



THE TAX INSTITUTE
THE MARK OF EXPERTISE

15 January 2016

Mr Daniel Bamford
Assistant Commissioner – Digital Program
Enabling Digital by Default
Australian Taxation Office
PO Box 9977
CIVIC SQUARE ACT 2608

By email: DigitalbyDefault@ato.gov.au

Dear Mr Bamford,

Digital by Default

The Tax Institute (**Institute**) welcomes the opportunity to comment on the Australian Taxation Office (**ATO**) consultation paper dated November 2015 on Digital by Default (**Consultation Paper**).

The Institute supports the eventual transition to a Digital by Default method of interacting with the ATO. Such a transition should be implemented in a phased approach, once digital services provided by the ATO are on par with comparable private sector services. Exemptions should be introduced by way of legislative instrument for those who are unable to transition, as a greater use of digital services will benefit most clients but not all.

We have focused on issues raised by the Consultation Paper which are of particular interest to our members, rather than responding to each question posed.

Reducing red tape for clients

As the Consultation Paper notes, the Digital by Default initiative is part of the 2015-16 Federal Budget Expense Measure on '*Reducing red tape – reforms for to the Australian Taxation Office*'.¹ The measure provided funding "to deliver an improved experience for clients in their dealings with the Australian Taxation Office (ATO)". We support an eventual transition to a Digital by Default method of interacting with the ATO, provided that it delivers an improved experience for clients including tax professionals. Our members have expressed concerns that digital services recently

¹ http://www.budget.gov.au/2015-16/content/bp2/html/bp2_expense-21.htm

implemented by the ATO, such as myGov, have been fraught with problems and have merely transferred administrative costs from the ATO to tax professionals (who cannot charge clients for these additional services), rather than resulting in an overall reduction in red tape.

The Consultation Paper states that the ATO will require most people to use their digital services to send and receive information and payments from the ATO and that “this would likely be the same way you may currently use private sector services”. Members often complain that ATO digital services are not up to the standard of services provided by private sector firms such as large financial institutions, in terms of security, stability and reliability. Accordingly, the ATO digital services should be comparable with private sector services before clients are compelled to interact with the ATO in the same way as they interact with private sector firms.

Impact on tax professionals

The Consultation Paper states that, for businesses, the ATO will be simplifying reporting services through software “so that information we require is automatically and seamlessly transmitted directly to us”. It is important that clients are afforded the opportunity to review information before it is transmitted to the ATO. Members appreciate the availability of comprehensive and timely pre-fill information, but also note that there are errors in pre-fill information which they amend on behalf of their clients before information is transmitted to the ATO. This review process should be recognised and maintained as part of the Digital by Default initiative, or penalties applying for misreporting to the ATO in future would need to be revisited.

The Consultation Paper also indicates that the ATO will establish “a secure inbox facility to enable the receipt of digital government correspondence”. Feedback provided by tax professionals on the provision of correspondence through myGov to individuals should be incorporated in designing a secure inbox facility for businesses. In particular, full visibility of a client’s affairs should be provided to tax professionals in a timely and easily accessible way. Further, tax professionals should be involved in the testing and consultation process before the introduction of the service.

Transitional arrangements

We support a gradual transition to Digital by Default by market segment for sending and receiving information. The following order should be used in implementing the initiative so that those clients who are best equipped are transitioned to the digital system first:

1. Mandating for large businesses with a voluntary scheme for other clients.
2. Mandating for small to medium enterprises.
3. Mandating for other clients with exemptions for those who cannot comply.

The Government is seeking to ensure that every government interaction that occurs more than 50,000 times per year can be achieved online by 2017. The Digital by Default initiative should not be mandated until the ATO has complied with this whole-of-government digital standard in relation to its high volume services.

Given the security concerns below, we submit that payments should be dealt with after fully implementing the Digital by Default initiative in relation to information.

Security

A substantial number of clients are uncomfortable with the security of electronic payments. Our members have expressed concerns with the security of online payment arrangements and submit that the client should be able to choose the method of payment, for example using a bank cheque for large amounts.

It is important that the ATO monitor developments overseas in this regard, such as the parliamentary inquiry into cyber security which is currently underway in the United Kingdom.² We welcome the creation of an ATO limited life working group to discuss cyber security issues, as proposed at the National Tax Liaison Group meeting on 3 December 2015.

The Digital Transformation Office sets out a Digital Service Standard which refers to services being assessed at least 3 times prior to going live.³ It is our view that any digital services provided by the ATO in future, should be subject to this minimum level of assessment irrespective of whether the service is formally part of the Digital by Default initiative.

A recurrent issue with any digital system is the upgrades of that system, hence the integrity of that system must not only be monitored in relation to its initial application but to any subsequent upgrades. With technological changes and supersession of redundant computer systems, it should reasonably be anticipated that data which presently is accessible on one computer software system will become non-readable and un-accessible on newer systems, so issues of reliability can continue indefinitely with compulsory use.

Penalties

We recognise that penalties for those taxpayers who are not exempted and do not lodge through the required channel will be essential in time to ensure compliance with the Digital by Default initiative. However, penalties should only be enforced once the initiative is fully operational after a significant transition period.

Exemptions

We support the incorporation of exemptions for those who cannot comply by way of legislative instrument, with consultation in relation to each exemption in accordance with section 17 of the *Legislative Instruments Act 2003*. As a starting point, exemptions

² <http://www.parliament.uk/business/committees/committees-a-z/commons-select/culture-media-and-sport-committee/inquiries/parliament-2015/cyber-security-15-16/>

³ <https://www.dto.gov.au/standard/meeting-standard>

should be provided to those who cannot comply for the reasons provided on page 12 of the Consultation Paper. In addition, members have noted that some clients are subject to unreliable internet connection in metropolitan areas as well as remote locations. Further clarity will also be needed as to how a taxpayer can “demonstrate” that they either cannot move to a digital service because of remoteness issues, or that they are not wilfully seeking to avoid communicating digitally, by attempting to satisfy any exemptions.

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If you would like to discuss any of the above, please contact either me or Tax Counsel, Thilini Wickramasuriya, on 02 8223 0044.

Yours sincerely,



Arthur Athanasiou
President