

Community & Public Sector Union

Rupert Evans • Deputy Secretary

Mr Ali Noroozi
Inspector-General of Taxation
GPO Box 551
SYDNEY NSW 2001
By email: sgcreview@igt.gov.au

Thursday, 9 July 2009

Dear Mr Noroozi

RE: CPSU (PSU Group) submission to the Review into the Tax Office's administration of the Superannuation Guarantee Charge (SGC)

The Community and Public Sector Union (CPSU) is an active and progressive union committed to promoting a modern, efficient and responsive public sector delivering quality services and quality jobs. We represent around 60,000 members in the Australian Public Service (APS), Commonwealth Government authorities, ACT Public Service, NT Public Service, ABC, SBS and the CSIRO.

The CPSU is the major union representing Commonwealth Government employees working in the Australian Taxation Office (ATO). The CPSU actively represents the views of its members in any changes that will affect the work they do and how they do it.

The CPSU supports the submission made by the Australia Council of Trade Unions (ACTU) to this Review. Further to that submission, the CPSU seeks highlight concerns around the ATO's *"risk assessment strategies for SGC and its implementation of strategies to improve compliance (such as education, employer assistance, audit and enforcement)"*. These concerns go to funding of the ATO and also the use of outsourcing to undertake tax administration and enforcement work.

Resource Constraints

The efficiency dividend that is applied to government agencies has had long term and far reaching effects on the quality of essential services that are provided by agencies and the ATO has not been immune from these budget cuts. The administration of the SGC would be improved if level of funding and resources provided to the ATO was increased to enable it to perform its duties fully.

Outsourcing of ATO Functions

Further outsourcing of ATO functions or moving these functions to other APS agencies will not necessarily improve the operation of Australia's taxation system. Rather, properly trained and skilled staff, employed by the ATO, are best placed to administer and enforce the Superannuation Guarantee Charge. If provided with adequate funding, the implementation of improved compliance strategies by the ATO would be possible.

If the Review does recommend that the administration of the SGC be outsourced or the ATO decides due to the funding constraints it can longer undertake the administration, this will have significant implications for the quality and accountability of the administration of the guarantee.

The CPSU has serious concerns about the outsourcing arrangements, including debt collection, already in place. In 2006, ATO Operations commenced entering into service contracts with 'outsourcing partners'. This involved the outsourcing of debt collection to external providers. In October 2007, the ATO announced¹ an external debt collection services panel and \$42 million additional Budget funding to establish and pay for the services to contact taxpayers with a debt and encourage them to finalise their debt.

The ATO 'bundles' these debts into packages and provides taxpayer details to the debt collection agencies² to chase outstanding superannuation guarantee payments and income tax debts. This debt collection is problematic for a number of reasons.

Any private sector providers who may be contracted to administer parts or all of the SGC are not automatically subject to the same security regime, scrutiny or parliamentary oversight as ATO employees. The subcontractors and personnel of these companies simply perform services for the debt collection agency and have no relationship with the ATO. This has the potential to create a situation where the monitoring and assessment of the SGC will not be held to the same high standards as the rest of the taxation system. There is no guarantee that the security, confidentiality and secrecy of taxpayer information will be maintained in an outsourced private sector environment. There are examples both from Australia and overseas of the improper handling of private tax information leading to serious breaches of privacy.

In addition to the existing work that is outsourced to private debt collectors, the ATO plans to reduce its permanent workforce and have the bulk of tax administration performed by a casual or outsourced workforce. The risks highlighted above increase with any increase in outsourcing and are of significant concern.

¹ ATO media release 11 Oct 07 <http://www.ato.gov.au/corporate/content.asp?doc=/content/91651.htm>

² ATO media release 11 Oct 07 <http://www.ato.gov.au/corporate/content.asp?doc=/content/91651.htm>

The administration of SGC is complex and requires a well-trained, well-resourced, permanent ATO workforce. It is not appropriate to have these activities undertaken by an outsourced provider.

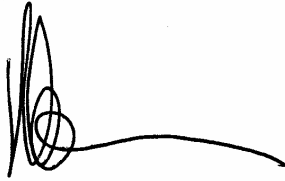
Conclusion

The Australian taxation system and the SGC are intimately connected and moving administration of the SGC to another public agency or to the private sector will be creating unnecessary complications and possible security and compliance risks.

This important element of the Australian Superannuation system should remain an ATO responsibility to ensure that a high level of accountability to the government and the public remains. Furthermore, the CPSU urges the Review to recommend that the chronic underfunding of the ATO be addressed to allow the agency and its staff to perform their duties without experiencing significant resource and budgetary constraints that have had serious implications for the quality of the essential services provided.

If you have any queries, please contact me at rupert.evans@cpsu.org.au.

Yours sincerely

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Rupert Evans
Deputy Secretary