



# Identifying and Building ATO Capability to Address Challenging Taxation Administration Issues

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Presented by  
Owen Phillips  
Director  
ATO Learning and Development  
Australian Taxation Office

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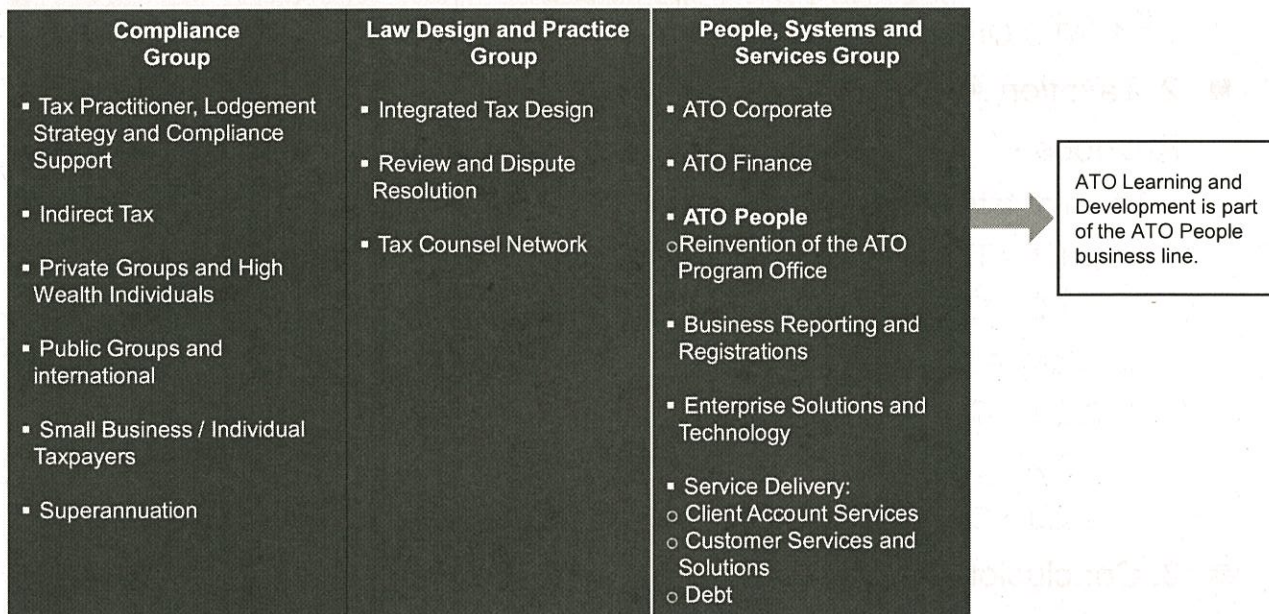


# 1. Introduction

- Australian Taxation Office consists of over 21,000 employees responsible for the administration of:
  - Income tax
  - Goods and services tax (GST)
  - Fuel and alcohol excise
  - The Australian superannuation system including self managed superannuation funds (SMSFs)
  
- Any challenges to the administration of the taxation and superannuation system in Australia are of critical importance to the ATO's ability to perform its key functions.

## 1.1. Organisational structure

- Three groups which align to the ATO's organisational responsibilities:

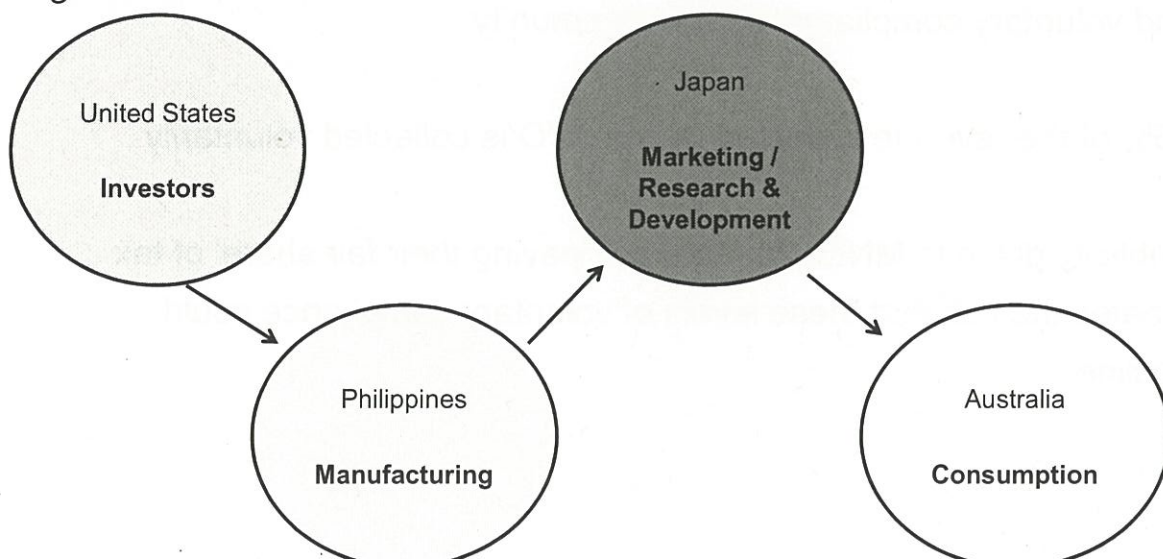


## 2. Taxation administration issues requiring a capability development response

- Recent political, social, economic and other factors have brought challenges to the effective administration of taxation systems across the world.
- Many of these issues are interconnected.
- Capability development strategies to enable the ATO workforce to address these issues also need to be interconnected, and developed strategically, to be successful.

### 2.1 International Issues

- The global economy has become highly integrated, with an increasing number of multinational enterprises (MNEs) operating with complex, global value chains.



## 2.1.1 Taxation administration issues in the global economy

- How much tax should be paid by an MNE?
- In which jurisdiction should the tax be paid, and in what proportion relative to the value added in that country?
  - How do the relevant international agreements operate (if applicable) to determine the taxing rights of each country?
- How is value determined with intangible products (for example, in the digital economy)?

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## 2.1.2 International taxation issues and their effect on the Australian community

- Australia has traditionally enjoyed high levels of willing participation and voluntary compliance by the community
- 95% of the revenue collected by the ATO is collected voluntarily.
- Publicity given to MNEs who are not 'paying their fair share' of tax creates the risk that these levels of voluntary compliance could decline.

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## 2.2 Domestic Issues

- Issues relating to:
  - the Australian tax system,
  - the demographics of the community, and
  - the composition of the ATO's workforce.

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### 2.2.1 Complexity of the taxation law

- Recent increase in legislative change and uncertainty through enactment and repeal of major aspects of the taxation law, for example:
  - Carbon Pricing system
  - Minerals Resource Rent Tax
- These changes have added to the complexity of the taxation system for the Australian community and also for the ATO to administer.
- Challenge for the ATO to make it as easy as possible for people to comply with their obligations while administering a complex tax system.

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## 2.2.2 Changing demographics of the Australian community

- Australian community is becoming more technologically experienced and their expectations are for:
  - A greater level of service
  - Increased access to information through electronic systems
  - A single point of access to government services
  - Simplification of processes and less 'red tape'
  
- At the same time there has been a decline in the level of trust and confidence in government institutions.



## 2.2.3 Changing demographics within the ATO's workforce

- Widening generational differences in the ATO's workforce – employees expect greater digitisation of services and simplified processes, including capability development.
  
- Budgetary constraints have meant that the ATO has been required to reduce in size by 3000 employees (12.5% of the workforce) in 2014.
  
- Need for the ATO to become more efficient and effective to continue to deliver improved services with fewer employees and a reduced budget.



### 3. Conclusion

- International and domestic taxation administration issues affect the ATO in terms of ensuring that our workforce is:
  - capable of identifying and recognising the issues, and
  - able to respond effectively and develop appropriate and workable solutions to the issues
  
- To ensure this can happen, the ATO needs to identify the capabilities required and actively build and develop these capabilities within its workforce.

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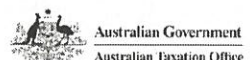


## Questions?

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# Challenge and Opportunity

Tax training  
paves the way to modernization of  
taxation

People's Republic of China

## Guideline

- To determine the priorities of tax training for 2014, the SAT headquarter expressly stated that tax training should “serve the goal of taxation modernization and comprehensive development of taxation officers” .

## Employees (2012)

- 27,000 with Doctor degrees and master degrees (3.64% of the regular staff)
- 33,000 with one or more certifications (certified public accountant , the Chinese Certified Tax Agent ,registered lawyer)(4.41%)

### 1. Challenges and Issues

- On a national conference of tax administrators held on Dec 26, 2013, Commissioner Wang Jun pointed out six areas that need improvement in the process of taxation modernization.

## Where we are still weak

- 1) taxation should serve the national strategies and overall interests of the government;
- 2) functional transformation;
- 3) taxation according to the law;
- 4) IT and information-based administration;
- 5) human resource development and competency building;
- 6) international cooperation and competition.

## 2. Talented people are the key

- For many years we have been carrying out strategies of capacity building. We have adopted various methods to train our employees to be excellent professionals and specialists and have made great achievements. However the number of specialists and experts is still small compared to the one million employees we have. Many employees still lack necessary competencies and their knowledge and skills cannot compare with those of sophisticated taxpayers. We are still short of national experts and subject experts. Most importantly, we are in urgent need of high-end specialists and experts who have broad international views, strategic thinking and extraordinary abilities. In one word, we have a long way to go before our current workforce can meet the requirements of taxation modernization.

### 3. Capacity building through national and local programs

- The SAT headquarter is developing regulations and rules to define the responsibilities at various levels in terms of education and training. We hope that we will have a hierarchy of specialists and experts in the areas of enforcement, management and specific subjects, horizontally across the whole system and vertically at the headquarter, provincial, municipal and county levels.

#### 3.1 the 1000 experts project

- To deepen the tax reform and finally to realize the modernization of taxation in the future, we need a group leaders who are both subject specialists or experts and competent managers. In September 2013, the headquarter issued the “2013-2022 Education Plan of National Leading Talents” and stating that “in the year of 2022, there will be a group of 1000 national leading experts whose majors cover the main areas of taxation” . The training of these people will be conducted under the three principles: high achievement orientation, precise selection and strict training and development.

### 3.2 Pool of talented employees and the 100,000 skilled employee project

- The talent pool registers those professional and skilled employees and keeps training them to improve their abilities continuously. The talent pool is build at two levels: the national and the provincial. Structured training is designed by the headquarter and provincial offices and training is organized in a unified way.

- The 100,000 employee training project is aimed to provide training to those committed, skilled, creative field and operational officers. Emphasis is put on comprehensive competencies, operational abilities and IT for taxation. Training is done in different forms. The objective is to build a skilled workforce of 100,000 people who work at city offices and county offices, who know well the tax law, accounting, tax assessment, audit and computer operation.

### 3.3 Job competencies

- We have been doing training for three categories of people.
  - leaders and managers
  - field and operational staff
  - new recruits

- Leadership and management training is targeted at directors-general, directors, candidates for promotion and section chiefs. The SAT headquarter is responsible for the recurrent training of directors-general and directors, assignment training of directors-general and directors, and training of candidates for promotion to directors and directors general. The provincial tax offices are responsible for the training of section chiefs and recurrent training of city office and county office managers.

- As far as the second category is concerned, the training focuses on the enhancement and improvement of professionalism and job competencies such as integrity, devotion, professional skills and code of conduct.

- For the third category, the SAT headquarter is developing a new implementation plan for the training of new recruits. Training focus is on theory and basic skills to lay a good foundation for them to grow. National standards will be made and consistency will be ensured in terms of goals, courses, length of training, process, evaluation and threshold for training institutions. Reform will be made in the modes of training, organization will be standardized, quality of training to be improved in order to ensure that every newly recruited employee obtain the qualifications for their jobs.

## Cyber school

A national cyber school has been established to provide online training and courses. Online learning has a bright future. It will reduce cost and improve efficiency. We will put more efforts here to make it an effective way of learning and training.

## 4. Reform of tax training

- Right planning for task training
- Needs-oriented formation of training plans
- Mandatory training and voluntary training combined
- Strengthen network training and online training
- Updating training courses continuously
- Training of trainers
- Evaluation of training institutions



## 5. Conclusion

- Training of taxation officials is strategic, fundamental and guiding engineering for the development of competent taxation officials. Its place and role is irreplaceable in the development of the country. Only when we truly understand the significance of tax training and accurately grasp the characteristics and new requirements of training can we plan in advance and effectively initiate the reform of tax training.

- Reform is an effective way of improving quality and quality is the ultimate objective of reform. Thus we have to focus our attention on the main factors that influence the quality of tax training and make breakthroughs in the challenging difficulties and continuously improve the quality of training.

- We should bear in mind that the issues and challenges we face now also present opportunities for the modernization of taxation!

**Thank you!**