



The Australian Taxation Office I

Responsibilities of the ATO	2
Structure of the ATO	2
Tax reform	4
Types of taxes	4
Client services	6
More information	8



The Australian Taxation Office

Australian law requires that we pay taxes and other charges at federal, state, territory and local government levels in order to fund a range of government programs and community services.

The Australian Taxation Office (ATO) is responsible for managing and shaping Australia's major revenue systems.

This chapter provides an introduction to the functions and structure of the ATO, highlights some of the elements of the new tax system and describes some of the different types of taxes collected by the ATO (both prior to and after the introduction of the new tax system) and the client services provided by the ATO.

Responsibilities of the ATO

The ATO is responsible for managing and shaping systems that support and fund services for Australians and give effect to social and economic policy through the tax system. The organisation administers taxation legislation, the excise levy and the higher education contribution scheme, and supports the provision of retirement income.

In recent years, the ATO has also reviewed and addressed broader issues affecting the taxation system, such as aggressive tax planning, globalisation, the cash economy and the internet.

Throughout 1999–2000, the organisation played an important role in developing and delivering the systems and education programs needed to implement the government's plan to reform and modernise the Australian tax system.

The ATO also supports the delivery of community benefits, having roles in other services, including:

- the Australian Valuation Office;
- the Development Allowance Authority;
- private health insurance;
- family assistance; and
- cross-agency support, such as working with Centrelink to reduce benefit fraud, and with the Australian Bureau of Statistics to reduce

the cost to the community of collecting statistics.

Each year, the organisation's efforts are guided by the Taxpayers' Charter, the related compliance model and the current ATO plan, as well as the business plans developed by individual areas.

Structure of the ATO

The ATO is structured into 12 divisions known as lines.

Individuals Non Business manages and maintains that part of the income tax system dealing with individual taxpayers who are not in business. It has a client base of approximately eight million taxpayers, 24 000 tax agents and a range of other intermediaries. Given the diversity of tax matters that affect its clients, this line strives to assist individual taxpayers to understand their requirements and, where necessary, to help them report their circumstances. Its activities include service, compliance, processing, benefits distribution, the savings bonus for older Australians and the private health insurance rebate.

Small Business, in the light of implementing the new tax system, is becoming increasingly market-focused by designing and operating its system to suit the specific needs of various stakeholder segments. The line manages and administers the income tax system for business taxpayers. It works with small businesses and their advisers to help and support them to meet their income tax, fringe benefit tax and employer withholding obligations while maintaining the integrity of the system. Small Business also provides a wide range of services to support all business taxpayers including registration, debt and lodgment, payment, taxpayer enquiries and the endorsement of income tax exempt charities and deductible gift recipients.

Large Business and International manages and shapes the tax systems as they apply to large business and associated key individuals in domestic and global markets, and ensures that Australia gets its fair share of tax. It develops the ATO's insights into: tax implications of global business; interaction of Australia's tax system with those of other countries; international tax policy and practice; degree of alignment between the tax system and industry policy; how the tax





system operates in each industry segment; flow-on effect of large and international business activity for the rest of the tax system; where the balance lies between the interests of the line's clients and those of the community; and understanding and influencing compliance behaviour.

Superannuation administers and shapes the system responsible for compliance with the current superannuation tax laws. This includes: legislation that deals with the taxation of superannuation contributions, investment income and benefits, and the superannuation surcharge. The line administers the reasonable benefit limits system, self-managed funds, the lost members register, unclaimed superannuation monies (where states do not have appropriate legislation) and the superannuation holding accounts reserve. It also administers compliance with the superannuation guarantee legislation and collects the relevant charge from employers who fail to make required contributions to complying funds.

Excise manages and shapes the commodity-based revenue and business payment (transfer) systems of the ATO. It is responsible for collecting nearly \$20 billion in excise per annum and administering the \$1.5-billion-per-annum, off-road diesel fuel rebate scheme. As part of the tax reform program, this scheme was extended to marine and rail transport from 1 July 2000. The line also manages other product-based tax reform projects including the wine equalisation tax, the on-road diesel and alternative fuel grants scheme, the fuel sales grants scheme, the goods and services tax special petroleum credit, and alcohol and tobacco reform. From 1 January 2001, the line will administer the product stewardship (oil) rebate on behalf of Environment Australia. It will also administer the energy grants scheme, which will replace the diesel fuel rebate and diesel and alternative fuel grants schemes, from 1 July 2002.

Goods and Services Tax is responsible for designing, developing and implementing the new tax system to collect tax on the supply of goods and services. To fulfil this role, the line has established appropriate legislative infrastructure and support mechanisms, prepared a professional and well-trained workforce, and implemented a comprehensive community and business education program. The line also administered

the sales tax system, which ceased when the goods and services tax was introduced on 1 July 2000.

The **Office of the Chief Tax Counsel** provides professional leadership by settling the ATO view on all significant issues arising in requests for advice, litigation and the like. This view is often disseminated through public rulings. This line manages the public rulings program. It ensures the integrity of the tax system through strategic litigation on behalf of the ATO. It also ensures robust legislation that delivers the government's taxation agenda, and manages the ATO's parliamentary and ministerial services. It acts as corporate assurer for quality in tax-professional decision making in the ATO. In this latter role, the line creates a supportive environment that includes provision of electronic support tools such as professional databases, skilling and professional development, and recruitment and placement of graduates.

Information Technology Services plans, designs, builds and maintains the ATO's corporate business systems, and plans for and manages the provision of information technology and telecommunication services.

Financial Services provides the ATO with effective financial systems for both administered and departmental items. The line is concerned with safeguarding the ATO's financial integrity and providing support for effective financial decision making through maintaining the appropriate policy, revenue analysis and accounting frameworks.

ATO Corporate supports the day-to-day operations of the ATO and advises on strategic direction. It comprises Corporate Directions, Shared Services, the Business Development Unit, Electronic Information Services, the Internal Assurance Branch, the Problem Resolution Service and the SES Support Unit. The Problem Resolution Service plays a key role in the complaints resolution process described in the Taxpayer's Charter.

The **Office of the Commissioners** comprises the Reform Program Office, the Business Tax Reform Implementation Project Team and Centres of Expertise. The Reform Program Office ensures an integrated and coordinated approach to ATO initiatives relating to the government's plan to reform and modernise the



Taxation Statistics 1998–99

Australian tax system. It provides explicit assurance processes for the ATO's reform work, and ensures that the capabilities delivered by projects align with the strategies and directions set by the organisation's executive. It also monitors all reform projects and seeks to avoid duplication in the development of information technology systems.

ATO Production Management was created in late June 2000. It provides the organisation with a coordinated approach to planning and managing input and output processes related to money, correspondence and data. The line has operational responsibility for mail processing, correspondence, data capture, mailpay, end-of-year processing for pay-as-you earn, processing of returns for income tax and fringe benefits tax, and processing of activity statement exceptions.

Tax reform

Royal Assent for the goods and services tax legislation, in July 1999, marked the beginning of a new chapter in the history of tax administration in Australia. The ATO was responsible for implementing 'A New Tax System' and delivering on a range of tax reforms. To achieve this, the ATO had to adopt a whole new approach to tax administration.

Also on the agenda for the year was the redesign of the business tax system. The Review of Business Taxation, headed by Mr John Ralph, submitted its final report, *A Tax System Redesigned*, to the Prime Minister and Treasurer in August 1999. Following this, some early pieces of business tax legislation were enacted by Parliament.

Major elements of the new tax system include:

- introduction of the goods and services tax and related wine equalisation and luxury car taxes;
- personal income tax cuts;
- increased family benefits;
- introduction of the pay as you go system for instalments and withholding taxes;
- new fringe benefits tax measures;
- introduction of a savings bonus for older Australians;

- the introduction of binding oral advice for individual taxpayers with simple tax affairs and simple enquiries;
- introduction of Australian Business Numbers and establishment of the Australian Business Register (see chapter 11);
- introduction of the Business Activity Statement;
- registration and endorsement of the exemption and gift-deductibility status of charities;
- an extension of the diesel fuel rebate for off-road vehicles and introduction of the diesel and alternative fuels grants scheme for certain on-road transport;
- the fuel sales grant scheme for regional and remote service stations; and
- the new product stewardship arrangements for waste oil.

The last two sections of this chapter describe some of the new taxes implemented under the new tax system and the ATO projects, programs, initiatives and client services that supported the introduction of the reforms. Some chapters in this publication, particularly chapter 11 on the Australian Business Number discuss the new elements and taxes in greater detail.

Types of taxes

The ATO is responsible for collecting a wide variety of taxes. As a result of the new tax system, some of the taxes listed ceased to exist on 1 July 2000 and were replaced with new tax collection systems. Although tax collection data on the new taxes is not yet available, descriptions of the new taxes are provided.

Income tax

Income tax makes up the greatest component of the federal revenue base.

While some types of income are exempt from tax, and certain categories of people or entities need not pay tax, in general, residents of Australia are liable for tax upon their worldwide income. Others are liable upon their income with an Australian source.

In calculating income tax liability for any year, a person must first calculate his/her 'assessable



income'. This comprises salary and wages, interest payments etc., and can also comprise amounts other than those generally understood as being income. Some types of net capital gains are included under this extended meaning. The next step is to deduct allowable deductions in order to calculate the 'taxable income'. The taxation rates imposed by Parliament are applied to this figure to identify a gross tax figure. Finally, the amount of any credits and rebates are subtracted in order to determine the tax liability. This basic system can apply to all types of entities—individuals, companies, funds, partnerships and trusts—although the particular form can vary significantly.

A different system of income tax calculation applies to non-residents in receipt of dividends, interest or royalties from an Australian source. In these circumstances international **withholding taxes** apply. The gross amounts of income are subject to a prescribed rate of tax, and this constitutes a first and final liability for the taxpayer in respect of that income.

Pay as you go is a single, integrated system for reporting and paying tax on business income and withholding amounts. The new system became effective from 1 January 2000 for taxpayers with substituted accounting periods; for others it came into force on 1 July 2000. Pay as you go replaced 11 existing payment and recording systems including provisional tax, company and superannuation fund instalments, the pay-as-you-earn collection system and the prescribed payments and reportable payments systems (described below). It consolidates and simplifies the collection of income tax, and reduces the cost of compliance.

The **pay-as-you-earn collection system** applied to employees. Employers were required to deduct a prescribed proportion of their employees' salary or wages each pay period and forward it to the ATO. At the end of the financial year, the amounts paid were applied against the employee's tax liability.

The **prescribed payments system** applied across a wide range of industries to people who contract their services. Contractors needed to complete a payee declaration form, and the payer was then responsible for deducting tax and forwarding it to the ATO.

The **reportable payments system** applied to the fishing, clothing, smash repair and fruit and vegetable industries. Wholesale buyers from these industries were required to report details of any payment to the ATO at the end of the financial year.

The **provisional tax system** applied to individuals' business and investment income. An estimate of the anticipated income was made during the course of the financial year and an amount equal to the tax that would be payable upon that amount was paid to the ATO. Payment adjustments to reflect the actual amount earned were made when the return was lodged at the end of the year.

The **company tax instalment system** and the **superannuation fund tax instalment system** worked on the same principles as provisional tax. Companies and superannuation funds were required to pay their tax in either four instalments, or in a single payment, depending on their likely tax for the year. Likely tax was based either on the tax paid in the previous year or on an estimate lodged with the ATO by the taxpayer.

Fringe benefits tax

Fringe benefits tax is levied upon employers and based upon the value of certain non-cash benefits provided to their employees or associates of their employees. It complements the income tax system but varies markedly because the benefit recipient does not bear the tax liability.

Sales tax

Sales tax, also known as **wholesale sales tax**, was imposed on goods imported into Australia and goods that were manufactured and went into consumption in Australia. The tax was imposed on the wholesale selling price of the goods. The general rate of sales tax for the 1999–2000 financial year was 22%, with most goods taxed at this rate. Certain goods, however, were taxed at 12% or 32%; a component of the value of luxury motor vehicles was taxed at 45%. This tax was abolished on 1 July 2000.

The **goods and services tax** is a broad-based tax of 10% on the supply of most goods and services consumed in Australia. This tax replaced



Taxation Statistics 1998–99

the wholesale sales tax and some state and territory taxes. The revenue raised from this tax will go directly to the states and territories. The liability to pay this tax to the ATO rests on the supplier of the goods and services. Even if a supplier does not include the tax in the price charged to the customer, that supplier is still liable to pay the goods and services tax to the ATO.

Other indirect taxes imposed under the new tax systems include the **wine equalisation tax** which replaces the wholesale sales tax on wine and certain other alcoholic beverages and the **luxury car tax** which applies to cars when their value exceeds the luxury car tax threshold.

Excise

The ATO assumed responsibility for the collection of revenue from excise duty on 4 February 1999.

Excise is imposed on domestically manufactured petroleum products, cigarettes and tobacco products, beer, spirits and other alcoholic beverages and certain crude oil.

Other taxes and charges

The ATO is also responsible for other taxes and charges including the wool tax and the petroleum resource rent tax.

Client services

The ATO has a range of client service initiatives in place to ensure that people can meet their tax obligations at the lowest possible cost. As part of its tax reform agenda, the ATO launched new programs, projects, services and other initiatives to educate and prepare the public for the introduction of the reforms and also to implement some of the elements of the new tax system.

This section discusses some of the ATO's client services, projects, programs and initiatives.

TaxPack

For the past 10 years, the ATO has distributed *TaxPack*, an instruction book that provides taxpayers with information to enable them to complete their income tax returns. The aim of

TaxPack is to assist taxpayers to fulfil their tax obligations, while informing them of their rights and responsibilities.

The ATO reviews *TaxPack* annually to ensure the information it contains is current and that taxpayers are given a high level of assistance when completing their tax returns. Approximately 22% of individuals used *TaxPack* to prepare their 1998–99 income tax return.

An electronic version of *TaxPack*, **e-tax**, is also available on the ATO's website. More than 26 000 individual tax payers used **e-tax** to prepare their 1998–99 income tax return.

ATO website

The ATO's website provides access to the organisation's information holdings which include rulings and determinations, current publications (including this edition and past editions of *Taxation Statistics*), draft legislation and discussion papers, work being done on ATO projects, information on the new tax system and other general information on tax matters.

There are also electronic forms and tools to help people calculate capital gains tax, tax instalment deductions and higher education contributions. Taxpayers can download most of these forms and calculation tools for personal use. The address of the site is **www.ato.gov.au**.

Business Entry Point

The Business Entry Point is an initiative of the Australian federal government and all states and territories. It has been developed and coordinated by the Department of Employment, Workplace Relations and Small Business working in cooperation with AusIndustry.

This website was developed to provide an easy-to-use interface to government services and businesses in Australia. Businesses can apply for an Australian Business Number through this website and can access current information on topics such as taxation, record keeping, superannuation, intellectual property protection, workplace relations, government assistance programs and services, and other business information.

This site contains links to the ATO's tax reform website. Overall, the Business Entry Point





provides access to resources from approximately 50 Commonwealth government agencies, 100 state and territory government agencies and 125 industry associations.

The address of this site is
www.business.gov.au.

Centres of expertise

The ATO has established 12 centres of expertise to provide an authoritative view on key areas of the new business taxation laws. Their main responsibility is to provide an expert understanding of how the new tax laws apply, provide new sources of intelligence for the ATO on community responses to the implementation of the new tax system, and contribute to policy development and law improvement.

The centres work closely with expert bodies, businesses, tax professionals, and taxpayers and their representatives to ensure a strong community understanding of the new tax measures.

Each centre focuses on a specific topic. The topics are: tax value method, financial arrangements, entities and distributions, losses, insurance and superannuation, international, capital allowances, leases and rights, consolidation, capital gains tax, small benefits and fringe benefits tax.

Taxpayers' Charter

The Taxpayers' Charter is a service charter that sets out taxpayers' rights and obligations, as well as the ATO's service standards. The charter was introduced on 1 July 1997 and was actively promoted to the community through a television and press advertising campaign and a range of information brochures and booklets. Charter documents were updated in June 1999 to include new ATO business elements.

In its fourth year of operation, the Charter is a key underpinning document for 'a new tax office for a new tax system'. It is being reviewed and refined in 2001 to include new standards of service and ensure continued relevance to the community.

Problem Resolution Service

In conjunction with the Taxpayers' Charter, the ATO launched the Problem Resolution Service

for those taxpayers who are not satisfied with the service provided to them. The service provides an independent entry point to the ATO for people who have a complaint. As well as solving the individual's problem, the service will see if there is a systemic problem that needs to be fixed, to ensure it doesn't happen again.

Tax Help

Tax Help is a free and confidential service for people on a low income, from non-English speaking backgrounds and with disabilities. It is also a service used by young people lodging a return for the first time. Volunteers are trained by the ATO to explain people's tax obligations and assist them in preparing their tax return. Tax Help centres are located throughout the metropolitan areas of each state and in many country areas. This year, Members of Parliament across the country have made spaces available in their offices for volunteers to work from. Each year, around 60 000 people seek assistance from Tax Help.

Tax evasion hotline

On 1 July 1998, a call centre to handle tax evasion information provided by the community became operational. The centre is equipped to receive information by telephone, fax, mail and email systems.

Other services

The ATO produces a variety of publications, brochures, learning and training tools and other guides to help people understand their tax obligations including those introduced under the new tax system. These range from explanations of a specific tax to summaries explaining the tax issues to consider when starting a business. While most of these materials are available in paper form and may be acquired by phoning or visiting the ATO, a growing number are being released in electronic form and may be accessed on the ATO's website. Some examples of these electronic materials include:

- **E-Record**—a free accounting software, to help small businesses and non-profit organisations keep good business records;
- **E-Link**—an email bulletin advising tax practitioners and other subscribers of



Taxation Statistics 1998–99

additions and adjustments to tax reform and other ATO websites;

- **Electronic Communication Interface**—an internet-based client/server application which enables the ATO and businesses to interact securely via the internet;
- **TAXi**, interactive training products and tools on the internet to assist businesses with understanding the new tax system and managing their reporting and payment requirements; and
- **Understanding the New Tax System**, a comprehensive guide to the new tax system in CD-ROM.

The ATO also has a national enquiries phone service, and email and fax services (**Fax from Tax**). During the 1999–2000 financial year, enquiries staff took more than 20 000 calls per day between 1 July and 31 October, and about 14 000 per day for the rest of the year, on general enquiries alone.

There are also call centres and **ATOaccess** offices—a shopfront service for those people who need to talk to ATO representatives face-to-face. To help the public prepare for the introduction of tax reforms, ATO representatives personally visited clients or presented seminars.



More information

More information on general ATO administration and arrangements can be found in the Commissioner of Taxation's annual report. This is published in October each year, and can be found in Government Info Shops, a range of libraries and on the ATO website (www.ato.gov.au).