

STATEMENT OF EXPECTATIONS – THE AUSTRALIAN TAXATION OFFICE

This Statement outlines the Government's expectations about the role and responsibilities of the Australian Taxation Office (ATO), its relationship with the Government, issues of transparency and accountability and operational matters. It forms part of the Government's commitment to good corporate governance of agencies and reducing the regulatory burden on business and the community.

The ATO plays a key role as the Australian Government's principal revenue collection agency. The ATO administers the tax, excise and superannuation systems that support and fund services for Australians, and delivers various social and economic benefits and incentive programs.

It is imperative that the ATO act independently and objectively in performing its functions and exercising its powers as set out in its governing legislation. Nevertheless, the Government expects that the ATO take into account the Government's broad policy framework, including its deregulation agenda, in performing its role and meeting its responsibilities.

THE GOVERNMENT'S DEREGULATION AGENDA

The Government is committed to reducing red tape and compliance costs for business and the community as a critical step towards improving Australia's productivity.

The Government is overhauling the process for creating, implementing and reviewing new regulation. This includes a process within Government whereby the costs and benefits of additional regulation are carefully balanced, and the costs of new regulations are offset.

The Government expects that the ATO will look for opportunities to reduce compliance costs for business and the community and contribute to the Government's \$1 billion red and green tape reduction target.

The Government also expects that the ATO will comply with the Government's enhanced Regulatory Impact Analysis requirements for all regulatory proposals, including considering the impacts of regulation on business and the community and costing proposals before they are introduced using the Regulatory Burden Measurement framework.

Enhancing the effectiveness and efficiency of key economic regulators including the ATO will make a major contribution to the deregulation agenda and help to boost productivity.

The Government expects that the ATO will act in accordance with regulatory best practice in its decision-making, policies, processes and communication practices to maximise effectiveness, efficiency and transparency, and minimise compliance costs. The ATO should regularly review its policies and procedures to identify improvements to achieve these goals.

The Government's preference is for principles-based regulation that identifies the desired outcomes, rather than prescribing how to achieve them. An outcomes-based approach is more likely to accommodate change within the economy, allow for innovation and enterprise, and reduce compliance costs by allowing regulated entities to determine the best way of meeting regulatory objectives.

The Government considers that regulators should adopt a risk-based approach to compliance obligations, engagement and enforcement, allowing for proportionate approaches suited to the

size, nature, complexity and risk of regulated entities. This allows regulators to achieve their objectives more efficiently and reduce the overall regulatory burden, particularly for small businesses. This approach also recognises that it is not possible or efficient to eliminate all risks and that trade-offs in risk reductions are necessary.

The Government will provide the ATO with further detail about a whole-of-government risk management framework and expectations for the ATO's performance against specific performance indicators in the second half of 2014.

RELATIONSHIP BETWEEN THE ATO AND THE GOVERNMENT

The Government recognises and respects the statutory independence of the ATO and its responsibility for taxation, excise and superannuation administration as provided by statute. Confidence in the regulatory framework requires that the ATO is, and is seen to be, exercising independent judgment about the application of the regulatory framework to individual circumstances.

Nevertheless, the ATO was established to administer regulatory frameworks that implement government policies and priorities for taxation, excise and superannuation administration. Therefore, the ATO should take into account the Government's broad policy framework and have due regard to minimising costs to business without compromising commercial certainty. Where the ATO has powers to make orders or rules, modify the law or make exemptions, and the exercise of that power would have significant implications for the market or regulated population, the Government expects that the ATO will consult as appropriate with stakeholders and the Government. The ATO should also consider the outcomes or recommendations of relevant Government-established panels, reviews or inquiries.

RELATIONSHIP WITH THE RESPONSIBLE MINISTER

The ATO plays an essential role in ensuring that the Government is well placed to respond promptly to issues that may arise in taxation, excise and superannuation administration.

The ATO should therefore provide Treasury portfolio Ministers with accurate and timely advice on significant issues in its core area of business. Significant issues might include: matters for which the Government is likely to be accountable in Parliament; important ATO operational or budgetary issues; and the ATO's decisions regarding the appropriate action for it to take following substantial problems or disruption in the market, including substantial breaches of the tax regulatory framework.

RELATIONSHIP WITH TREASURY

Treasury's key role is to support and advise me and other Treasury Ministers in our responsibilities by being the principal source of advice on a wide range of issues, including policy development and the performance of the regulatory system.

The Government expects that Treasury and the ATO will maintain a close relationship. Treasury takes into account the views and experience of the ATO when considering and advising on changes to tax policy and legislation to facilitate consistency between the objectives of legislation and its practical implementation. By advising Treasury on the operational implications of Government policy initiatives, the ATO contributes to policy development.

Therefore, all information, briefing, press releases and correspondence being provided to Ministers by the ATO should be provided to the Secretary to the Treasury. The ATO should keep the

Secretary to the Treasury appropriately informed of significant high level meetings between the ATO and Government Ministers and other key policy figures. The ATO should also advise Treasury about changes to legislation that, in the ATO's opinion, would improve the regulatory framework or minimise compliance costs for taxpayers and the community.

REGULATORY COOPERATION

The Government expects that the ATO will maintain robust, effective and collaborative working partnerships with other Commonwealth and State and Territory agencies, as well as the ATO's counterpart regulators in overseas jurisdictions, to ensure the proper functioning of Australia's regulatory framework. The ATO should avoid the duplication of the supervisory activities of other regulators, and should consider whether outcomes could be achieved by using existing regulation administered by another regulator, in order to ensure an integrated regulatory framework and minimise compliance costs.

TRANSPARENCY AND ACCOUNTABILITY

The ATO was established as an independent body to administer the taxation regulatory framework. Nevertheless, the ATO operates as part of the Australian Government and is accountable to the Parliament, and ultimately to the public, through the Treasury Ministers, the Parliamentary Committee process and the tabling of its annual report.

The Government expects the ATO to have an open and sound working relationship with taxpayers and other key stakeholders. It is important that the ATO encourages industry participants to communicate considered and candid views to the ATO, in order to enhance the regulatory framework and outcomes, and minimise compliance costs.

ORGANISATIONAL GOVERNANCE AND FINANCIAL MANAGEMENT

The ATO has capacity to employ staff under the *Public Service Act 1999* (PSA). Under the PSA, agencies are required to uphold and promote the APS Values. All APS employees are required to adhere to the APS Code of Conduct. The ATO is also required to comply with the APS Bargaining Framework in relation to APS employees.

The requirements for the ATO's financial management are set out in the relevant legislation and the Finance Minister's Orders. In this regard, I note that the ATO must comply with the Government's recent requirements in relation to approval for overseas travel. The Government expects that the ATO will continue efforts to secure improved efficiency in their operations and demonstrate value for money for the services that it delivers.

CONCLUSION

The Government's vision is for the ATO to be a high performing and responsive agency that administers a principles-based regulatory framework in a way that minimises compliance costs for business and the community, provides stability, is efficient and effective, and that balances the objectives of the ATO's statutory objectives set out in its governing legislation.