

Staffer blows whistle on ATO bullying tactics

John Kehoe

The Australian Taxation Office has been subjected to a scathing assessment that criticises its technical expertise, culture and its ability to enforce the tax law properly.

The body charged with watching over the ATO, the inspector-general of taxation, has been told by an ATO official that the ATO sometimes uses bullying tactics against small and medium enterprises (SMEs) and wealthy individuals. The criticisms back long-standing complaints from some taxpayer advocates.

The officer is one of a number of tax officials to raise concerns about the ATO's inner workings to the inspector-general of taxation. The ATO has rejected the claims.

The officer, who has disclosed their name to the inspector-general and *The Australian Financial Review*, but wishes to stay anonymous publicly, has directed the stinging criticisms at the ATO's SME and high wealth individual (HWI) teams.

The officer said the technical capability, industry-specific knowledge and legal expertise required to understand complex audit cases was severely lacking and led to "aggressive compliance strategies".

"The problem lies with the fact that the top echelons at the Tax Office, with key decision-making powers in relation to the planning, management and resourcing for technical business lines, often lack the technical capability," the officer said. "This results in the highest risks to the tax system not being appropriately identified, unnecessary compliance costs for both the taxpayer and Tax Office and hasty decision making without appropriate consideration of the evidentiary and commercial realities of the case."

Restructuring of the SME and HWI teams over the past three years, including increasing the revenue threshold for SMEs from \$100 million to \$250 million and the transfer of HWI work to the SME area, had led to problems, the officer alleged.

For example, some staff who were

previously dealing with fringe benefits tax, trusts and general income tax, did not have the technical ability to deal with their new and more complex responsibilities of business consolidations and international tax.

Further, the ATO had not provided training or transitional periods to build staff capability, it was claimed.

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Tax Office official

Separately, a written submission by the officer to the inspector-general's review into the Tax Office's audits and risk reviews of SMEs and HWIs, claims the ATO is facing eight substantial corporate risks.

These include resourcing, a lack of recognition of the complexity of cases, the skill levels of senior staff, inadequate technical support, opportuni-

ties to build capability, inadequate compliant approaches, a lack of clarity on independent review of cases and the relocation of staff.

The inspector-general of taxation, Ali Noroozi, confirmed he had received some submissions from ATO staff, both oral and in writing.

"We are currently investigating the veracity of those, as well as those claims raised by taxpayers," he said.

"Some of the issues raised with us we are working with the Tax Office on, and the Tax Office is revamping its technical decision-making process. One of the issues it is working through is making technical experts more available to the business lines such as compliance in the SME area."

An ATO spokeswoman said the SME business line had more than 1400 officers, and while staff views were welcomed and considered, these views did not always represent the broader views of staff.

"Our latest staff engagement survey indicated that our staff in SME have a high level of engagement with

our strategic direction and business outcomes," the ATO said.

"To support our HWI and interpretative advice teams, staff participate in regular skilling and capability development activities and are further supported by a network of around 65 high-level specialist technical support staff and other specialist areas where required."

The ATO said it took claims of bullying tactics by ATO officers against taxpayers "extremely seriously," and there were processes to ensure staff were fair and professional.

Des Caulfield, a chartered accountant and director of MGI Adelaide, said he was disappointed about the lack of technical understanding of the ATO's SME auditors. "Sometimes we are teaching them what they need to be asking us," he said. "That puts pressure on business compliance in terms of costs, in what should be a simple exercise in extracting some information — which they have the right to do."

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