



Australian Government
Australian Taxation Office

ATO Regulator Performance Framework self-assessment report 2015–16

UNCLASSIFIED
EXTERNAL

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Introduction

As part of the Government's regulatory reform agenda, the government released its Regulator Performance Framework under the 2014 Spring Repeal Day. The Framework is an important element of the government's commitment to reduce the cost of unnecessary or inefficient regulation imposed on individuals, business and community. As a regulator the Australian Taxation Office (ATO) is required to self-assess its performance against the Regulator Performance Framework.

The Regulator Performance Framework comprises six outcomes-based key performance indicators (KPIs). These articulate the government's overarching expectations of regulator performance, namely that:

- > regulators do not unnecessarily impede the efficient operation of regulated entities
- > communication with regulated entities is clear, targeted and effective
- > actions undertaken by regulators are proportionate to the risk being managed
- > compliance and monitoring approaches are streamlined and coordinated
- > regulators are open and transparent in their dealings with regulated entities
- > regulators actively contribute to the continuous improvement of regulatory frameworks.

This report addresses the framework's metrics, measures and reporting requirements for the ATO that were agreed with the Board of Taxation in 2015. It is an assessment of our performance as a regulator for the 2015–16 financial year.

This self-assessment must be comprehensive, timely and publicly available. The Board of Taxation, acting as a sounding board, believes the ATO is likely to be correct in its ratings and so is broadly supportive of them.

In this report, we provide an assessment of our performance against each of the KPIs in the *ATO Regulator Performance Framework*. Assessment is through a combination of activity-based evidence and metrics/measures, qualitative reporting and client experience survey data. We demonstrate our performance against each of the activities and measures for each of the six KPIs. Areas of improvement are also highlighted. Agreed metrics are included as quantitative evidence to support performance.

The following rating scale is used in assessing our performance:

Rating	Definition
Excellent	Met all expectations with no further improvements required.
Very good	Made significant improvements, with programs of work almost complete. Significantly exceeded service commitments.
Good	Improvements consistent with expectations, with some further work required, as reflected in feedback. Exceeded service commitments.
Satisfactory	Met base expectations as expected and achieved service commitments.
Requires development	Did not meet base expectations or service commitments.

In reporting on our performance, it is important to acknowledge our purpose as an organisation. The purpose of the ATO is to contribute to the economic and social wellbeing of Australians by fostering willing participation in our tax and superannuation systems.

We are:

- > making it easier for people to participate
- > delivering contemporary and tailored service
- > ensuring purposeful and respectful relationships
- > a professional and productive organisation.

The strategies that guide us in achieving our purpose are:

- > build a culture that embodies our values and transforms the client experience
- > simplify interactions, maximise automation and reduce costs
- > connect with the community and other agencies in meaningful ways
- > influence policy and law design for more certain outcomes
- > use data in a smarter way to improve decisions, services and compliance
- > reshape the workforce and how we work, to optimise capability and performance.

Assessment of performance – summary

As a regulator of the tax and superannuation systems in Australia, we have self-assessed our overall performance against the Regulator Performance Framework to be good. The ATO is committed to reducing the burden of regulation and have made strong progress working with our clients to make it easier for them to comply with their obligations. As much of the community interact with the tax and superannuation system through their tax agent or adviser, the views of progress made by the ATO as a regulator is also influenced through the interactions and views of their tax agent or adviser.

2015–16 has seen solid and consistent performance for the ATO through the implementation of a range of strategies to foster willing participation. We have cut red tape by listening to the community and focusing on the client experience. By changing our processes we have reduced the cost of red tape for individuals and businesses by a further \$297.7 million. This brings the ATO contribution to the regulatory reform agenda to \$615.5 million over the 2014 and 2015 calendar years.

We have met all of our service commitments, which are the commitments to service we have in place to assure ourselves and the community that the services we providing are of a consistent and high standard. We publish information about how we are performing against our commitments to service, and by doing so; we honour our commitment to transparent management, accountability for results and client-centred service delivery.

Significant progress has been made in delivering a better experience for the community by:

- > making products, tools and services easier to use and understand, saving time
- > providing more support to help people get things right
- > engaging early and more often so people understand their obligations from the start.

New and improved services included:

- > a streamlined online tax return in *myTax* 2015, with 1.8 million individuals using this improved digital service, with some clients now taking just minutes to lodge a return
- > providing additional pre-filled information to around 1.5 million taxpayers making the client experience easier, as well as improving the ATO's data matching capability
- > new features on the *ATO app*, such as *myDeductions* and the *Business performance check tool* to provide better advice and guidance through contemporary digital services
- > our Small Business Fix-it Squads working to address irritants and provide improvements for small business owners
- > increased access to our online payment plans for a greater range of clients
- > greater availability of alternative dispute resolution to help achieve breakthroughs in disputes
- > tax governance guides for businesses to better manage their tax and reputational risks
- > 'Show me what, show me how' sessions for small businesses in regional centres to support them in complying with their tax and superannuation obligations.

We also delivered improvements for tax professionals. Tax professionals are critical to the effective and efficient administration of the tax and superannuation systems in Australia and support of the profession is vital to our success. During the year, we:

- > invested in greater communications, connections, and making improvements for the tax profession including consulting extensively. We engaged with numerous tax practitioners to help us better understand their experiences, how they use ATO services and what we could do to fix irritants (for example, with the Tax Agent Portal).

- > conducted 'Show me what, show me how' sessions to help tax practitioners save time, optimise performance of the portal and their own technology, introduced a complex issue resolution service, and eliminated irritants with the client correspondence list.
- > committed to working with software developers to deliver the new practitioner lodgment service (PLS) as the primary and default lodgment channel for tax practitioners. The new lodgment channel uses Standard Business Reporting language and format and we have provided technical specifications to software developers for Tax Time 2015, Tax Time 2016 and SuperStream.

As a regulator, the ATO is focused on driving willing participation in the tax and superannuation systems by providing the right services, support and cutting red tape to make it easier for the community to comply with its obligations.

Overall, our results and evidence demonstrate the ATO performance for five of the six KPIs to be good with KPI 3 assessed as very good. We have undertaken consultation to understand issues and implemented improvements. We acknowledge there are areas requiring improvement and will focus on these through 2016–17, in particular:

- > enhancing our understanding of businesses operating environments – we will continue our research to understand these environments.
- > continuing to tailor communication and services to clients, tax professionals and others interacting with the tax and superannuation systems to ensure they are aware of available services and have the information and support they need to make it easier to participate.
- > making greater use of data and pre-fill to improve the ATO's data matching capability, for both service and compliance purposes to further support the shift towards help and prevention activities.
- > further rationalisation and rewriting of information on our website to provide enhanced general tax guidance and navigation to help people get things right.
- > making certain that guidance and information is up-to-date, concise, accessible, clear, timely and provides certainty at the earliest possible stage.
- > continuing to make improvements to provide a more personalised disputes process service and improve the perception of fairness in disputes.
- > taking a more consultative approach to issues that directly affect individuals and business and exploring this on a more detailed level to identify where improvements can be made.

KPI 1: Regulators do not unnecessarily impede the efficient operation of regulated entities – summary

We assess our performance for this KPI to be good.

This is based on the improvements to products and services, consultation we have undertaken and initiatives we have implemented. However we also acknowledge there are areas we need to improve for our clients, for example Tax Professionals perceptions of the ATO and ensuring we learn from complaints received to minimise and where possible eliminate disruption on taxpayers in the future.

The ATO has continued to work with clients to develop improvements to products and services, with minimal impact on the efficient operation of other regulated entities. Through regular consultation with stakeholders, we have been able to maintain awareness of issues or irritants affecting clients in our operating environment. This consultation has enabled actions to be taken to minimise potential unintended negative impacts of ATO activities on taxpayers. We have implemented improvements that support our clients and, in turn, progressively reduce the cost to taxpayers in complying with their obligations. Our approach to early engagement with our clients has assisted us to understand the initiatives and strategies that can minimise impact. We have in place a program to pick up the phone and talk to clients early to ensure clarity and that there are no unnecessary delays.

Enhancements made to ATO online services are an example of the changes made to support the client experience and reduce the time cost of compliance for taxpayers. Specifically, individuals have benefited from improved digital services to *myTax* supporting the lodgment of income tax returns (for example, more pre-filled information) and some clients are now taking just minutes to lodge a return.

Results from our client experience surveys indicate that we are making progress in our understanding of the different industry operating environments, with only 21% disagreeing. We consider a high neutral response means we are making progress, and a range of research is underway to further improve our understanding of business operating environments.

Survey results also showed that perceptions of our responsiveness to feedback have remained fairly steady over the past three years, with a slight improvement this year.

We implemented initiatives to communicate about new tools and services we have on offer and ensure our clients know they are available. We will continue to communicate the actions we have taken in response to feedback, as well as continuing our focus on understanding the practices of tax professionals and how they use services such as the portal.

The safe harbour initiatives are a good example of our ongoing commitment to ease the burden on taxpayers. The client experience survey results are supportive of our performance assessment. There has been an increase in the monthly results for the proportion of clients who agree that dealing with the ATO is getting easier. Further, the majority of businesses agreed the time taken by ATO staff when dealing with them is reasonable, as well as the time taken to find what they were looking for or to do what they needed to do was acceptable.

We acknowledge there are some areas we need to continue to improve on for our clients. Our survey results showed that perceptions of tax professionals were weaker than the other client groups on ATO responsiveness to feedback. Also, there was an increase in complaint volumes in 2015–16 due to issues associated with the Client Register system release in

January 2015 which caused some delays to ABN and TFN registrations and updates for some clients. We worked with affected clients to resolve the issues and all problems were resolved by December 2015. The learnings from these incidents were taken on board to minimise and where possible to eliminate disruption on taxpayers in the future. Moving forward, we will stay committed to delivering improvements and our 'Every year counts' products demonstrate that commitment – it highlights the changes and improvements we are committed to delivering over the next 12 months, for example, a simpler BAS experience.

KPI 2: Communication with regulated entities is clear, targeted and effective – summary

We assess our performance for this KPI to be good.

This assessment is based on the improvements we have made to the delivery of general tax guidance, for example, tailoring of information to certain client groups, and acknowledging the progress made for other elements of this KPI.

However we also acknowledge there are areas we need to improve and will focus on these in 2016–17:

- > continuing to tailor communication and services to our clients, tax professionals and others interacting with the tax and superannuation systems.
- > further rationalisation and rewriting of information on our website to provide enhanced general tax guidance and navigation to help people get things right.
- > continuing to make improvements to provide a more personalised disputes process service and improve the perception of fairness in disputes.

We have strived to ensure our communication of guidance and information is up-to-date, clear, accessible and concise.

The way we provide advice and guidance has been enhanced through continued redesign of our website to make it easier to use. The emphasis is on tailoring information to the needs of clients according to their level of knowledge and the complexity of their questions. We acknowledge that further improvement is required to tailor information to fit the needs of taxpayers and their advisers. We have been reviewing and applying a new content model to the general tax guidance on our website at ato.gov.au and a website virtual assistant ('Alex') has been introduced this year to answer a growing range of general tax enquiries. We will also continue research to improve navigation for the ATO website to ensure consistency of information.

We recognise the importance of timely responses to our clients, the improved client experience that comes through explaining reasons for our decisions and the long-term impact on willing participation. We acknowledge that the provision of advice and guidance needs to continue to be accessible and timely, and will strive to achieve this through further consultation. A greater understanding of the drivers of perception around 'certainty' is required in order to address this aspect.

In response to key findings from client experience surveys, significant investment has been made to enhance the client experience and, in particular, their perceptions of fairness. This year, 55% of taxpayers who finalised a dispute with us perceived the overall disputes process as fair, 31% disagreed and 14% were neutral or did not know. We have undertaken work to improve performance in this area including communications, ongoing engagement with clients throughout the dispute, introducing fairness champions and providing specialised training to staff to improve the client experience.

We are focussed on growing the organisational capability and more systematically applying behavioural insights to positively affect the experience of our clients. We are looking at new ways for taxpayers to get information, as well as customising engagement and tailoring our communication. We will continue to broaden the use of behavioural insights following the positive results in payment compliance from using behavioural insights to develop new debt letters focussing on the language, structure and layout used.

Specifically we will deliver further improvements in 2016–17, such as new online features for *myTax* and *myDeductions*, including the ability to record events and transactions for depreciation and capital gains tax throughout the year for pre-filling of tax returns and new ways to get assistance online when using *myTax*.

KPI 3: Actions undertaken by regulators are proportionate to the regulatory risk being managed – summary

We assess our performance for this KPI to be very good.

This assessment is based on the risk-based proportionate approach we have applied in 2015–16, for example we have attempted to make it easy for people to participate and hard for them not to get things right. We used data in a smarter way to improve decisions, services and compliance and to make things easier for our clients, for example in tailoring our interactions with them. Whilst we have a rating of very good we will be seeking to improve across all areas in the future.

The ATO has focussed on ensuring its risks, strategies, activities and enforcement actions are proportionate to changing priorities in its operating environment. We already have a high level of compliance to obligations and our main focus is to continue this high level by making it easier for taxpayers to comply.

We have internally and externally (ato.gov.au) made available the risk-based proportionate approach to compliance obligations, engagement and regulatory enforcement obligations we apply to the ATO as an organisation and our clients.

Building confidence released on ato.gov.au, outlines our strategies for achieving fairness in the tax and superannuation systems, including what taxpayers can expect from us when we provide a service or interact with them, our approach to compliance and how we detect and deal with those who don't do the right thing.

The *Tax risk management and governance review guide* assists large and complex corporations, tax consolidated groups and foreign multinational corporations conducting business in Australia to identify and manage tax risk.

We are using increasingly sophisticated data analysis techniques to inform our compliance initiatives. We are clear about our approach to behaviours such as evasion and tax crime and publish information on our website such as *The fight against tax crime*, which explains our range of compliance strategies to deal with tax crime and our focus on key areas that present a higher risk including international, trust and phoenix tax evasion and fraudulent behaviour, refund fraud, identity crime and organised crime.

We are improving our knowledge about business, industry and commercial realities, so that we can better understand their circumstances. If we identify a risk, we may contact the client to resolve or better understand the matter before progressing further. We have quality

assurance processes in place for our staff and ensure that relevant staff are trained in risk management policies, processes and procedures.

We acknowledge that key areas for improvement are timely completion of work and documenting and recording of decisions.

We will stay committed to delivering improvements and our 'Every year counts' products demonstrate that commitment – it highlights the changes and improvements we are committed to delivering over the next 12 months – for example, tailored compliance engagement – to make it easier for public businesses to self-assess and resolve tax risks prior to lodgment.

KPI 4: Compliance and monitoring approaches are streamlined and coordinated – summary

We assess our performance for this KPI to be good.

This assessment is based on the improvements made to compliance and monitoring approaches – for example, our tailored engagement model for privately owned business groups and wealthy people, which emphasises transparency and mutual respect. This means that when a taxpayer is open with us, we can understand their circumstances, offer the right services and work with them where needed to get things right.

However we acknowledge there are areas requiring further improvement and will focus on these through 2016–17:

- > Continuing to tailor services to clients, tax professionals and others interacting with the tax and superannuation systems.
- > Making greater use of data and pre-fill, for both service and compliance purposes to minimise requests for information to clients and further support the shift towards help and prevention activities.

As a regulator we have focussed on minimising the impact of our compliance and monitoring approaches on clients.

We have continued to tailor our services to specific audiences, and demonstrated improvements in minimising the cost to the community in complying with obligations by assisting them to get things right.

For example, we attempt to make it easier for people and hard for them to not get things right. We are using data in smarter ways to improve decisions, services and compliance. Ultimately compliance strategies vary depending on a taxpayers circumstances and the information they provide.

A deliberate shift towards help and prevention activities to assist taxpayers to get it right prior to lodgements has meant fewer audits and reviews. Our safe harbour initiatives are one example.

We are also expanding and automating our access to data from third parties and other jurisdictions. Combining this with improved analytics allows us to better understand complex business structures and individual client circumstances to further tailor our interactions. This enables us to use data we already have, minimising requests for information from clients. Our survey results showed that only 9% of clients, who recently interacted with the ATO, thought the ATO contacted them unnecessarily.

KPI 5: Regulators are open and transparent in their dealings with regulated entities – summary

We assess our performance for this KPI to be good.

This assessment is based on the transparent approach of the ATO in its dealings with clients. We are open and responsive to requests from taxpayers and our service commitments and performance measurement results are published in a timely manner honouring our commitment to transparent management.

However we acknowledge that we need to continue making improvements to providing a more personalised disputes process and understand what drives perceptions of fairness in audit, advice and debt disputes to enhance our transparency, for example providing certainty at the earliest possible stage. We also need to improve our timeliness when advising clients of delays.

We strive to ensure disputes are dealt with in an open and transparent way and have made progress in managing objections and disputes, for example in 2015–16, we dedicated additional resources to resolving the longest running disputes. While this has led to an increase in the average age of completed cases, it has reduced the average age of cases on hand. The higher average age of completed cases reflects a small pool of long-running cases that were resolved during the year.

Further, results from our client surveys show that 57% of individuals and 59% of businesses agree that they are able to gain information from or contact the ATO in a way that they want. Our new, virtual website assistant (Alex) helps make this possible.

KPI 6: Regulators actively contribute to the continuous improvement of regulatory frameworks – summary

We assess our performance for this KPI to be good.

This assessment is based on the cooperative and collaborative relationships we have with stakeholders which promote trust and improve the efficiency and effectiveness of ATO administration.

One example is our use of special purpose working groups to consult on specific matters that have the potential to significantly affect the community's willing participation. Stakeholders are engaged in the development of options to reduce compliance costs and sharing of feedback – such as the improvements currently being co-designed with BAS and tax agents.

We acknowledge there are areas requiring improvement and will focus on these through 2016–17:

- > Client experience surveys indicate we need to take a more consultative approach to issues that directly affect individuals and business. This will require exploring on a more detailed level to identify where improvements can be made.

KPI 1 results and evidence

Regulators do not unnecessarily impede the efficient operation of regulated entities

For KPI 1, we have three measures of good regulatory performance as shown in the table below.

Measures of good regulatory performance – KPI 1

Measure	Description
1	Demonstrate an understanding of the operating environment of the industry or organisation, or the circumstances of individuals and the current and emerging issues that affect the sector.
2	Take actions to minimise the potential for unintended negative impacts of ATO activities on taxpayers or affected supplier industries and supply chains.
3	Implement continuous improvement strategies to reduce the costs of compliance for taxpayers.

Our performance against each measure is discussed on the pages that follow.

KPI 1 – Measure 1

Demonstrate an understanding of the operating environment of the industry or organisation, or the circumstances of individuals and the current and emerging issues that affect the sector.

Stakeholder consultation (coordinated by the ATO Consultation Hub) has provided the community with opportunities for input into matters that affect them. It has also improved the health and effective operation of the tax and superannuation systems. Through regular consultation with stakeholders, we maintain awareness of the issues and irritants affecting clients. This has enabled us to implement improvements and, in turn, progressively reduce the cost to taxpayers in complying with their obligations.

Consultation mechanisms included:

- > stewardship groups, with representatives from a broad range of industry and taxpayer sectors (including individuals, large business, national tax liaison, small business, private groups, tax practitioners, GST, not-for-profit and superannuation); these groups meet regularly to share information and seek feedback on initiatives.
- > stakeholder relationship groups on a broad range of matters – for example, the Alcohol Stakeholder Group and the SuperStream Standards Technical Committee.
- > special purpose working groups that consult on specific matters, such as cyber security and safe harbours.
- > the Consultation Steering Group (co-chaired by the ATO and Treasury), which ensures that significant tax and superannuation matters for consultation are identified, consultation efforts are on track, and the right people are involved.

In 2015, we engaged the Centre for Strategy and Governance to undertake a post-implementation review of our consultative arrangements. The purpose of the review was to assess the effectiveness and efficiency of the new arrangements in operation and provide recommendations. The review findings showed that the current consultation system was fit for purpose and no significant change was required. It was recommended the focus should be on continuing to refine the consultation processes to improve the efficiency of the system and the outcomes it produces.

As an example, in May 2016, we published detailed guidance on tax governance for privately owned groups. This was based on extensive consultation with private groups and their advisers. The guidance is tailored to privately owned groups and allows corporations to better manage their tax and reputational risks.

We have an ongoing approach to co-designing products and services across all market segments. For example, under the Reinventing the ATO program, we have implemented initiatives such as reminder text messages to taxpayers who frequently lodge late. These were co-designed with stakeholders to deliver more personalised services. Consultation with the community in our collaboration centres and through the ATO Beta website means we can trial online products in a live environment before they are released for general use.

During the year, ATO staff visited around 100 tax practitioners to understand how they use our portal services, as well as discussing issues and listening to suggestions for enhancing our services. As a result, we have made enhancements to the portal, developed videos and published additional information to help agents more effectively use our portal services. We also began a program of visits to new practitioners, as well as those practitioners who still use paper based operations and require assistance, to show them how to use the portal functionality.

We undertake regular environmental scans as part of our strategic research and intelligence program. This includes research into understanding markets, populations and commercial practices, as well as revenue analysis and monitoring. Over 2015–16, we identified emerging trends and risks, for example:

- > increasing cyber security threats to ATO systems and to the identity security of taxpayers
- > mounting public concern with the impact of global economic forces on the integrity of the tax system.

Community perceptions of fairness in the system and our administration are crucial, and we know that taxpayers are concerned as to how we treat big business. Whether big businesses are paying their fair share of tax is important to the Australian community. Our continuing approach is to ensure balance in the community conversation, to make the facts available and improve perceptions of fairness. We provide assurance that the tax position of large public groups and international enterprises is appropriate for their economic activity in Australia, so that the community can have justified trust that taxpayers are paying the right amount of tax under the law.

Metrics for Measure 1

Number of matters that have been consulted on		
2013–14	2014–15	2015–16
not applicable ¹	68	62

¹not applicable – This relates to performance measures that are new, have not been reported in the given year or the methodology has changed.

Communication of our decision to consult on matters submitted (within 20 days)		
2013–14	2014–15	2015–16
30 (76% of 39 received)	17 (73% of 22 received)	2 (33% of 6 received)

In 2015–16 of the six matters submitted, we communicated our decision on the appropriateness of the matter for consultation on two of them. Communicating our decisions on whether we consult on matters put forward by the community declined in 2015–16 due to the small number of matters. Timeliness in communicating our decision to consult on matters is important to us and our stakeholders and remains an area of focus.

Number of visits to the consultation page of ato.gov.au¹

2015–16

12,981 visits

¹This measure was first reported in 2015–16.

The ATO recognises the important role of the community as owners of Australia's tax and superannuation systems. Accordingly, we consult widely with taxpayers, business and professional associations. Visits to the consultation page (ato.gov.au/general/consultation) increased by 60% this year reflecting an increased interest in the status of matters that are under consideration and consultation and the outcome of matters that have been finalised. A new feature of the page is a video presented by Second Commissioner Andrew Mills outlining ATO consultation arrangements. We sought assistance from our Consultation Steering Group to highlight the video with their members and advise them of the eight stewardship groups.

Client experience surveys

Client experience surveys were developed in collaboration with the Board of Taxation for financial year 2015–16, as required under the *ATO Regulator Performance Framework* measurement criteria. The surveys help us better understand taxpayers' experiences when they interact with the ATO and what specific areas of improvement can be made. The survey suite is mapped against the Reinventing the ATO guiding principles and is sent on a monthly basis to a range of community segments to better understand their experience with the ATO.

The ATO gives me individual attention

2015–16	Individuals	Businesses
Agree	37%	40%
Neutral	34%	36%
Disagree	29%	24%

Results from our client experience surveys showed that perceptions of clients (both individuals and business) being given individual attention by the ATO was positive, with more taxpayers agreeing than disagreeing that they receive individual attention. We consider the high neutral response of 34% of individuals and 36% of businesses means we have made good progress.

The ATO understands my industry operating environment

2015–16	Businesses only
Agree	34%
Neutral	45%
Disagree	21%

Results from our client experience surveys showed that 34% of businesses agreed that the ATO understand their operating environment and only 21% disagreed. A high neutral response suggests that we are making progress. A range of research is underway to improve our understanding of business operating environments – for example, Business Activity Statements simplification and the Single Touch Payroll pilot.

KPI 1 – Measure 2

Take actions to minimise the potential for unintended negative impacts of ATO activities on taxpayers or affected supplier industries and supply chains.

We have listened to feedback from our clients and stakeholders and taken action to address their concerns through:

- > the Consultation Steering Group (co-chaired by the ATO and Treasury) which ensures that significant tax and superannuation matters are identified, consultation efforts are on track and the right people are involved.
- > ongoing consultation with individuals, the tax profession, small businesses, accounting software providers, the banking sector, the superannuation industry, multicultural communities and large businesses.
- > reviews of complaint and feedback themes, looking at the root cause of complaints and improving our processes in response.

One of our key strategies is to connect with the community in meaningful ways, including ensuring we understand the needs of our client groups such as small businesses. A number of initiatives are underway to improve their experience, including making sure our clients know about the tools and services we are making available to ease the regulatory burden and make it easier to get things right.

Our Small Business Newsroom, community connections, showcase events and the ‘Show me what, show me how’ initiative are all designed to expand the reach of information so that small businesses know what is available and can access the new services.

Our relationship with the Small Business and Family Enterprise Ombudsman enables us to gain further insight into what matters for small business, their irritants, and how we can further improve our tools and services.

As well as the visits undertaken specifically to understand concerns about the tax agent portal, we conducted 30 open forums across Australia during 2015–16, attended by almost 2,600 tax and BAS agents. The forums are part of an ongoing program that offers agents the opportunity to hear about tax topics and services of interest to them, and to raise issues and seek help. ATO staff also demonstrated digital services, such as the *ATO app*.

The ATO has continued its commitment to collaboration, including data and intelligence sharing, with overseas tax administrations through the OECD Forum on Tax Administration, and its associated JITSIC Network. Both are important forums for facilitating collaboration between tax administrations on a broad range of global taxation issues. Australia has taken the lead over the past couple of years in strengthening JITSIC, which supports collaboration and information sharing to tackle cross-border tax avoidance.

As part of our work to engage with and support international taxation agencies, some of our staff are posted overseas to help local tax offices effectively administer tax and to facilitate joint projects with the ATO. For example, an ATO staff member was posted to Jakarta in 2015–16 to support Indonesia's Directorate General of Taxes to effectively administer taxation and facilitate joint projects.

During the year, ATO representatives also met with the United States Internal Revenue Service (IRS) Taxpayer Advocate to share experiences. This allowed us to better understand irritants and the solutions that have worked in other jurisdictions, and benefit from their experience on improving the client experience. We continue to foster this important relationship.

Metrics for Measure 2

Service commitment – People surveyed agreed that the ATO listens to and responds to feedback		
2013–14	2014–15	2015–16
53%	52%	54%

Survey results show that the perceived view of our responsiveness to feedback has remained fairly steady over the past three years, with a slight improvement this year.

Views across client groups indicate that:

- > tax professionals' perceptions were weaker than other client groups on ATO responsiveness to feedback
- > businesses (with an annual turnover of less than \$100,000) rated the ATO more favourably than other business groups (those with an annual turnover of more than \$100,000) on being responsive to feedback
- > recent contact with the ATO had a positive influence on wider perceptions of the ATO.

We have mentioned the range of initiatives currently underway to communicate the new tools and services on offer and ensure our clients know these are available. The survey results illustrate the importance of continuing this work to get the message out about the action we have taken in relation to feedback. The responses from those who had recent contact with us were more positive, which further emphasises the continuing need for this communication. In addition, our increased focus on understanding the practices of tax professionals and how they use services such as the portal is a positive action in response to the results.

Number of complaints received		
2013–14	2014–15	2015–16
23,900	24,644	34,323

Service commitment – 85% of complaints received are resolved in 15 business days		
2013–14	2014–15	2015–16
94%	94%	87%

The increase in complaint volumes in 2015–16 was primarily due to:

- > a Client Register system release in January 2015 which caused some delays to ABN and TFN registrations and updates for some clients. We worked with affected clients to resolve the issues and all problems were resolved by December 2015.
- > issues at the commencement of Tax Time 2015 which caused lodgment delays for some clients in the early stages.
- > significant issues associated with the linking of *myTax* and myGov.

With improved digital services supporting the lodgment of income tax returns, clients are now taking just minutes to lodge a return and this has increased expectations on turnaround times for refund processing. Even though we exceeded our service commitment for processing returns and issuing refunds we did not meet the increased expectations.

In the lead up to Tax Time 2016, we took steps to manage expectations and reduce complaints by increasing community awareness of the timeframes. We changed some instructions on our online lodgment system. We also emailed and texted taxpayers and clients where delays were expected due to queries with returns, and auto-corrected obvious mistakes where we had enough information to do so, to avoid delaying returns unnecessarily. Through Tax Time 2016, we have seen a 27% reduction in the number of complaints received.

We respond to client complaints and feedback as received. We endeavour to make contact with clients within 3 days of receiving the complaint and aim to resolve the issue within 15 business days. We monitor themes associated with our complaints closely so that we can quickly address the cause and improve our client experience in the future.

Client experience survey results

The cost of meeting my tax obligations is reasonable		
2015–16	Individuals	Businesses
Agree	48%	45%
Neutral	30%	29%
Disagree	22%	26%

Monthly results indicate that individuals increasingly agree that the cost of meeting their tax obligations is reasonable. The increased uptake in online lodgment, using *myTax*, is a likely contributor.

Towards the end of 2015–16, there was a slight decrease in small businesses indicating they found the cost of meeting tax obligations reasonable, although most recent indications (July 2016 onwards) suggest an improvement in this area during Tax Time 2016.

KPI 1 – Measure 3

Implement continuous improvement strategies to reduce the costs of compliance for taxpayers.

The initiatives that significantly contributed to the reduced cost of compliance for taxpayers during 2015–16 were:

- > enhancing ATO online services for individuals, sole traders and tax practitioners
- > streamlining individual income tax returns in Tax Time 2015, with individuals benefiting from having more pre-filled information in their 2015 returns
- > the introduction of guidance on simplifying the transfer pricing record-keeping requirements, which enabled eligible businesses to use the simplified record-keeping options to reduce compliance costs.

From 1 July 2015, enhancements to *myTax* 2015 provided an online individual tax return suitable for medium complexity tax returns. *MyTax* 2015 expanded on *myTax* 2014 by including superannuation income, foreign pensions and managed fund investments. Although there were capacity issues at the start of Tax Time 2015, *myTax* 2015 delivered a tailored online experience for self-preparers so that they only saw those parts of the tax return relevant to them. We also gave people the ability to amend their tax return and claim their excess franking credits online.

More specifically, our Small Business Fix-it Squads have worked with the community and other agencies (across all levels of government) to develop solutions to problems faced by small business. The success of these squads has been widely acknowledged and we are now seeing the methodology being applied to other taxpayer segments, and by other agencies.

Across the five squads completed to date, we consulted with 296 small business owners and 17 industry and adviser groups. We also collaborated with 30 government agencies to deliver 28 squad recommendations that have saved small businesses a significant amount of time and money. In March 2015, the red-tape savings for small business from the first three squads alone were estimated to be \$29.5 million per year.

Products delivered in 2015–16, as a result of our squads, include:

- > the whole-of-government *Taking on an employee checklist* on **business.gov.au**
- > the *New to Business Essentials* series (a joint initiative between the ATO and the Department of Industry, Innovation and Science), which has been issued to over 190,000 new businesses since March 2016.

In addition, through 2015–16 we have made available a range of tools, particularly to support small businesses. These include:

- > a *Personal services income tool* (released in January 2016) that enables users to work out whether and how the personal services income rules apply to them and how to get binding advice on their tax position.
- > the *Business performance check tool* (released in July 2015) that enables businesses to compare their performance with industry benchmarks and gives them an overall indication of the viability of their business.
- > an improved *Employee or contractor decision tool* that helps businesses understand whether their workers are employees or contractors and what they need to do for tax and super.

Metrics for Measure 3

Adjusted average cost to individual taxpayers of managing their tax affairs

2013–14	2014–15	2015–16
2.0% reduction on prior year result	3.5% reduction on prior year result	3.6% reduction on prior year result

This result shows an improvement on the previous year. The adjusted average cost of managing tax affairs has been declining since the 2010–11 income year.

The cost of managing tax affairs includes the costs for preparing and lodging returns and activity statements, fees paid to tax advisers, tax reference material, and so on. While the impact of external market forces would influence the results, our strategies in making it easier to comply – through the provision of better guidance and advice, contemporary and digital services and new tools, such as *myDeductions* – also play a part.

**Time–cost index for business and superannuation funds
to prepare and complete key tax returns**

2013–14

2014–15

2015–16

The indicator tracks multiple indexes at the macro level and reports on the trend analysis. For this reason there is no quantitative data provided for this measure.

Across our main income tax return forms and the business activity statement (BAS) indexes, the time–cost index remains stable. The exception to this is superannuation funds where the index has been variable, likely reflecting the ongoing changes in the superannuation system.

**Reduction in the unintended administrative costs to business
of complying with government regulation**

2013–14¹

2014–15

2015–16

not applicable

\$400 million

\$1.2 billion

¹not applicable– This relates to performance measures that were not reported in the given year.

The estimated \$1.2 billion reduction in the cost to business attributable to the use of technologies enabled by Standard Business Reporting has been verified by Deloitte Access Economics in its report, *ABR program savings review*.

**Increased use of the ABR as the national business dataset
by government agencies and the community**

2013–14

2014–15

2015–16

418.8 million ABN Lookup searches

54 datasets were provided to government agencies¹

140 government agencies using ABR Explorer¹

23.4% increase in ABN Lookup searches

14% increase in ABN Lookup searches

¹This result was first reported in 2014–15.

The ATO introduced the *ABR Explorer tool* in 2015–16 for interactive use of the ABR by government agencies as an alternative to providing static datasets. There has been a move by consumers to use this to implement a more integrated solution to their business processes. There was also a 5% increase in the number of government agencies registering to use ABN data.

The ABR was used for the benefit of the community in response to disasters such as recent floods in NSW and Tasmania. ABR data is being used by government agencies and emergency services to identify vulnerable facilities such as hospitals and nursing homes.

**Proportion of ABN applicants obtaining a decision online
at the point of application**

2013–14	2014–15	2015–16
not applicable ¹	72.3%	73.5%

¹not applicable– This relates to performance measures that were new or not reported in the given year.

This will be the last year this measure is reported. While representing an improvement on the baseline of 72.3% in 2014–15, the result is lower than the anticipated 75%. This is largely attributable to a higher than expected ABN re-application rate and delays to planned systems improvements.

Client experience survey results

Dealing with the ATO is getting easier

2015–16	Individuals	Businesses
Agree	58%	56%
Neutral	22%	24%
Disagree	20%	19%

There has been an increase in the monthly results for the proportion of clients who agree that dealing with the ATO is getting easier. The majority of businesses agreed the time taken by ATO staff when dealing with them is reasonable, as well as the time taken to find what they were looking for or to do what they needed to do was acceptable.

For example, we have moved away from scripts for discussing debt and payment plans, to more ‘natural conversations’ with taxpayers and increased access to our online payment plans facility for a greater range of clients. Our continuing communication and direct work with clients is an important strategy to ensure they know about the tools and services available and how we can help.

KPI 2 results and evidence

Communication with regulated entities is clear, targeted and effective

For KPI 2, we have three measures of good regulatory performance as shown in the table below.

Measures of good regulatory performance – KPI 2

Measure	Description
1	Provide guidance and information that is up to date, clear, accessible and concise through media appropriate to the target audience.
2	Provide decisions and advice in a timely manner, clearly articulating expectations and the underlying reasons for decisions.
3	Provide advice that is consistent and supports, where appropriate, predictable outcomes.

Our performance against each measure is discussed on the pages that follow.

KPI 2 – Measure 1

Provide guidance and information that is up to date, clear, accessible and concise through media appropriate to the target audience.

We have ensured that our guidance and information is up-to-date, clear, accessible and concise, but acknowledge that tailoring information to fit the needs of taxpayers and their advisers requires greater focus.

To make it easier for clients and stakeholders, we have been further enhancing the way we provide advice and guidance. This occurred through continued redesign of our website, making it easier to use, with an emphasis on tailoring information to the needs of clients according to their level of knowledge and the complexity of their questions. We provided new ways of navigating information so clients can intuitively drill down as required – from simple explanations, to examples and detailed reasoning, to ATO rulings and other advice for tax professionals, and ultimately the legislation.

We have been reviewing and applying a new content model to the general tax guidance on our website ato.gov.au. Over the years, the website has been progressively loaded with layers of sometimes overlapping content, which was resource-intensive to maintain, and feedback told us it had become difficult to use. Content is now being rationalised and rewritten, and the search function has been improved, applying best practice design approaches. We have partnered with academics and tax professionals in reviewing more than 2,000 public advice and guidance products. Over time, these products will be revised, consolidated or withdrawn where appropriate – with 921 rulings having been reviewed already. In addition, we have separately withdrawn 226 obsolete annual rulings and 45 ATO interpretative decisions.

A website virtual assistant ('Alex') has been introduced this year, to answer a growing range of general tax enquiries. Alex went live in March 2016, following public testing on the ATO Beta website and by 30 June 2016 had held over 270,000 conversations. On average, the first contact resolution rate was 75%. Enquiries about tax file numbers have been the most common. Alex learns through interaction – the more conversations, the more she will 'learn'. We also continued work to remedy navigation issues for the ATO website and consider further development of a taxation cycle approach to providing information.

A number of tailored communication and accessibility activities for the non-English speaking and Indigenous community included:

- > engaging Indigenous suppliers to review and refresh our web-based products and produce a series of videos for Aboriginal and Torres Strait Islander people – the video on ATO services to support small businesses was broadcast 112 times over 8 weeks by National Indigenous Television (NITV)
- > commencing a refresh of in-language web content in 33 languages
- > delivering the Tax Help program, which is designed to assist low income people meet their tax obligations, inclusive of diverse clients (96 Tax Help centres offer assistance to people from culturally and linguistically diverse backgrounds, 28 centres assist Indigenous people and a further 68 centres assist through multicultural and migrant centres. Over 300 Tax Help volunteers spoke languages other than English which gave Tax Help coverage of 73 languages)
- > working with Department of Human Services (DHS) to develop tax time messages for DHS client contact staff, including using DHS's Indigenous and Multicultural Service officers working in the community, many of whom have community language skills.

Research findings from our client experience surveys have been used by the ATO Tax Council Network to drive major changes in developing advice and guidance for the public. This includes new documentation that provides insights, early guidance and certainty to the public on significant new laws when introduced to parliament.

Our commitment to give the community real-world examples to improve the clarity of advice has been well received. Almost two-thirds of participants indicated the reviewed guidance examples were helpful. Of those participants, there was a strong level of agreement that the guidance examples made it easier to understand their tax obligations.

We acknowledge that the provision of advice and guidance needs to continue to be accessible and timely, and will strive to achieve this through further consultation. A greater understanding of the drivers of perception around 'certainty' is required in order to address this aspect.

We are also using behavioural insights in our communications with taxpayers. Behavioural economics principles recognise that people do not always make decisions on a purely rational basis and that we can make it easier for them to choose well. One of our focus areas has been to change the language, structure and layout of a number of debt letters to increase payment compliance by being more clear about what the taxpayer needs to do and the consequences of not paying. This new approach was tested with groups of taxpayers and tax professionals, through user testing three new letters and a series of pilots. For example, one of the pilot programs was designed for taxpayers with aging debt (over two years). A new letter was issued to a pilot group of 1,000 taxpayers, while the control group of 1,246 taxpayers received no extra action. The pilot group was more than six times more likely to enter into a payment arrangement than the control group, and contributed 52% more to reducing their debt.

Following the positive results demonstrated through the testing of the revised debt letters, we are applying behavioural insights more broadly to communications with taxpayers, making it easier for taxpayers to choose well and therefore comply with the tax system.

We are continuing to focus on tailored services to ensure clients, tax professionals and others interacting with the tax and superannuation systems have the information and support they need, making it easier to participate.

Metrics for Measure 1

Number of interpretive guidance products provided		
2013–14	2014–15	2015–16
35,790	39,250	43,000

The way we provide advice and guidance to taxpayers and their advisers is being redesigned, with an emphasis on tailoring information according to their level of knowledge and the complexity of their questions.

Number of private rulings provided

2013–14	2014–15	2015–16
7,851	8,300	9,400

Elapsed time in days for private rulings

Average days			Median days		
2013–14	2014–15	2015–16	2013–14	2014–15	2015–16
47	41	38	28	27	23

Number of public rulings and determinations provided

2013–14	2014–15	2015–16
72	64	32 ¹

¹The introduction of law companion guidelines in 2015–16 reduced the need for some public rulings.

In 2015–16, we developed a new type of ruling – the law companion guideline. These guidelines are developed at the same time as new legislation. They give taxpayers certainty about the Commissioner’s view of the law, at the earliest possible stage and significantly before our traditional rulings. These products, with their focus on providing certainty contemporaneously with the introduction of the law, have been very well received externally. In addition to the 32 public rulings shown in the table above, we also published 36 law companion guidelines.

Number of class rulings provided

2013–14	2014–15	2015–16
109	98	115

Number of product rulings provided

2013–14	2014–15	2015–16
22	13	10

The number of product rulings declined due to the collapse of the agricultural Managed Investment Scheme industry which has reduced demand for agricultural product rulings. Further, there has been reduced investor demand for financial products, resulting in fewer products in the market that may require financial product rulings.

Service commitment – People surveyed agreed that the ATO provides information that can be relied on* and understood**

2013–14	2014–15	2015–16
76%*	75%*	78%*
79%**	76%**	78%**

Service commitment – People surveyed agreed that the ATO provides information sufficient to meet their needs

2013–14	2014–15	2015–16
77%	76%	79%

Service commitment – People surveyed agreed that the ATO makes it easy to access services* and information**

2013–14	2014–15	2015–16
72%*	70%*	78%*
73%**	¹ not applicable	¹ nt applicable

¹not applicable– This relates to performance measures that have not been reported using the same methodology.

Survey results indicate that ease of access to ATO services has improved. This suggests our focus on making it easier to comply by providing contemporary and tailored services is getting results.

We have introduced a number of changes to enable secure access to ATO systems – voiceprint verification, myGov improvements, and linking myGov to the ABN to access business services.

Satisfaction with our website has increased, particularly in relation to site reliability and clarity of the information provided. Clients reported that fewer issues were encountered when using the website.

Inbound phone interactions were viewed most positively for providing information the clients can understand. However, they were viewed less favourably than other channels in terms of access. This remains an identified area of improvement and focus.

KPI 2 – Measure 2

Provide decisions and advice in a timely manner, clearly articulating expectations and the underlying reasons for decisions.

We recognise the importance of timely responses to our clients, the improved client experience that comes through explaining reasons for our decisions and the long-term impact on willing participation. Our commitments to service and what clients can expect when they deal with us are outlined in the Taxpayers' Charter. In addition, our cultural traits reflect the way we do things and our expectations for the experience our clients will have with us.

In response to key findings from client experience surveys, significant investment has been made to enhance the client experience and, in particular, their perceptions of fairness. This year, 55% of taxpayers who finalised a dispute with us perceived the overall disputes process as fair, 31% disagreed and 14% were neutral or did not know. Our key areas we are investing in to improve the experience of our clients are:

- > tailoring our engagement by delivering a more personalised service based on our clients individual circumstances
- > using natural systems to use the existing strengths of staff around professionalism, courtesy and respect, to further enhance our relationship with clients
- > learning and development to improve staff understanding and awareness of 'why fairness matters'
- > creating client certainty by engaging early and increasing support for those dealing with us for the first time
- > undertaking user testing with across our client groups to ensure the right approach and outcome is achieved
- > embedding a culture of fairness, to develop and promote fairness behavioural principles for staff to apply in their interactions with taxpayers.

As a result of our focus on this aspect of the client experience, we have improved our understanding of the drivers of perceptions of fairness across the various client interaction types and market segments. We are now using this insight to develop a single organisation-wide response to creating a fairer client experience.

We have undertaken work to improve performance in this area (communications, ongoing engagement with clients throughout the dispute, introducing fairness champions and providing specialised training to staff to improve the client experience). This work remains a focus for the ATO.

Metrics for Measure 2

Service commitment – 85% of electronic taxpayer requests are finalised in 20 calendar days

(metric also reported under KPI 5 measure 2)

2013–14	2014–15	2015–16 ¹
88%	90%	93%

¹ From 1 July 2015, the methodology changed to count electronic requests only. The basis for calculation also changed, from 'cases finalised within 28 calendar days'.

Service commitment – 80% of private rulings are finalised in 28 calendar days of receiving all necessary information

(metric also reported under KPI 5 measure 2)

2013–14	2014–15	2015–16
94%	90%	91%

Elapsed time in days for private rulings

(metric also reported under KPI 2 measure 1)

Average days			Median days		
2013–14	2014–15	2015–16	2013–14	2014–15	2015–16
47	41	38	28	27	23

Service commitment – 70% of objections are finalised in 56 calendar days of receiving all necessary information

2013–14	2014–15	2015–16
91%	86%	77%

Service commitment – People surveyed agreed that the ATO informs them of what they need to do

2013–14	2014–15	2015–16
80%	79%	83%

Service commitment – People surveyed agreed that the ATO provides information that can be relied on* and understood**
(metric also reported under KPI 2 measure 1)

2013–14	2014–15	2015–16
76%*	75%*	78%*
79%**	76%**	78%**

Service commitment – People surveyed agreed that the ATO provides information sufficient to meet their needs
(metric also reported under KPI 2 measure 1)

2013–14	2014–15	2015–16
77%	76%	79%

Service commitment – Objections – if we find that the request raises particularly complex matters that will take more than 56 calendar days to resolve after receiving all the required information, we will aim to contact you within 14 calendar days to negotiate an extended reply – a target of 80%

2013–14	2014–15	2015–16
89%	90%	87%

Service commitment – Private rulings – if we find that your request raises particularly complex matters that will take more than 28 calendar days to resolve after receiving all the necessary information, we will aim to contact you within 14 calendar days to negotiate a due date – a target of 80%

2013–14	2014–15	2015–16
87%	90%	89%

KPI 2 – Measure 3

Provide advice that is consistent and supports, where appropriate, predictable outcomes.

When we make a decision about taxpayer affairs, an explanation for that decision is provided to the taxpayer, as well as a contact number for the person or area of the ATO handling the case. An overview of how they can obtain a review of the decision is also provided.

We encourage taxpayers to contact us if they have any questions about the decision or where they think the ATO has made a mistake. The taxpayer is also advised of any time limits that might apply. If there are several review options, we will explain how these differ. For example, some reviews look at questions of law and others involve checking that we followed correct process in reaching the decision.

We are engaging with clients and tax professionals about priority questions and issues for which we will provide public advice and guidance. As part of this, we are consulting earlier as we develop the ATO view on technical taxation issues that will be the subject of our public advice and guidance. As previously mentioned, we are partnering with academics and tax professionals to review more than 2,000 existing public advice and guidance products for their currency and ongoing relevance.

We have also developed innovative new advice and guidance products that provide practical solutions for clients. For example, the practical compliance guideline, which provides broad law administration guidance, addressing the practical implications of tax laws and outlining our administrative approach.

In 2015–16, we released the *Business performance check tool* which enables business operators to compare their performance with others in the same industry; it also provides an indication of their ability to pay their debts. In addition, we commenced a pilot program where we issued assurance notifications to low-risk GST clients. These notifications acknowledged taxpayers for their ongoing compliance with Australian taxation law; they are provided for their information only.

Even with the most advanced digital services and the most tailored public advice, many taxpayers need personalised binding advice from the ATO to provide certainty on more complex tax issues. We have continued to improve the advice service we offer individual taxpayers (and their intermediaries), with new and innovative approaches, as well as simply improving the way we traditionally do business, such as:

- > providing individuals with easier and direct access to our tax experts offering a more personalised service

- > increasing our use of digital channels with individuals and their intermediaries, including both email and SMS, shortening our response times and facilitating better two-way interactions
- > using natural communication channels (for example, employers and other payers) to help individuals with their tax affairs before they know they need help
- > maintaining low cycle times for private advice to individuals
- > analysing all of our one-to-one advice for intelligence on how best to deliver our public (one-to-many) advice
- > promoting self-service on simple topics.

During 2015–16, we also wrote to over 500,000 individuals who had lodged straightforward tax returns to tell them that their returns were finalised and would not be reviewed.

Metrics for Measure 3

Community satisfaction with ATO performance (Community and key stakeholder engagement and satisfaction with ATO performance)		
2013–14	2014–15	2015–16
75%	76%	74%

Community satisfaction with ATO performance decreased very slightly this year but remains positive. People who had dealt with the ATO recently had a more positive view and greater level of satisfaction than those who had not had an interaction with us for some time. This result again illustrates the importance of tailoring communications and getting the message out about the services and assistance available.

Current research (January 2016 onwards) shows significant increases in various areas of satisfaction with **ato.gov.au**, including reliability and clarity of information and users encountering considerably fewer issues. There have been significant improvements, all of which are contributing to an improved perception of the website. These include:

- > Alex, our virtual assistant, providing help with answers to general tax enquiries
- > a new look to the site, with improved navigation and ‘mega menus’
- > a better experience on mobile devices
- > atoTV, where clients can watch videos (without ads), with clickable links to relevant web content
- > an improved search function.

KPI 3 results and evidence

Actions undertaken by regulators are proportionate to the regulatory risk being managed

For KPI 3, we have three measures of good regulatory performance as shown in the table below.

Measures of good regulatory performance – KPI 3

Measure	Description
1	Apply a risk-based proportionate approach to compliance obligations, engagement and regulatory enforcement actions.
2	Regularly reassess preferred approach to regulatory risk. Amend strategies, activities and enforcement actions to reflect changing priorities that result from new and evolving regulatory threats, without diminishing regulatory certainty or impact.
3	Recognise the compliance record of taxpayers, including using earned autonomy where this is appropriate. Consider all available and relevant data on compliance, including evidence of relevant external verification.

Our performance against each measure is discussed on the pages that follow.

KPI 3 – Measure 1

Apply a risk-based proportionate approach to compliance obligations, engagement and regulatory enforcement actions.

Our risk assessment and engagement processes (published on ato.gov.au) outline how we work with clients and stakeholders to help them manage their tax and superannuation affairs and our approach to risk assessment and compliance issues. Specifically, we outline:

- > how we will work with taxpayers, intermediaries and tax professionals (that is, a cooperative approach), including our protocols for making contact with taxpayers who have a registered tax agent or registered BAS agent
- > our engagement channels
- > our approach to compliance
- > how our risk assessment processes work
- > how we apply risk methods to intermediaries
- > information we use to assess risk.

Among intermediaries and specific client segments, we consider the distribution of perceived risk throughout various populations. This helps inform and influence our choice of response in a coherent, considered and consistent way.

We apply behavioural insight principles to the delivery of these differentiated treatments. Behavioural Insights is a key element in a multidisciplinary environment of policy development leading to improved policy outcomes, cost effectiveness and efficiency. Our behavioural insight capability assists us in focusing on how and why people make the choices they do, which helps us to meet our commitment to put people at the centre of our services.

We attempt to make it easy for people to participate and hard for them not to get things right. We are also using data in a smarter way to improve decisions, services and compliance. This data helps create and maintain a real-time view of our clients' tax and superannuation positions, current circumstances and compliance behaviours so we can better personalise our services and differentiate our compliance treatments.

Over a number of years, we have developed risk-differentiation processes in alignment with our compliance model for all client groups. The ATO compliance model was introduced in the late 1990's and has been further refined since that time. At the heart of the model is the approach of making proportional responses based on risk and tailoring engagement according to the behaviour and circumstances of taxpayer. We have applied similar processes when looking at intermediary populations. Our compliance strategies vary depending on a taxpayers circumstances and the information they provide.

In 2015, we released *Building confidence* on ato.gov.au outlining our strategies for achieving fairness in the tax and superannuation systems, including:

- > what taxpayers can expect from us when we provide a service or interact with them
- > what we expect from taxpayers
- > how we can help taxpayers
- > how we assure the tax and superannuation systems
- > our approach to compliance
- > how we detect and deal with those who don't do the right thing

- > certain behaviours that attract our attention and alert us to possible abuse of the tax and superannuation systems.

GST governance and risk management guidance is also provided for small-to-medium enterprises and large businesses on **ato.gov.au**. This guidance includes:

- > two checklists to help small-to-medium enterprises self-assess the effectiveness of their GST governance, risk management, internal assurance processes and procedures against a list of best practice actions
- > an interactive checklist to help large businesses self-assess the effectiveness of their GST governance, risk management, internal assurance processes and procedures against a list of best practice actions.

We are clear about our approach to behaviours such as evasion and tax crime and publish information on our website. *The fight against tax crime*, also published on the website, explains:

- > what tax crime is, our range of compliance strategies to deal with it, and the consequences for perpetrators
- > the collaborative approach we are taking under the Serious Financial Crime Taskforce, which began operating on 1 July 2015 (this cross-agency taskforce is building on the success of Project Wickenby)
- > our focus on key areas that present a higher risk, including international, trust and phoenix tax evasion and fraudulent behaviour, refund fraud, identity crime and organised crime
- > the community's role in helping protect Australia from tax crime and to keep the system fair for everyone.

The ATO continues to maintain quality and assurance frameworks to ensure that:

- > consistency, common sense and good judgment is applied to our work
- > we are able to assess our interactions to identify emerging issues/patterns
- > we are able to measure the quality of the service we are providing to clients.

ATO Quality is our corporate approach to measuring, assessing and improving the quality of our work across the ATO. It involves quality assessments of service, accountability, accuracy and performance being undertaken by quality assessors across the ATO each quarter. The overall results for ATO Quality to 30 June 2016 indicate that, of the proportion of work tested, 73% were positive results with some improvement required for the remaining 27%.

In the vast majority of the remaining 27% of cases, the outcome for the client was correct, but we acknowledge that we could have improved in at least one of the quality measures (service, accountability, accuracy and performance). That is, in most cases the improvement areas identified did not materially impact on achieving the right client outcomes. The key areas for improvement included timely completion of work and documenting and recording of decisions.

The ATO offers staff training on risk management policies, processes and procedures. These are sequential Risk management modules, which build on each other, including 'Introduction', 'Apply Processes', 'Treat, Monitor and Review' and 'Risk Assessment'.

There is a proactive approach to identifying the people who need the training, and to ensure they complete it.

Metrics for Measure 1

Cost to collect net \$100		
2013–14	2014–15	2015–16
\$0.69 (gross)	\$0.77 (gross)	\$0.77 (gross)
\$0.90 (net)	\$0.84 (net)	\$0.84 (net)

Since 2012–13, the net cost to collect has been trending down by 3% yearly. In 2015–16, the net cost to collect remained the same as 2014–15 due to slower growth in net tax collections.

KPI 3 – Measure 2

Regularly reassess preferred approach to regulatory risk. Amend strategies, activities and enforcement actions to reflect changing priorities that result from new and evolving regulatory threats, without diminishing regulatory certainty or impact.

Our approach to risk management as part of our Corporate Risk Framework is to regularly reassess the nature and extent of risks, including new and emerging risks in the tax and superannuation system. This includes reviewing our level of investment, our strategies and approaches associated with management of risks. The strategies can extend from a focus on education and assistance through to legal and firmer action depending on the nature of the risk and the associated behaviour or activity. Our assessment of the nature of the risk through the use of data and analytics informs our approach.

Businesses expect to be engaged and offered services based on their risk profile, including their choices and behaviours. They want tailored engagement that is timely, efficient and sensitive to the impact on the group's business and affairs. In response, we are improving our knowledge about business and industry, so that we can better understand their circumstances. If we identify a risk, our tax assurance process begins and we may contact the client to resolve or better understand the matter before progressing further. If we find significant risks requiring further examination, we will generally conduct a review, audit or both.

Large businesses and wealthy groups are important to community confidence in the tax and super systems. For this reason, we use pre-lodgment reviews in certain circumstances. We are improving our review and audit processes to give clients certainty about the duration of our engagements, clear escalation points and ways to reduce timeframes to minimise impacts on their business. At all times we attempt to be transparent about the nature of our concerns.

We have published information on how our risk assessment processes work on ato.gov.au, including our:

- > risk-management approach to compliance
- > differentiated responses to clients
- > treatments proportionate to risk.

Building confidence explains that, to maintain the continuing health of our tax and superannuation systems, it's important that everyone pays their fair share. Our aim is to deliver the best possible tax and superannuation experience, including tailored services to help clients get things right. We are clear about our approach to non-compliance. We regularly update this website to account for any changes in our strategic direction.

The *Tax risk management and governance review guide* assists large and complex corporations, tax consolidated groups and foreign multinational corporations conducting business in Australia to identify and manage tax risk.

Further in 2015–16, for the largest privately owned and wealthy groups, we introduced an income tax risk report that sets out our view of their level of risk. By sharing what we know about these groups, the report provides an opportunity to self-correct and provide more information. The report is available to groups through tax assurance conversations and engagements. It will also be issued to groups where specific issues have attracted our attention. At present, the large number of privately owned and wealthy groups prevents us from informing every one of their risk profile but we will increasingly share what we know, our assessment of tax risk and what attracts our attention.

Under our International Engagement Mission we foster engagement, collaboration and cooperation with international tax jurisdictions. Our International Engagement Strategy is based on five objectives – influence administrative policy at a global level, champion international transparency and equitable tax administration, enhance Australia's commitment to supporting regional development, create strong partnerships with priority countries and better identify and adopt international tax best practice. The strategy aligns with the G20 focus areas of Base Erosion and Profit Shifting (BEPS), automatic exchange of information (AEOI), capability development and the ATO Reinvention program.

To realise our strategic goals our work program comprises five key elements:

- > global and regional forums
- > regional development
- > capability building
- > international collaboration and cooperation
- > reinvention.

Our strategy for working with taxpayers is based upon the indicators of risk, which will determine the level of interaction they have with us. These are – complexity, transparency, behaviours and choices. There are certain behaviours that attract our attention and alert us to possible abuse of the tax and superannuation systems.

Metrics for Measure 2

Number of matters that have been consulted on		
2013–14	2014–15	2015–16
not applicable ¹	68	62

¹not applicable– This relates to performance measures that are new or have not been reported in the given year.

Number of interpretive guidance products provided
(metric also reported under KPI 2 measure 1 and KPI 3 measure 2)

2013–14	2014–15	2015–16
35,790	39,250	43,000

Service commitment – People surveyed agreed that the ATO listens to and responds to feedback

2013–14	2014–15	2015–16
53%	52%	54%

Refer to KPI 1 Measure 2 for commentary.

KPI 3 – Measure 3

Recognise the compliance record of taxpayers, including using earned autonomy where this is appropriate. Consider all available and relevant data on compliance, including evidence of relevant external verification.

The significant amount of data we receive from taxpayers and third parties, collected traditionally for compliance purposes, is increasingly used to make things easier for our clients, reduce the compliance burden and tailor our interactions. Compliance initiatives are also informed by increasingly sophisticated analysis of growing volumes of data, including those reported by taxpayers in international dealings schedules and provided by foreign tax administrations under information sharing arrangements.

The tailored compliance engagement approach has provided consolidated groups with the opportunity to seek guidance on the tax consequences of a transaction (whether in-train or seriously contemplated). This provides assurance on how the ATO views specific tax risks in relation to a specific transaction. The consolidated group can then be made aware upfront of any issues that may need verification after transaction or lodgment.

For larger public businesses and multinationals facing more complex tax issues, our early engagement approach helps reduce the time and effort required to get to the heart of issues, resolve disputes and agree on a way forward. Both taxpayers and staff recognise the benefits of picking up the phone and having a conversation to understand and resolve the issues early.

Metrics for Measure 3

There are no metrics for this measure, as per the *ATO Regulator Performance Framework*.

KPI 4 results and evidence

Compliance and monitoring approaches are streamlined and coordinated

For KPI 4, we have four measures of good regulatory performance as shown in the table below.

Measures of good regulatory performance – KPI 4

Measure	Description
1	Minimise frequency and impact of requests for information and coordinate with similar processes including those of other regulators.
2	Tailor information requests and only make when necessary, and only then in a way that minimises compliance costs to taxpayers.
3	Utilise existing information to limit the reliance on requests to taxpayers and share the information among other regulators, where possible.
4	Base monitoring and inspection approaches on risk and, where possible, take into account the circumstances and operational needs of taxpayers.

Our performance against each measure is discussed on the pages that follow.

KPI 4 – Measure 1

Minimise frequency and impact of requests for information and coordinate with similar processes including those of other regulators.

Access to *myTax* through the whole-of-government myGov portal is at the centre of our approach to making it easier for our clients to do things through a single service and do things once. We link available information across government and our services are tailored to specific audiences, minimising the cost to the community in complying with obligations by assisting them to get things right.

A specific initiative to assist our clients in meeting their regulatory obligations is tailoring SMS reminders to non-payers and habitual late payers and extending the options available to taxpayers to set up and commit to payment plans online.

In addition our data, analytics and intelligence capabilities are helping us better use large data holdings to improve the quality of decision making and deliver a more personalised experience of the tax and superannuation systems. Smarter use of data and information is one of the foundation elements of our ongoing Reinventing the ATO program.

We participate in myGov as a member service to simplify interactions for our clients through the use of digital technology. The tell us once initiative enables clients to update their details on their myGov account and choose to have the update shared across all relevant government services including the ATO.

We are also expanding and automating our access to data from third parties and other jurisdictions. Combining this with improved analytics allows us to better understand complex business structures and individual client circumstances to further tailor our interactions. This enables us to use data we already have, minimising requests for information from clients.

Enhancements to tax return lodgments for individuals – specifically the improved use of pre-fill data and the customisation now available when lodging online through *myTax* – are examples of value added services using available information. These enhancements reduce the cost of compliance and help alleviate the regulatory burden.

They are made possible through the extensive work we do with third parties, including other Commonwealth agencies, banks, financial institutions and other organisations. We work with them to obtain data that supports our risk management analytics, ensuring we are looking at the right cases, while also providing an improved experience for clients when lodging returns.

Metrics for Measure 1

Client experience survey results

In the past 12 months, the ATO appears to be integrating its services better with other government departments

2015–16	Individuals	Businesses
Agree	54%	46%
Neutral	37%	46%
Disagree	9%	8%

The ATO integration with whole-of-government services is perceived favourably and continues to improve with only 9% of individuals and 8% of businesses disagreeing. A high neutral response from both individuals and businesses suggest that respondents are unsure about ATO integration with other departments. Further research is being conducted to investigate specific opportunities to improve and streamline whole-of-government offerings, particularly in tandem with digital services and the Digital Transformation Agency.

KPI 4 – Measure 2

Tailor information requests and only make when necessary, and only then in a way that minimises compliance costs to taxpayers.

Our goal is to make it easy for people to participate and we aim to provide a contemporary and tailored service that is tailored to the needs of our clients and their circumstances.

We make it easy for our clients by continuing to improve the pre-filling of returns. Our expanded data-matching program provided additional data to around 1.5 million taxpayers in 2015–16. MyGov also populates Centrelink, Medicare and Child Support information into a client's *myTax* return.

For privately owned business groups and wealthy people, the ATO applies a tailored engagement model that emphasises transparency and mutual respect. This means that when a taxpayer is open with us, we can understand their circumstances, offer the right services and work with them where needed to get things right.

Australia's largest businesses receive customised service from the ATO. Our interactions with public and multinational groups are tailored, based on company size, complexity and behaviour. The focus is on prevention before correction, and providing early assurance and certainty for business management and shareholders. This approach also enables us to provide assurance to the community as a whole that tax outcomes for public businesses and multinationals are fair and reflect the correct application of the tax law – in short, that they are paying the right amount of tax at the right time.

There has been consistent agreement from clients that the ATO does not contact them unnecessarily. Only 9% of clients, who recently interacted with the ATO, thought that the ATO contacted them unnecessarily, remaining relatively consistent over the past six months.

In addition, we seek to minimise direct contact and any inconvenience by tailoring our approaches according to the circumstances. Successful initiatives such as SMS reminders sent to non-payers and habitual late payers and extending the options available to taxpayers to set up and commit to payment plans online aim to ensure our clients can meet their regulatory obligations. Along with greater productivity and reduced processing costs, automated online payment plans are effective from the behavioural perspective. We find that people with outstanding debts are often more willing to initiate contact with the ATO and enter into an arrangement to pay the debts off if they can do so online or via an automated phone service. In turn, this minimises the cost of complying with the payment plan and the need for follow-up requests.

Metrics for Measure 2

Client experience survey results

The ATO does not contact me unnecessarily		
2015–16	Individuals	Businesses
Agree	72%	70%
Neutral	20%	24%
Disagree	8%	6%

KPI 4 – Measure 3

Utilise existing information to limit the reliance on requests to taxpayers and share the information among other regulators, where possible.

We use other sources of information – for example, we have extended the pre-filing of tax returns (*myTax*) to include distributions from companies, dividend and interest schedules. One of the highlights for 2015 pre-filing was the direct reporting of private health insurance information directly to the ATO. This significantly improved the timeliness of information for clients wishing to lodge tax returns early. We delivered an enhanced *myTax* in 2016 which provided more third-party data, including foreign source income from financial institutions and improved reporting on employee share schemes.

We share information with other government agencies, such as the Australian Bureau of Statistics, the Australian Securities and Investment Commission and the Department of Human Services. In partnership with other agencies through the Inter-Agency Phoenix Forum and the Phoenix Taskforce, we are sharing intelligence and investigating and prosecuting fraudulent phoenix activity. This occurs where a business operator deliberately liquidates a company to avoid paying creditors, taxes and employee entitlements and then transfers the assets to a new entity and starts the process all over again.

Tax crime is often associated with other forms of criminal behaviour. We tackle this in collaboration with regulatory and law enforcement agencies including the Australian Criminal Intelligence Commission, the Australian Securities and Investments Commission, the Australian Transaction Reports and Analysis Centre (AUSTRAC), the Australian Federal Police, the Australian Border Force and the Commonwealth Director of Public Prosecutions. Reflecting the increasing expectations of the community for a joined-up government, we work closely with policy agencies, the Treasury in particular, and service delivery partners, including the Department of Human Services, the Digital Transformation Office and the Australian Charities and Not-for-profits Commission.

The multi-agency Serious Financial Crime Taskforce which includes the ATO & seven other partner agencies leads the Commonwealth operational response to high priority serious financial crimes – such as international tax evasion fraud, phoenix fraud and trust fraud, including the Commonwealth response to the Panama Papers.

Metrics for Measure 3

Number of memorandums of understanding		
2013–14	2014–15	2015–16
110	115	119

We currently have 119 memorandums of understanding (MOUs) in place. Working with other agencies supports improved client experience and outcomes. For example, our new MOU with the Australian Electoral Commission provides the ATO with data for the purposes of identifying or locating taxpayers and preventing, detecting or investigating taxation fraud.

Number of international information exchanges
(including specific, spontaneous and automatic exchanges of information)

2013–14	2014–15	2015–16
495 total exchanges ¹	514 total exchanges (233 inbound, 281 outbound)	691 total exchanges (282 inbound, 409 outbound)

¹ Information for inbound and outbound exchanges first reported in 2014–15.

**Increased use of the ABR as the national business dataset
by government agencies and the community**
(metric also reported under KPI 1, measure 3)

2013–14	2014–15	2015–16
418.8 million ABN Lookup searches	54 datasets were provided to government agencies 23.4% increase in ABN Lookup searches	140 government agencies using ABR Explorer 14% increase in ABN Lookup searches

Refer to KPI 1 Measure 3 for commentary.

Improvement in the quality of key data on the ABR

2013–14	2014–15	2015–16
not applicable ¹	12.0%	3.2%

¹not applicable– This relates to performance measures that have not been reported using the same methodology.

The ABR data integrity work program in 2015–16 focused on improving completeness and validity of key fields in the register. For example, missing address elements, invalid email address format and removing redundant ABNs. Maintaining accuracy is still largely reliant on ABN holders updating the register when their circumstances change.

KPI 4 – Measure 4

Base monitoring and inspection approaches on risk and, where possible, take into account the circumstances and operational needs of taxpayers.

We outline monitoring and enforcement strategies in *Building confidence* on ato.gov.au, specifying our approach to client engagement and how it is tailored to the needs of taxpayers.

We take into account the circumstances and operational needs of taxpayers. For example, the ‘what attracts our attention’ section of *Building confidence* has been enhanced to:

- > inform the market of where unscrupulous advisers can put taxpayers at risk in tax planning schemes.
- > alert taxpayers about areas where we commonly see mistakes, errors or poor tax governance, and where taxpayers may want to seek advice from the ATO or other trusted advisers.

The shift to digital is providing an improved service. Of the taxpayers who entered into a payment plan after receiving a debt reminder letter via myGov, over two-thirds chose to do so online. This has contributed to the number of online payment plans more than doubling. Our clients can work with us at a time that suits them and are using the self service options we are making available. Online payment plans are 22% more effective in collecting debt compared to payment plans entered through more traditional channels.

The ATO’s practical compliance guidelines reduced red tape, making it simpler and cheaper for taxpayers to meet their obligations. Those undertaken this year include:

- > three safe harbour initiatives to simplify the calculations and record keeping for fuel tax credit claims, supported with a practical compliance guideline and a redesigned calculator and eligibility tool.
- > a safe harbour initiative for participants in collapsed managed investment schemes.

Recognising that individuals and businesses can experience financial difficulties due to challenging business conditions or unexpected events, we take an empathetic approach to help people get back on track. Recent examples include supporting drought and flood affected taxpayers, the Australian dairy industry and the looking after your mental health – small business initiative. This initiative reached out to those experiencing mental health issues and struggling to meet their tax and super commitments. It encouraged people to contact us to solve problems before they escalated by arranging tailored payment plans or deferring lodgments or payments.

We also influenced businesses through pre-lodgment activities and targeted certain segments through guidance, alerts and workshops. Our pre-lodgment compliance reviews enabled us to work with large businesses to address compliance issues and to provide certainty for them before lodging their tax returns.

For advance pricing arrangements, an improved application process has been implemented in consultation with accounting and law firms. The new process makes it easier for large businesses to apply for an advance pricing arrangement by ensuring they identify all issues upfront.

As at 30 June 2016, there were 131 advance pricing arrangements in place, with another 107 applications in progress of which 38 were in the early engagement stage and 41 cases were finalised.

Metrics for Measure 4

Number of compliance audits, reviews and other checks undertaken		
2013–14	2014–15	2015–16
5.3m	4.7m	3.8m

The shift in the number of compliance audits, reviews and other checks undertaken is the result of:

- > a deliberate shift towards help and prevention activities to assist taxpayers to get it right prior to lodgment
- > in some markets, the introduction of early engagement approaches that help reduce the time and effort required to get to the heart of issues, resolve disputes and agree on a way forward
- > improved analytics and selection of cases, so that we are undertaking compliance activity on the right cases.

KPI 5 results and evidence

Regulators are open and transparent in their dealings with regulated entities

For KPI 5, we have four measures of good regulatory performance as shown in the table below.

Measures of good regulatory performance – KPI 5

Measure	Description
1	Ensure risk-based frameworks are publicly available in a format which is clear, understandable and accessible.
2	Be open and responsive to requests from taxpayers regarding the operation of the tax and superannuation systems, and approaches implemented by the ATO.
3	Ensure performance measurement results are published in a timely manner to ensure accountability to the public.
4	Ensure disputes are dealt with in an open and transparent manner.

Our performance against each measure is discussed on the pages that follow.

KPI 5 – Measure 1

Ensure risk-based frameworks are publicly available in a format which is clear, understandable and accessible.

The ATO is open and transparent in its dealings with clients. Our risk-based frameworks are publicly available on ato.gov.au. We are open and responsive to requests from taxpayers, performance measurement results are published in a timely manner and we strive to ensure disputes are dealt with in an open and transparent manner.

Metrics for Measure 1

There are no metrics for this measure, as per the *ATO Regulator Performance Framework*.

KPI 5 – Measure 2

Be open and responsive to requests from taxpayers regarding the operation of the taxation and superannuation systems, and approaches implemented by the ATO.

A specific feedback mechanism to support and inform continuous improvement is the Board of Taxation Sounding Board. The Sounding Board allows those with day-to-day experience with the tax system to submit ideas for tax system improvement and discuss them with the Board of Taxation. Users can prioritise ideas by voting and comment on important and topical ideas – for example, ideas that reduce red tape or compliance burdens without a great deal of cost to tax revenue.

After ideas have been submitted and discussed, the Board will select those that generate the most interest to further explore their potential for implementation. The ATO assists the Board to determine the viability of advancing these. If the idea has merit, the Board will make recommendations to the ATO for implementation.

Consultation arrangements we have with stakeholder and industry groups provides an opportunity for us to be open and responsive to requests from taxpayers and their representatives. These arrangements provide an opportunity for improvement to our approach to administering the taxation and superannuation system.

Our co-design activities are also an opportunity for taxpayers to have input into the operation of the taxation and superannuation system and the approach implemented by us. It enables us to deliver effective products and services with a strong focus on the client experience. For example in May 2015, we released an *Involuntary superannuation account transfer protocol*, developed in consultation with the industry. In 2015–16, the protocol was used to assist 17 funds and administrators with restructures, change of administrator and system platform changes, spanning a large number of members and millions of dollars in assets.

We also focus on understanding drivers of complaints and feedback themes to improve the client experience.

Metrics for Measure 2

Service commitment – People surveyed agreed that the time taken was acceptable		
2013–14	2014–15	2015–16
71%	70%	78%

Service commitment – 85% of electronic taxpayer requests are finalised in 20 calendar days¹ (metric also reported under KPI 2 measure 2)		
2013–14	2014–15	2015–16
88%	90%	93%

¹ From 1 July 2015, the methodology changed to count electronic requests only. The basis for calculation also changed, from 'cases finalised within 28 calendar days'.

Service commitment – 80% of private rulings are finalised in 28 calendar days of receiving all necessary information (metric also reported under KPI 2 measure 2)		
2013–14	2014–15	2015–16
94%	90%	91%

Service commitment – People surveyed agreed that the ATO lets them know of status or delays		
2013–14	2014–15	2015–16
57%	53%	55%

Number of interpretive guidance products provided (metric also reported under KPI 2 measure 1 and KPI 3 measure 2)		
2013–14	2014–15	2015–16
35,790	39,250	43,000

Client experience survey results

I am able to contact the ATO in a way that I want		
2015–16	Individuals	Businesses
Agree	57%	59%
Neutral	22%	19%
Disagree	21%	22%

Consistently each month, the majority of clients surveyed agree that they are able to contact the ATO in the way they want to. In 2015–16, 57% of individuals and 59% of businesses agreed, although, 21% of individuals and 22% of businesses disagreed. Related indicators, such as satisfaction levels with the accessibility and helpfulness of ATO information, have also increased monthly.

KPI 5 – Measure 3

Ensure performance measurement results are published in a timely manner to ensure accountability to the public.

The ATO program objectives, purpose and KPIs are published in the Portfolio Budget Statement which is released annually to accompany the government Budget. The ATO's corporate plan is also published each year within legislative timelines. These documents are used to monitor and assess our performance.

Our *Commitments to service* publicly state the level of performance that clients can expect when dealing with us under normal circumstances. We are committed to developing, monitoring and reporting on our commitments to service in areas that are important to our clients and stakeholders. We publish information on how we are performing against these on ato.gov.au and update this on a monthly basis. By doing so, we honour our commitment to transparent management, accountability for results and client-centred service delivery.

Our annual report is published within legislative timeframes. This year's annual report includes the Annual Performance Statement, as required by the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

Metrics for Measure 3

There are no metrics for this measure, as per the *ATO Regulator Performance Framework*.

KPI 5 – Measure 4

Ensure disputes are dealt with in an open and transparent manner.

Given the large scale of the ATO's operations and interactions with taxpayers, only a very small proportion of ATO decisions are disputed (by way of objections and litigation).

Our performance in managing taxpayer objections and other ATO decisions is measured by the number and age of cases resolved and on hand. Just as important are community perceptions of how fair the ATO is in dealing with these cases.

In 2015–16, we dedicated additional resources to resolving the longest running disputes. While this has led to an increase in the average age of completed cases, it has reduced the average age of cases on hand. The higher average age of completed cases reflects a small pool of long-running cases that were resolved during the year.

Since the objections function moved to the ATO's Review and Dispute Resolution business line on 1 July 2015, we have been transforming the way we manage disputes by looking for opportunities to resolve issues earlier. As a result, fewer cases are going to litigation, with the number of objections resulting in litigation falling from 36 per thousand in 2013–14, to 22 per thousand in 2014–15, and to 15.8 per thousand in 2015–16.

We continue to have success with in-house facilitation across all taxpayer segments, but particularly for small business and individuals, which accounted for around 80% of case referrals. In 2015–16, we received 128 referrals, a 30% increase over 2014–15.

The reduction in litigation cases has largely been in the Administrative Appeals Tribunal (AAT) due to a range of early engagement strategies, improved client service and the provision of an in house facilitation service. While we have fewer cases that go through court, we have been successful in pursuing litigation for law clarification purposes and in matters including fraud and evasion. This approach ensures that the ATO continues to pursue the right litigation matters for the right reasons.

A key indicator of ATO performance in managing objections and disputes generally (including litigation cases) is community perceptions of fairness.

We now better understand the drivers of taxpayers' perceptions of fairness in disputes, enabling us to tailor services that meet client needs, by:

- > providing clear and meaningful communications about decisions – this is particularly important, given that 75% of disputes involve taxpayers who have not previously been in a dispute with us
- > ensuring ongoing engagement throughout the dispute, to provide a sense of control over how it is being handled
- > introducing fairness champions to promote a fair approach in every interaction
- > providing specialised training to staff to improve the client experience, with a key focus on fair and respectful treatment.

Our success in implementing these strategies is measured by fewer matters progressing to litigation, as matters get resolved earlier. For example, 55% of in house facilitations took place before assessments were issued, evidence of our commitment to resolving disputes earlier. Compliments and positive client feedback also confirm that the new approaches have made a difference in dispute management and resolution.

We have been transforming the way we manage disputes. Our increased use of alternative dispute resolution, new settlement guidelines and the use of independent ATO facilitators to

help achieve breakthroughs in disputes, has meant that in 2015–16 fewer cases went to litigation. Our approach ensures that we pursue the right litigation matters for the right reasons and has meant a success rate of 85%, with 77% of cases fully favourable to the ATO and 8% partly favourable.

The number of appeals to the AAT against decisions by the Commissioner fell by 26% during 2015–16 (from 533 in 2014–15) as further evidence of our success in achieving early resolution and our commitment to pursuing the right cases.

Metrics for Measure 4

Perceptions of fairness in disputes		
2013–14	2014–15	2015–16
not applicable ¹	50%	55%

¹not applicable – This relates to performance measures that are new or have not been reported in the given year.

In response to key findings from client surveys, significant investment has been made to enhance taxpayer perceptions of fairness across dispute, audit, advice and debt interactions.

This is based on 55% of taxpayers who finalised a dispute with us perceived the overall disputes process as fair, 31% disagreed and 14% were neutral or did not know.

Our key areas we are investing in to improve the experience of our clients are:

- > tailoring our engagement by delivering a more personalised service based on taxpayers' individual circumstances
- > using natural systems to build on the existing strengths of staff around professionalism, courtesy and respect to further enhance our relationship with taxpayers
- > learning and development to improve staff understanding and awareness of 'why fairness matters' and how to apply principles of fairness
- > creating client certainty by engaging with taxpayers early and increasing support to those dealing with us for the first time
- > embedding a culture of fairness and developing and promoting behavioural principles for staff to apply in their interactions with taxpayers.

KPI 6 results and evidence

Regulators actively contribute to the continuous improvement of regulatory frameworks

For KPI 6, we have three measures of good regulatory performance as shown in the table below.

Measures of good regulatory performance – KPI 6

Measure	Description
1	Establish cooperative and collaborative relationships with stakeholders to promote trust and improve the efficiency and effectiveness of the ATO administration.
2	Engage stakeholders in the development of options to reduce compliance costs.
3	Regularly share feedback from stakeholders and performance information with policy departments to improve the operation of the tax and superannuation systems and associated administrative processes.

Our performance against each measure is discussed on the pages that follow.

KPI 6 – Measure 1

Establish cooperative and collaborative relationships with stakeholders to promote trust and improve the efficiency and effectiveness of the ATO administration.

Consultation arrangements we have with stakeholder and industry groups provide flexible and responsive mechanisms for consulting, to improve outcomes and promote trust and confidence in our administration.

Our co-design activities are also key to how we deliver effective products and services with a strong focus on the client experience. For example, further improvements currently being co-designed with tax and BAS agents, are planned for delivery later in 2016 and in 2017. The redesigned client communication list service (previously known as the client correspondence list service) will align to practice processes, ensure agents are aware of communications issued to their client and enable them to choose what correspondence is sent to them and what is sent to their clients.

Our commitment to cooperation and collaboration is also demonstrated through our work with Treasury, the OECD and international agencies to accelerate the development of solutions to broad challenges faced by the global system (such as base erosion and profit-shifting and the increasingly digitised economy). In 2015–16, we also continued to focus on engaging with stakeholders, including parliament, external scrutineers and the community.

Metrics for Measure 1

Number of matters that have been consulted on		
2013–14	2014–15	2015–16
not applicable ¹	68	62

¹not applicable– This relates to performance measures that are new or have not been reported in the given year.

Communication of our decision to consult on matters submitted (within 20 days)		
2013–14	2014–15	2015–16
30 (76% of 39 received)	17 (73% of 22 received)	2 (33% of 6 received)

Refer to KPI 1, Measure 1 for commentary.

Client experience survey results

The ATO consults me about issues that affect me		
2015–16	Individuals	Businesses
Agree	33%	29%
Neutral	34%	33%
Disagree	33%	38%

Clients generally felt that the ATO does not adopt a consultative approach when it comes to issues affecting them. A high neutral response (34% for individuals and 33% for businesses) suggests that an opportunity exists to explore this on a more detailed level and identify where improvements can be made in consultation.

KPI 6 – Measure 2

Engage stakeholders in the development of options to reduce compliance costs.

The Consultation Steering Group ensures that significant tax and superannuation matters for consultation are identified, consultation efforts are on track and the right people are involved. The group is co-chaired by the ATO and Treasury.

We are committed to consultation as a means of improving the administration of Australia's tax and superannuation systems. We have a clear strategy to consult with the community, industry and the tax profession in a timely way.

These arrangements have been developed in consultation with profession and industry bodies. Our framework comprises stewardship groups, stakeholder relationship groups, special purpose working groups and a Consultation Hub within the ATO to coordinate matters raised for consultation.

A single protocol governs all ATO community consultations, regardless of their format. To participate in any of our consultative processes, you must agree to honour the mutual rights and obligations that the protocol sets out for all participants – you, your colleagues in the process, and the ATO.

We report monthly on our consultation arrangements. The report includes sections on news, new matters for consultation, matters in progress and completed consultation.

Stakeholder relationship groups developed and maintained ongoing relationships with business and industry representatives and key intermediaries. The groups use their specialist knowledge and experience to help build a clearer and mutual understanding of the tax and superannuation systems. Stewardship groups maintained diverse representation across the Australian community to ensure we have access to the views and input of as many stakeholders as possible. These groups are equally responsible for the stewardship of their respective market or product segment across the tax and superannuation systems.

Special purpose working groups consulted on specific matters. They consider matters that have the potential to significantly affect the community's willing participation in the tax and superannuation systems. Based on extensive research and feedback, we embedded proven adult learning principles and practices – through 'Show me what, show me how' – into products and services for small business. The aim is to support small business at natural touch points across every stage in the business lifecycle to be ready, willing and able to comply with their tax and superannuation obligations. To achieve this we worked with other agencies across all levels of government. During 2015–16, such reach-out initiatives included interactive webinars and face-to-face education sessions, workshops and business events reaching over 12,000 small businesses.

Metrics for Measure 2

Number of matters that have been consulted on		
2013–14	2014–15	2015–16
not applicable ¹	68	62

¹not applicable – This relates to performance measures that are new or have not been reported in the given year.

KPI 6 – Measure 3

Regularly share feedback from stakeholders and performance information with policy departments to improve the operation of the tax and superannuation systems and associated administrative processes.

To improve our efficiency, the client experience and the integrity of the tax and superannuation systems, we work with government and other agencies, domestically and internationally. In 2015–16, we had 119 MOUs. These formal agreements enable the exchange of information with other departments and agencies. This information assists in administering legislation and identifying possible instances of non-compliance.

The Treasury and the ATO are joint stewards of Australia's taxation systems and some aspects of Australia's superannuation systems. We work collaboratively and continuously to provide the best possible advice to government. The ATO – Treasury which protocol that outlines the framework for our working arrangements is published on ato.gov.au.

ATO and Treasury participate jointly in consultation activities. For example, the National Tax Liaison Group meet to focus on significant matters in the national interest. This group is supported by key relationships with members that include representatives from major taxation, law and accounting professionals and associations and senior ATO and Treasury officers.

Under our Contemporary Digital Services program, online services continue to be improved, with a range of enhancements delivered over 2015–16. The program focuses on delivering contemporary online tools and services that integrate with the systems people already use, and are secure while being easy to access. The program has been developed in consultation with stakeholders, including user groups and the government's Digital Transformation Agency, and it aligns with the government's Digital Service Standard.

Consultation during the year included the release of Digital by default consultation papers – to elicit community views about possible changes to the tax law that would require taxpayers to interact digitally where they have the capacity to do so. The consultation received a total of 1,003 responses. The response indicates that people want a gradual transition, support for vulnerable users, and other options for those unable to access digital services.

There were 34 tax measures introduced into parliament in 2015–16. Of these, 31 were jointly assured by the ATO and Treasury. This is providing assurance that the ATO can interpret and administer the law consistent with the policy intent.

Three of the measures were not quality-assured through the joint process due to time constraints, as agreed with Treasury; however the ATO continues to work with Treasury on these matters.

Metrics for Measure 3

There are no metrics for this measure, as per the *ATO Regulator Performance Framework*.

