



Australian Government
Australian Taxation Office

The Full Picture

How the ATO works **with and for** small business



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Deputy Commissioner Small Business



Deputy Commissioner

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In my role as Deputy Commissioner, Small Business, I am proud of the work we have done over the past few years to:

- improve the experience of small businesses in dealing with the ATO; and
- transform our culture to focus on client service and early intervention.

As you may be aware, *Four Corners* will be airing a program tonight that focuses on the ATO and our relationship with small business, as well as our approach to debt management and our administration of the Australian Business Register. I was interviewed for the program.

We are concerned this program will **focus heavily on a very small number of atypical cases** and extrapolate these across the entire system, alleging that the ATO is anti-small business, wields too much power or is solely focused on collecting revenue.

I'm proud to stand up for the relationship and services the ATO has with, and for, small business. The feedback I consistently receive from **credible sources** – like small businesses themselves and their key industry associations – is positive about how we **listen and respond to their needs**.

While we do sometimes make mistakes, we acknowledge those specific instances and we always **welcome external feedback and constructive critique**. We all need to make sure that we are working towards the best interests of those incredibly hard-working and innovative four million small businesses around Australia.

I'm concerned this program will serve only to **create tension and worry for small businesses where it did**

not previously exist - and perhaps even stop people from coming to us to have questions answered or issues resolved. That's the worst outcome for everyone.

As you are someone well engaged in the success of Australian small business, I felt it useful to provide you with **a broad package of material that gives the 'full picture' of our relationship with small business**.

I'm hoping for your support in balancing the conversation to ensure small businesses are not discouraged from talking to us as early as possible about any concerns they may be experiencing. We want to help small businesses meet their obligations as easily as possible - and we are **committed to assisting viable small businesses to thrive**.

If you have any questions about any of the content provided in this package, please get in touch.

Kind regards,

Deborah Jenkins
Deputy Commissioner
Small Business



Help for small business

We are committed to making it as easy as possible for all businesses to understand and meet their tax obligations.

To that end, we have an extensive and dedicated focus on both:

- delivering new tools to make things easier;
- providing customised support for small business when they need it.

1: Using technology to enhance interactions.

- Sole traders can access ATO online services through their myGov account or voiceprint on any device and:
 - manage activity statements and PAYG instalments;
 - manage accounts;
 - make payment arrangements and more.
- Businesses with an AUSKey or a linked myGov account (using Manage ABN Connections) can access the Business Portal to:
 - prepare and lodge activity statements and annual reports;
 - manage accounts; and
 - update registration details.
- Through the ATO app small business owners can:
 - manage tax obligations;
 - set reminders for key dates;
 - keep track of expenses using the **myDeductions tool**;
 - compare performance against similar businesses with the **Business Performance Check**.
- **The app - already downloaded by over 1.4 million individuals** - includes a range of easy-to-use online tools such as the tax withheld calculator and the ABN Lookup.
- The ATO is improving access to online services via introduction of voice authentication - **over 3 million voice prints** have already been registered.
- The ATO has a **small business live chat service** and an after-hours call back service available Monday to Saturday.
- Small business owners can also subscribe to the **Small Business Newsroom** (2.16 million subscribers) to receive all the latest information and alerts each month – direct to their mobile phone, iPad or home computer.

2: We support businesses right from the start.

- Within 30 days of registering for an ABN, new small businesses are proactively sent a welcome email with links to educational modules hosted on business.gov.au.

- Additionally they receive emails linking to **24 key modules** on various business topics over the following 12 months.

3: We are focused on finding ways to reduce the administrative burden on small business.

- The ATO has significantly simplified quarterly GST reporting requirements, reducing what small businesses need to report in their BAS **from seven items down to three**.
- We offer free, confidential and tailored support services aimed at keeping businesses on track, or helping them get back on track.
- We make regular **visits across the community** in metro and regional locations to show people tools and tips that help their business.
- Our staff also received **mental health support training** because we recognise the enormous pressure small business owners are under when dealing with mental health issues.
- We are currently working with tax professionals and other intermediaries to implement an educational coaching program called the **'Cash Flow Coaching Kit'**. This kit aims to quickly help small businesses better understand, and easily identify, actions they can take to improve their cash flow and business performance.
- We regularly engage with small businesses and their representative associations to understand their needs. Our Small Business Stewardship Group connects us with key industry associations and we have close working relationships with COSBOA, ASBFEO and all the state-based Small Business Commissioners and Champions.

As well as the information, services and tools we provide to assist running a small business, we focus on early engagement and support for small businesses that need help.



How we manage debt

The ATO recognises taxpayers may occasionally experience short term cash flow issues that prevent payment on time.

Our goal is to:

- help taxpayers meet their payment obligations on time; or
- address any debts that arise as early as possible, while they are manageable.

1: For the minority of taxpayers who do not promptly address their tax debt, we continue to improve and refine our collection strategies.

- The ATO's approach to debt management has been subject to external scrutiny in recent years, by both the Inspector-General of Taxation and the Australian National Audit Office.
- Neither of these reviews found systemic issues and we have continued to evolve and refine our approach in line with the recommendations of these reviews.

2: We provide targeted support to taxpayers experiencing serious hardship by using a range of debt relief options, including payment plans tailored to individual circumstances.

In 2016–17 we negotiated **950,000 payment plans**, of which **650,000** were for small businesses. In recent years we have:

- increased the amount for payment plans that can be entered via our automated phone service from \$25,000 to \$100,000
- enabled sole traders to set up **plans for debts up to \$100,000** via ATO online for both income tax and activity statement debts.

3: The ATO only takes firmer action (such as garnishee) where taxpayers consistently do not engage in dealing with their tax debt.

- In 2016–17 we issued approximately 24,000 garnishees (14,000 for small business) - indicating we use garnishee powers in about 0.5% of collectable debt cases.

- Firmer action is important to bring taxpayers to account and make sure we are creating a level playing field for other small businesses who do the right thing, lodge returns and pay tax.

4: For the vast majority of taxpayers who have a dispute, no recovery action is undertaken.

We have 4,300 active disputes currently on hand (**a tiny 0.0003% of all taxpayers**) and less than 5% of these have recovery action underway.

5: An independent external review of our insolvency cases in 2017 concluded our collection practices do not prematurely lead to viable taxpayers being made insolvent.

Of all bankruptcies in Australia in 2016–17,

- the ATO initiated **3.9%**
- the ATO initiated bankruptcy or wind up in **0.04%** of debt cases.

As at 31 December 2017, the ATO:

- has approximately **1.7 million accounts in collectable debt**;
- was owed **\$21.4 billion in collectable debt**, with **\$13.9 billion (65%) related to small businesses**.



Our approach to ABNs

The Australian Business Register (ABR) is a national database where people carrying on or starting a business can register for an Australian Business Number (ABN).

1: There are around 7.5 million registered ABNs.

In 2016-17:

- 855,705 new ABNs were registered and over **90% of online ABN applications were instantly approved.**
- Our integrity program saw cancellation of 810,000 redundant ABNs – almost half due to:
 - non-lodgement of tax returns; or
 - lodged returns showing no business income.

2: Striking an appropriate balance which safeguards ABN integrity while providing flexibility to ensure existing business continuation and new business creation is paramount.

Our key focus points are:

- educating ABN applicants on their entitlement - prior to applying for an ABN - through factsheets and ABN entitlement information on our website;
- education campaigns targeted at students, job seekers, tax agents and workers in high-risk industries.

3: The ABR is a key national dataset and it is critical data is accurate, current and reliable.

- Last year there were over **770 million searches on ABN lookup** (the public view of the ABR) by the business community and government agencies to check details of businesses they are dealing with.
- The register is also **used by over 550 government agencies** to support businesses and deliver government services (including infrastructure planning, emergency services, pre-filling forms and providing information about grants).

4: The ATO undertakes a comprehensive integrity program to keep the ABR up to date.

This includes a review program for:

- ABN registrants in high-risk industries such as building and construction;
- ABN holders who are on a student, working holiday or expired visa.

5: Some businesses incorrectly use ABNs to engage workers as contractors, when they are in fact employees.

- The law determining whether a relationship is one of contractor or employee has been well established by the courts. If the relationship is one of employee, then there is no entitlement to an ABN.
- ABN holders can split income through establishing partnerships, trust or company structures. Wage and salary earners do not have this option, which is why it is important we ensure only genuine businesses receive ABNs.
- We recognise the impact a decision to cancel an ABN could have on an individual. That's why we involve ABN holders and their contracting partner's principals – to:
 - provide an opportunity for input into our deliberations;
 - keep them informed; and
 - work together to minimise impacts if ABNs are cancelled.

6: Where a business has misclassified workers, we work with it to transition those workers to more suitable arrangements.

- The ATO is agnostic about whether a business adopts an employee or contractor model. Our role is to support businesses to find the right model for their particular circumstances - and operates within the bounds of the law.
- We acknowledge there may be complex or varied situations to consider across businesses and industries. So an online self-help decision making tool is available, along with extensive information and education for all businesses and workers.
- Anyone uncertain about how the rules apply is encouraged to contact the ATO (employers on 13 72 26 and workers on 13 28 65) to discuss their situation.



How we manage disputes and settlements

The recent Australian National Audit Office (ANAO) report found the ATO is effective, comprehensive and fair in using settlements to resolve taxpayer disputes.

1: The sensible use of settlements is part of our commitment to earlier and more effective dispute resolution.

In 2016-17:

- More than 35.5 million returns were lodged
- 253,000 (0.7%) adjustments from audits were made
- 24,490 (0.07%) objections were received
- 456 (0.001%) cases were lodged to courts/tribunals
- 141 (0.0004%) cases proceeded to decision.

2: We have transformed the way we manage disputes.

- The number of appeals to the Administrative Appeals Tribunal (AAT) against decisions by the Commissioner has **dropped by more than 60%** over the last three years - from 922 in 2013-14 to 357 in 2016-17.
- Our approach to ensure only the right litigation matters are pursued has meant 85% of tax litigation decisions in 2016-17 were favourable to the Commissioner.
- Our recent innovative approaches to dispute resolution have resulted in a **30% reduction in the time it takes to resolve a dispute** since 2016-17.

3: There has also been a reduction in the cost for taxpayers.

- 93% of the cases that used our free in-house facilitation service in 2016-17 either partially or fully resolved the dispute.
- Our dispute assist service offers support for unrepresented individuals in business who may be in dispute with the ATO and are going through other stressful issues in their lives (such as family, physical or mental health issues).
- This new, free service connects the taxpayer with an independent disputes guide, who provides support and assistance through the dispute process.