

This document outlines the ATO's Compliance & Audit Results for the financial year 2008-09 and plans for the 2009-10 financial year.

2008-09 Financial Year

Individuals

Income tax

- ↪ We amended 368,100 individuals' assessments, while individuals self-amended 233,800.
- ↪ We reviewed 28,400 returns in relation to high risk refunds resulting in revenue adjustments of \$65.1 million.
- ↪ We raised \$44.0 million in revenue adjustments from 410 reviews and audits of executives and directors.
- ↪ We sent educational letters to 422,000 individuals about claiming work-related expenses.
- ↪ We sent educational letters to 134,800 individuals about rental income and expenses and capital gains tax.
- ↪ We wrote to 65,000 individuals asking them to review their claims. About 4,400 reviews or audits were completed resulting in revenue adjustments of \$9.6 million.
- ↪ We reviewed or audited 2,700 people concerning capital gains tax resulting in revenue adjustments of \$16.5 million.
- ↪ We compared third-party information against returns. 403,600 income and benefits discrepancies resulted in revenue adjustments of \$259.9 million.
- ↪ We undertook 310 compliance focused visits to tax agents.
- ↪ We acquired and processed an additional 33 million share transactions in 2008-09, bringing the total share transactions we use in data matching to 166 million. We also received an additional 2.8 million property records, bringing the total number of processed real property transactions used in our matching activities to 22.9 million.

Lodgment

- ↪ We wrote to 385,900 individuals following up their lodgment, telephoning 19,700 to further ensure they met their obligations, raising liabilities of \$87 million.

Debt

- ↪ In helping individuals meet their payment obligations, we negotiated 208,600 payment arrangements.
- ↪ We issued 550 garnishee notices to individuals who chose not to engage with us or who continually defaulted on agreed arrangements.
- ↪ We commenced legal recovery action against 1,600 individuals.
- ↪ We granted full or partial release from payment of tax debt in 78% of release decisions made.

Superannuation

- ↪ We issued over 85,000 letters to employees advising them of the progress of their complaint about employers not paying superannuation guarantee.
- ↪ We profiled and reviewed over 8,200 cases of individuals who potentially exceeded the \$1 million transitional cap and found 1,800 cases where the cap was exceeded resulting in assessments of \$22 million.
- ↪ We identified over 1,000 individuals involved with illegal access of superannuation benefits and raised over \$3.1 million. Audits of 6 promoters have been finalised raising \$1.8 million in tax and penalties.
- ↪ We sent out 12,000 letters and conducted 69,500 lost member account reviews by telephone in 2008-09.

Micro enterprises (up to \$2M turnover)

Income tax

- ↪ We completed 6,700 reviews and audits, raising \$106.1 million.

Lodgment

- ↪ We wrote to 621,600 micro enterprises following up their lodgment, telephoning 44,200 people to further ensure they met their obligations, raising liabilities of \$909.7 million.

Debt

- In helping micro enterprises meet their payment obligations, we negotiated 432,800 payment arrangements.
- We issued 8,200 garnishee notices, 5,200 director penalty notices and 2,400 statutory demands to businesses who chose not to engage with us or who continually defaulted on agreed arrangements.
- We also commenced legal recovery action against 6,900 micro enterprises.

Employer obligations

- We conducted 4,200 field audits, 1,700 outbound telephone reviews and 15,700 desk reviews of employers' compliance with their pay as you go withholding, superannuation guarantee and fringe benefits tax obligations, raising revenue of \$381.6 million.

Superannuation

- We acted on 14,000 employer cases relating to complaints of unpaid superannuation. In 2008–09 we raised \$123.4 million in superannuation guarantee charge liabilities.
- We contacted more than 3,000 new self-managed superannuation fund trustees to assess their understanding of their superannuation obligations.
- Four new publications covering the life cycle of self-managed superannuation funds were released to better tailor messages for potential trustees.
- We reviewed the compliance of over 10,000 funds resulting in a range of actions including making 90 self-managed superannuation funds non-complying, 210 convictions of funds for late lodgment and suppressing 500 funds from Super Fund Lookup to prevent illegal early release.

GST

- Our telephone and field verification checks resulted in approximately 9,500 activity statements being adjusted.
- We conducted 570 audits involving serious fraud and evasion raising net liabilities of approximately \$52 million in GST.
- We undertook 2,600 reviews and audits in relation to property transactions, raising net liabilities of approximately \$56 million in GST.
- We conducted over 10,000 small business obligations visits.

Excise

- We conducted 1,100 audits and reviews of fuel tax credits and fuel grants clients, and 430 internal reviews.
- We issued 2 taxpayer alerts in relation to wine equalisation tax arrangements.

Cash economy

- This year we wrote to, telephoned or visited more than 100,000 businesses. Through these compliance activities we established more than \$140 million in liabilities.

Small to medium enterprises (\$2M to \$250M turnover)

Income tax

- We completed 409 audits, 706 reviews and 1,668 phone and letter-based verification activities. As a result, we raised liabilities of \$560 million and disallowed current year and carried forward losses of \$1.1 billion.
- We completed 28 audits and 936 reviews of highly wealthy individuals. As a result, we raised liabilities of \$525 million.

Lodgment

- We issued letters to more than 13,000 businesses and phoned 8,600 businesses with outstanding lodgment obligations, raising \$825.5 million in net liabilities.

Employer obligations

- We conducted 440 field audits, 257 outbound telephone reviews and 5,303 desk reviews of employers' compliance with their pay as you go withholding, superannuation guarantee and fringe benefits tax obligations, raising revenue of \$153.1 million.

Superannuation

- We acted on 4,500 employer cases relating to complaints of unpaid superannuation guarantee. In 2008–09 we raised \$85.2 million in superannuation guarantee charge liabilities.
- We completed 86 audits on Australian Prudential Regulation Authority funds reporting to verify the accuracy and completeness of their Lost Members Register (LMR), Member Contribution Statements, Unclaimed Superannuation Money and Departing Australia Superannuation Payment returns.

GST

- We raised net GST liabilities of over \$365 million as a result of more than 35,000 reviews and audits conducted. Of these, 940 related to property risks and raised liabilities of nearly \$78 million.
- We completed 3 GST Rulings on property matters.

Excise

- We conducted 211 audits and reviews of recipients of fuel tax credits and grants. We also conducted 140 internal reviews. These activities raised net liabilities of \$12.9 million.
- We contacted 53 small to medium enterprises as part of our client relationship management model to assist them in claiming correctly.

Large businesses (over \$250M turnover)

Income tax

- We completed 36 compliance audits of large businesses. We completed 260 comprehensive risk reviews, resulting in over \$1 billion in additional collections, \$1.4 billion in new income tax liabilities and over \$1.1 billion in notional tax.
- We completed 278 private binding rulings, 56 class rulings, 20 product rulings and 149 objections.
- We finalised 19 advance pricing agreements and 7 mutual agreements procedural matters.
- We entered into 2 income tax related annual compliance arrangements to provide large businesses with greater certainty about income tax risks.

Employer obligations

- We conducted 22 field audits, 118 outbound telephone reviews and 146 desk reviews of employers' compliance with their pay as you go withholding, superannuation guarantee and fringe benefits tax obligations, raising revenue of over \$5 million.

Superannuation

- We acted on 395 employer cases relating to complaints of unpaid superannuation guarantee. In 2008–09 we raised \$2.4 million in superannuation guarantee liabilities.
- We completed over 135 audits and reviews to ensure large Australian Prudential Regulation Authority funds were meeting their reporting obligations.

GST

- Our compliance activities gave rise to \$690 million in additional GST liabilities.
- We finalised over 290 compliance audits focussing on integrity of business systems, financial supplies and property transactions as well as encouraging and responding to an increase in voluntary disclosures.
- Through improved risk assessment we reduced the number of refund interventions to 380.
- We issued 295 private indirect tax rulings for the large market, as well as 4 GST public rulings and 2 GST determinations that related to but were not limited, to the large business market.

Excise

- We conducted 62 reviews of large businesses across the excise commodities which focussed on controls to assure the accuracy of returns and claims.
- We conducted 39 audits and reviews on other large-market clients and 32 internal reviews. We also contacted 54 large-market clients as part of our client relationship management model to assist them in claiming correctly.

Non-profit organisations

Income tax

- ↪ We checked 4,000 applications for refunds of franking credits, with 230 applications varied down, saving \$26.5 million in revenue.
- ↪ We reviewed the entitlements for 170 deductible gift recipients and tax concession charities, resulting in 40 entitlements being revoked and giving written advice to 23 cases to implement changes to ensure future compliance with tax obligations. These reviews raised \$1.8 million in tax and penalties.
- ↪ We reviewed the status and income tax liability of 65 other non-profit entities issuing assessments for \$12 million in tax and penalties.
- ↪ We completed 150 reviews of prescribed private fund endorsement, obtaining 110 outstanding information returns and issuing two compliance advices.
- ↪ We checked 5,000 applications endorsement applications for endorsement or deductible gift recipient, with 1,100 disallowed.

Employer obligations

- ↪ We conducted 140 field audits, 19 outbound telephone reviews, and 1,200 desk reviews of employers' compliance with their pay as you go withholding, superannuation guarantee and fringe benefits tax obligations, raising revenue of \$25 million.

Superannuation

- ↪ We acted on 346 cases relating to employee complaints of employers not meeting their superannuation guarantee obligations. In 2008–09 we raised \$3.5 million in super guarantee charge liabilities.

GST

- ↪ We completed around 4,000 compliance interventions resulting in \$13.5 million of revisions.
- ↪ We issued more than 400 private rulings and other forms of interpretative advice.

Government organisations

Employer obligations

- ↪ We conducted 118 visits and 286 outbound phone calls to government employers (federal, state, local) to encourage early and online lodgment of their 2008-09 payment summary annual reports to support pre-filing of tax returns.

GST

- ↪ We issued more than 335 private rulings and other forms of interpretative advice.

Excise

- ↪ We conducted 117 audits and reviews of fuel tax credits and fuel grants clients, and 43 internal reviews. Implemented the expansion of the fuel tax credits system from 1 July 2008.

Tax practitioners

Responding to tax practitioner and community needs

- ↪ We proactively contacted more than 650 tax agents who were affected by natural disasters to offer practice assistance and hardship support. Of those, we visited 140 to provide direct assistance.
- ↪ We responded to more than 22,300 calls from tax agents during the payment of the government's tax bonus.
- ↪ Our premium phone service for tax practitioners received more than 1.5 million calls of which 92% were answered within two minutes.

Practical assistance to encourage compliance

- Fully implemented the tax practitioner services strategy. This included setting up regional tax practitioner forums, expansion of the 'professional-to-professional' service to a total of 500 registered tax agents and conducting 8,820 visits to tax agents through our relationship manager program.
- We held the annual June tax practitioner seminar at 191 venues attracting a record 19,300 registrations.
- We produced 5 online webcast presentations including 3 tax practitioner webcasts in 2008 (August, October and December) with an average of 8,000 hits and 1,000 DVDs ordered; and one in March 2009 that had 10,300 hits and almost 1,500 DVDs ordered.
- We delivered eLink to 21,300 subscribers, 24,600 copies of The Tax Agent magazine each quarter and the electronic business activity statement (BSP) newsletter to 5,000 subscribers.

Changing regulatory environment

- We finalised 492 investigations and reviews of registered and unregistered tax practitioners including prosecution of 53 tax agents for non lodgment and referral of 24 unregistered preparers for prosecution action. We referred 121 registered agents to the relevant Tax Agent Board for review, resulting in 16 cancellations of registration, 7 suspensions and 7 re-registrations refused.
- We referred 39 approved auditors of self-managed superannuation funds to their professional association for failing to carry out or adequately perform the duties of an approved auditor.

Serious abuse of the tax and superannuation systems

Serious non-compliance

- We completed 619 audits and 137 reviews.
- We raised liabilities of \$352 million, two thirds of which was derived from Project Wickenby activity.
- We completed 183 investigations.
- We brought 58 prosecution cases before the courts, of which 54 were successful.

Project Wickenby

As part of our Project Wickenby activities for 2008–09 we:

- Raised liabilities of \$230 million.
- Collected \$40 million in cash. In addition, \$159 million has been paid in subsequent years from people who have been subject to Wickenby action.
- Completed a total of 558 cases, issuing 485 amended assessments.

To date Project Wickenby has:

- Raised liabilities of \$406 million.
- Collected \$117 million in cash. In addition, \$235 million in tax has been paid in subsequent years from people who have been subject to Wickenby action.
- Restrained \$76 million worth of assets under the proceeds of crime legislation.

Notes

Active compliance results include voluntary disclosures for individuals with high incomes, people involved in offshore tax arrangements and other tax planning arrangements, AND large business market GST and income tax matters.

Large business market credit amendment amounts arising from the resolution of disputes in 2008–09 and the amount of new large business market income tax disputes will be disclosed in this year's annual report when the amounts are certain.

Recognising that the large market typically has a few exceptional liabilities raised from its compliance work, our preliminary estimates for 2008–09 show that there was a decline in the liabilities. For income tax matters in that market, we completed more audits in 2008–09 relative to prior years for a reduced overall level of liabilities raised.

Furthermore, liability amounts for large market late lodgements reduced last year relative to the prior year. We also moved more of our focus towards giving large corporate taxpayers improved, earlier certainty through developing our Annual Compliance Arrangement approaches.

Offsetting the reduction in large market liabilities was an increase in liabilities from the other market segments. The increase was in part due to the increased use of telephony and correspondence relating to lodgments as well as an increase in audit results for the High Wealth Individuals sector.

2009-10 Financial Year

To further understand the level of activity being undertaken by the ATO and the results of the effort, ensure you read the Compliance & Audit Results for the 2008-08 financial year. Refer the same webpage where this document has been loaded.

Activity for the 2009-10 financial year will be more vigorous than 2008-09.

The full version of the ATO's plans for the current financial year can be found in this extensive document - http://ato.gov.au/content/downloads/COR00205435_NAT7769CP0910.pdf.

Each year, the ATO will select particular areas for increased focus. The ATO has identified the following for the 2009-10 financial year.

Individuals:

- ↳ Work related expense claims
- ↳ Truck drivers
- ↳ Sales and marketing managers
- ↳ Sales representatives
- ↳ Electricians
- ↳ Investors' capital gains and losses
- ↳ Dodgy schemes
- ↳ Wealthy individuals. Extending compliance activities to look at individuals with a net wealth between \$5 and \$30 million.

Small Business:

- ↳ Refund fraud
- ↳ Phoenix arrangements
- ↳ GST Schemes
- ↳ Dodgy schemes
- ↳ Capital Gains tax
- ↳ Employer obligations such as lodgements, payments etc

Large Business and International:

- ↳ Merger and acquisition activities
- ↳ Transfer Pricing
- ↳ Cross border financing arrangements
- ↳ Promoted tax exploitation schemes.