



18 December 2015

Inspector-General of Taxation
GPO Box 551
SYDNEY NSW 2001

Via email: eoreview@igt.gov.au

Dear Mr Naroozi,

Submission to Review into the Australian Taxation Office's employer obligations compliance activities (the Review)

NSW Business Chamber (the Chamber) welcomes the opportunity to provide a submission to the Review.

As you may be aware, the Chamber is one of Australia's largest business support groups, with a direct membership of more than 19,000 businesses, providing services to over 30,000 businesses each year.

Tracing its heritage back to the Sydney Chamber of Commerce established in 1825, and the Chamber of Manufactures of NSW established in 1885, the Chamber works with thousands of businesses ranging in size from owner operators to large corporations, and spanning all industry sectors from product-based manufacturers to service provider enterprises.

The Chamber is NSW's leading business solutions provider and advocacy group with strengths in workplace management, workplace health and safety, industrial relations, human resources, international trade and business performance consulting. Operating throughout a network of offices in metropolitan and regional NSW, the Chamber represents the needs of business at a local, regional, State and Federal level, advocating on behalf of their members to create a better environment for industry.

Tax administration

Tax administration remains an important issue for the Chamber's members. In red tape reduction surveys conducted by the Chamber in 2013 and 2014, around half of respondents regard tax compliance obligations as being very or extremely complicated areas for their business. Further, these surveys demonstrate the disparity in how tax administration affects both small and large businesses. For example, while the compliance costs associated with record keeping and the preparation of forms and reports are relatively low for larger businesses, they are reported as being among the largest source of compliance costs among small businesses.

NSW Business Chamber incorporates

- Sydney Business Chamber
- Australian Business Lawyers & Advisors
- Australian Business Recruitment Solutions
- Australian Business Consulting & Solutions
- Australian Business Apprenticeships Centre
- Australian Business Training Solutions
- Australian Business Defence Industry Unit
- Australian Business Industrial

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The Chamber has also been active in arguing for alternative approaches to managing employer's obligations including through the administration of the Superannuation Guarantee (SG) and the SG Charge.

The integrity of our retirement income system relies on businesses acting diligently and responsibly when it comes to meeting their employee SG obligations. It is therefore appropriate that compliance mechanisms promote timely payment by imposing costs on businesses that do not meet those obligations. But a compliance regime that relies on self-reporting (as is the case with the SG charge) must strike a balance between the need to incentivise on-time payment and the potential that some businesses may evade the system altogether because the cost of becoming retrospectively compliant is too high.

The Chamber is pleased that the Government is committed to implementing changes that simplify and reduce the harshness of the SG Charge. The Chamber has previously joined with the Australian Chamber of Commerce and Industry (ACCI) in calling for a small business amnesty on outstanding SG payments, though is cognisant of some of the challenges associated with doing so. Nonetheless the Chamber, including through ACCI, continues to liaise with the ATO on matters relating to SG Charge compliance.

More broadly the Chamber has previously advocated for simpler tax administration including by rethinking the number of interfaces that businesses must have with collection agencies such as the ATO and the NSW Office of State Revenue. While consideration of these issues may be beyond the scope of the Review, the Chamber would be supportive of any focus that can be given to ensuring simplicity and minimising the compliance costs associated with employer's interactions with the ATO.

Survey of members

To feed into this and other review processes, the Chamber invited its members to provide feedback as part of its quarterly Business Conditions Survey (for the December quarter). Respondents were invited to answer a number of questions about their perceptions of the overall performance of the ATO as well as the opportunity to provide more detailed written accounts of their experiences.

Given the nature of the Business Conditions Survey, the Chamber was unable to solicit feedback on the full range of issues considered as part of the Review. The Chamber did however invite respondents to provide feedback on their experiences in meeting their ATO obligations as employers, including when they are subjected to a compliance activity. In this regard the survey questions were exploratory, that is, intended to uncover the types of issues encountered by members rather than to provide an evidence base for the prevalence of a particular issue or concern. For these reasons the feedback obtained as part of the survey is broad in nature and is reflective of what issues are important to respondents.

As at 16 December, out of a total of 1077 respondents, 590 had indicated that they were able to answer questions regarding their business' interaction with the ATO. Broadly speaking respondent feedback can be gathered into a number of key themes which are summarised below:¹

- **Challenges relating to inconsistent cash flow** - Respondents noted that businesses can face a range of cash flow challenges. Respondents highlighted the importance of flexible payment arrangements in order to meet their obligations. This included the ability to be on a monthly PAYG withholding cycle as well as the flexibility that the ATO offers for businesses that may face challenges in meeting an identified liability. That said some respondents commented that in some cases quarterly payment cycles could make it harder for businesses to plan ahead. A number of respondents suggested that they would benefit from more timely reminders of when payments are due to ensure on time payment.
- **Problems or concerns with ATO systems** – Many respondents indicated that they found it useful to work with accountants and payroll providers to manage their employer obligations. Some respondents noted concerns with ATO systems including the availability of information on the ATO website, the ATO business portal and the scope of services available online. A number of respondents suggested that simpler systems were required for small businesses and that ATO systems were not user friendly.
- **Improvements that could be made to ATO communication** – Respondents highlighted the value that they place in dealing with someone who takes the time to understand and is sympathetic towards the challenges they face. A general preference for more personalised communication (e.g. speaking to a person) was indicated by some respondents. Others commented that correspondence can be technical in nature which can make it difficult to assess its purpose and whether any follow up action is required. Respondents indicated that they could not always speak to someone with sufficient expertise to answer their questions or respond to their concerns. A number of respondents indicated that they would value the opportunity to engage more informally (e.g. through seminars or outreach programs) with the ATO on their obligations as employers.

When asked about their perception of the ATO when engaging on compliance matters, respondents had a relatively favourable view of the support offered by the ATO (including payment arrangements, guidance and interest remission). Respondents were relatively less positive about the effectiveness of the ATO's communication and their responsiveness to their questions or concerns.

Overall respondents were positive about their experiences with the ATO with around 2.5 positive responses for every negative response.²

¹ This is a summary of the views of respondents and does not necessarily reflect the Chamber's position on any particular issue.

² This was also reflected in some respondent's comments which noted positive feedback about their engagement with the ATO.

The Chamber would be happy to assist by providing more detailed feedback on the survey responses should this be useful for the purposes of the Review. The Chamber would also be willing to discuss or provide more information on any of the matters raised in this submission.

Once again I note that the Chamber is grateful for the opportunity to provide a submission to the Review. The Chamber's policy contact for this matter is Mark Frost (02 9458 7259 or mark.frost@nswbc.com.au).

Yours Sincerely

A handwritten signature in black ink that reads "Paul Orton". The signature is written in a cursive style with a large initial 'P'.

Paul Orton
Director, Policy & Advocacy
NSW Business Chamber

