registry Services (ABRS) registrations

Type of measure	2018–19 %	2019–20 %	2020–21 %	2021–22 %	2022–23 %
Australian resident ABRS registrations finalised in 20 business days	99	99	99	99	**98**

Note: The taxpayer charter standard of 93% target applies. The percentile has remained steady and continued to exceed the target.

Table 9h: GST returns filed by intermediaries or tax agents

Type of measure	2018–19 %	2019–20 %	2020–21 %	2021–22 %	2022–23 %
BAS filed by intermediaries or tax agents	53.7	55.4	56.6	56.6	**58.9**

Note: This is an international benchmark measure that indicates the usage of tax intermediaries and/or tax agents for filing GST (or value-add) tax returns.

Department of Home Affairs

Table 10a-c: Management of GST revenue collection

Category	2018–19 $m	2019–20 $m	2020–21 $m	2021–22 $m	2022–23 $m
GST liability assessed	33,260	32,244	33,555	42,068	**45,657**
GST collected	4,173	4,175	4,774	5,692	**5,683**
Total value of Tourist Refund Scheme (TRS) claims paid	256.8	197.6	21.2	47.2	**188.8**

Table 11a-f: Maintain compliance

Type of measure	2018–19	2019–20	2020–21	2021–22	2022–23
Cost of compliance ($m)	35.6	34.2	33.0	37.7	**38.7**
Compliance coverage – TRS (%)	100.0	100.0	100.0	100.0	**100.0**
TRS claims rejected (%)	3.0	1.6	1.7	1.7	**1.6**
GST adjustments – underpaid GST revenue ($m)	91.5	109.6	145.6	190.2	**189.1**
GST adjustments – rejected TRS claims ($m)	2.5	1.8	0.3	0.4	**1.8**
Total GST adjustments ($m)	94.0	111.4	145.9	190.6	**190.9**

Table 12a-k: Cost-effective administration

Type of measure	2018–19	2019–20	2020–21	2021–22	2022–23
Costs of import processing ($m)	20.3	22.6	21.2	28.3	**27.8**
Costs of export processing ($m)	0.3	0.2	0.2	0.4	**0.3**
Costs of import and export compliance ($m)	18.2	15.6	18.9	20.7	**21.7**
Costs of administering the TRS ($m)	17.3	18.6	14.0	16.9	**16.9**
Total costs ($m)	**56.2**	**57.0**	**54.5**	**66.3**	**66.8**
Import declarations processed (million)	4.2	4.0	4.3	4.4	**4.4**
Export declarations processed (million)	1.4	1.4	1.3	1.3	**1.3**
Total TRS claims processed (thousand)	1,071	766	50	138	**561**
Total costs as a percentage of total GST liability assessed (%)	0.2	0.2	0.2	0.2	**0.1**
Total costs as a percentage of total GST collected (%)	1.3	1.3	1.1	1.2	**1.1**
Compliance yield (ratio)	2.64:1	3.26:1	4.42:1	5.06:1	**4.93:1**

Note: Due to rounding, the summation of the individual components may not align with the calculated total.

Schedule B: GST budget and administration activities

This part of the report addresses our performance in relation to Schedule B of the Performance Agreement. The GST administration cost statement is a special purpose financial report. The statement is prepared using statements of accounting concepts and on an accrual basis.

Program framework deliverables

Number	Category	2022–23 Actual $m	2022–23 Schedule B $m	2023–24 Endorsed estimate $m
1.1	Policy advice and forecasting	4.2	5.3	**4.5**
1.2	Design and build administrative solutions	28.4	53.3	**53.3**
1.3	Input into law design	0.9	1.8	**1.0**
1.5	Law assurance	0.5	4.2	**0.7**
1.6–1.7	Cross-agency support and government and stakeholder relations	1.9	3.9	**1.6**
2.1	Registrations	29.0	32.2	**23.9**
2.2	Processing and accounts	14.3	36.2	**24.7**
2.3	Customer service	39.7	31.5	**41.5**
2.4	Manage payment and debt	63.7	84.7	**123.9**
2.5	Interpretative assistance	24.2	20.5	**26.5**
3.1	Marketing and communication	11.9	11.6	**12.3**
3.4	Client engagement (ATO)	302.1	271.9	**262.5**
3.4	Client engagement (Home Affairs)	56.5	56.3	**58.4**
3.5	Compliance intelligence and risk management	35.5	28.3	**39.8**
5.1	Resolve disputes	27.2	22.5	**24.1**
5.2	Prevent disputes	1.9	2.0	**4.4**
Program 2	Tax Practitioners Board	1.4	6.9	**1.3**
Program 3	Australian Business Register	10.0	3.9	**14.9**
Total		**653.3**	**677.2**	**719.4**

Schedule C: Monitoring and review arrangements

Schedule C of the Performance Agreement deals with monitoring and review arrangements. It is designed to ensure appropriate alignment of ATO parliamentary reporting responsibilities and reporting responsibilities under the agreement. It also provides an opportunity for the ATO to report information on an ad hoc basis; for example, client service satisfaction.

Governance arrangements with federal, state and territory governments

The ATO's responsibilities and formal accountabilities under the framework established by the Council of Australian Governments (COAG) include specific reporting on GST administration.

We report through governance forums, escalating through to the Council on Federal Financial Relations (CFFR). The accountability mechanisms and forums are depicted in Figure 9.1.

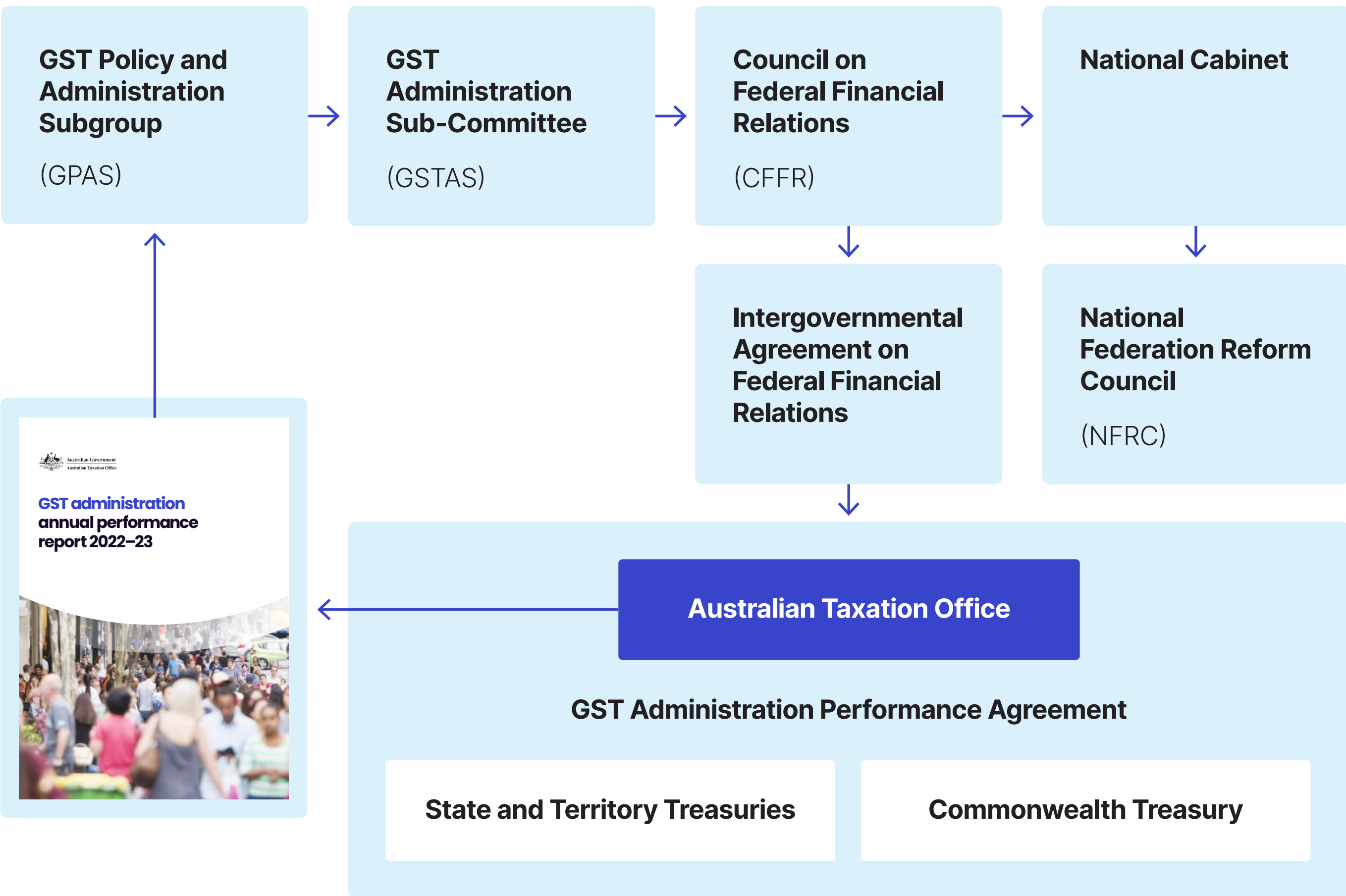
To provide assurance to the CFFR that the ATO is achieving the agreed performance outcomes, the ATO reports to GSTAS (through GPAS) at least twice yearly, in the form of annual and mid-year reports. In addition, the ATO provides a brief quarterly overview for the September and March quarters.

Governance arrangements within the ATO

As the GST Product Owner, the Deputy Commissioner, International, Support and Programs has overall responsibility for the administration of the GST product across the ATO.

The ATO GST Product Committee (GSTPC) provides the highest level of GST product governance via committee. It oversees the strategic direction, effectiveness, efficiency and sustainability of the GST product across the ATO as set out in the Performance Agreement.

Figure 9.1: Accountability framework



The GSTPC is chaired by the Deputy Commissioner, International, Support and Programs, and its members include:

- Deputy Commissioners from each business line involved in administering the GST product
- Assistant Commissioner, GST Program, International, Support and Programs
- Assistant Commissioner, Corporate Budget and Financial Reporting, ATO Finance.

The GST Program branch provides leadership, governance and assurance to ensure the ATO delivers on the Performance Agreement. This includes a focus on the whole-of-GST product risk, strategy, capability and resource management.

Audit arrangements

The ATO has arranged for the Australian National Audit Office to conduct an annual special purpose audit of GST costs and the systems for control of GST costs. The ATO will provide a copy of the audit report to GSTAS (through GPAS).

Client and community confidence

We conducted research to measure the levels of trust the general Australian community has in the way the ATO administers the tax, superannuation and registry systems. The 2022–23 trust metric of 63/100 represents a new key performance measure.

Separate research measured the level of service satisfaction clients had regarding their recent interaction with the ATO (their experience was rated as either acceptable or excellent). The 2022–23 result for overall client service satisfaction was 74%, and the service satisfaction result for clients who recently interacted with us regarding GST was 82%.

GST complaints

We continue to focus on improving the experience of our clients.

Complaints provide valuable insights that help to enhance our services. We received 474 complaints relating to GST in 2022–23, compared to 264 in 2021–22.

Of the 474 complaints, 328 were associated with Operation Protego, under which we have taken action against more than 56,000 alleged offenders.

The majority of complaints related to:

- process and timeliness of GST audits
- the outcome of GST audits being either disputed by the clients, or requesting to have further substantiation considered
- claims of hardship relating to financial institutions that have frozen suspected fraudulent amounts in bank accounts.

Complaints continue to represent a very small proportion of our interactions with clients. In 2022–23, our complaints finalisation rate increased from 88% to 93.5% resolved in 15 business days or within the date negotiated with the client, exceeding the 85% service commitment target.

Schedule D: Budget measure – GST Compliance Program

Schedule D of the Performance Agreement – this measure was previously known as the GST Compliance Program 'Working together to improve voluntary compliance'.

Additional liabilities raised from compliance activities planned

Key objective	2021–22 Planned $m	2021–22 Actual $m	2022–23 Planned $m	2022–23 Actual $m
1. Ensure taxpayers are correctly registered	13.8	40.9	14.5	**54.7**
2. Ensure correct reporting focused on tackling refund exploitation and dealing with systematic or deliberate under reporting of GST	317.2	2,009.6	321.1	**1,500.2**
3. Large market compliance	137.6	146.4	141.1	**75.2**
4. More direct contact between the ATO and non-lodgers	381.8	743.0	401.2	**656.4**
Total	**850.4**	**2,940.0**	**877.9**	**2,286.6**
Additional cash collections from debt activities				
5. More direct contact between the ATO and taxpayers with a GST debt	250.5	782.1	256.8	**919.2**

Note: The large business voluntary disclosure amount of $166 million in Chapters 2 and 6 is in addition to these totals.

Total costs and return on investment of GST Compliance Program

Key objective	2021–22 Planned	2021–22 Actual	2022–23 Planned	2022–23 Actual
Total costs of the program (as per Budget Papers) ($m)	116.0	116.0	115.6	**115.6**
Expected return on investment per compliance sub program (ratio)				
1. Ensure taxpayers are correctly registered	4.1:1	12.2:1	4.2:1	**16.1:1**
2. Ensure correct reporting focused on tackling refund exploitation and dealing with systematic or deliberate under reporting of GST	7.9:1	50.2:1	8.0:1	**37.3:1**
3. Large market compliance	7.5:1	8.1:1	7.8:1	**4.2:1**
4. More direct contact between the ATO and non-lodgers	9.5:1	29.9:1	10.0:1	**26.2:1**
Expected return on investment per debt sub program (ratio)				
5. More direct contact between the ATO and taxpayers with a GST debt (ratio)	13.6:1	42.4:1	13.8:1	**49.5:1**