



GST Administration Performance Agreement (from 1 July 2023)

This agreement outlines the accountability and performance arrangements between the ATO and the CFFR.

Last updated 21 August 2023

- [PREAMBLE](#)
- [SCHEDULE A – PERFORMANCE OUTCOME MEASURES](#)
- [SCHEDULE B – GST BUDGET AND ADMINISTRATION ACTIVITIES](#)
- [SCHEDULE C – MONITORING AND REVIEW ARRANGEMENTS](#)
- [SCHEDULE D – 2023–24 BUDGET MEASURE: GST COMPLIANCE PROGRAM – FOUR-YEAR EXTENSION](#)

PREAMBLE

1. The [Intergovernmental Agreement on Federal Financial Relations \(the Intergovernmental Agreement\)](#) requires accountability and performance arrangements to be established between the Australian Taxation Office (ATO) and the Council on Federal Financial Relations (CFFR). These accountability arrangements require a GST Administration Performance Agreement to be established between the ATO and the CFFR.

PART 1 – FORMALITIES

Parties to the Agreement

2. The Agreement is between the:
 - a. Commissioner of Taxation, and

b. CFFR, comprising the Treasurers of

- The Commonwealth of Australia
- The state of New South Wales
- The state of Victoria
- The state of Queensland
- The state of Western Australia
- The state of South Australia
- The state of Tasmania
- The Australian Capital Territory
- The Northern Territory of Australia.

3. Parties to the Agreement are the Commissioner of Taxation and the CFFR listed above (the Parties).

Terms of the Agreement

4. The Agreement will be implemented in accordance with the terms of the Intergovernmental Agreement, including that the GST Administration Sub-Committee (GSTAS) will monitor all aspects of the operation and administration of the GST and this Agreement. GSTAS has delegated aspects of that role to the GST Policy and Administration Sub-group (GPAS).
5. The Agreement will commence operation once all Parties have endorsed it and continue until the Parties agree to its termination. It supersedes all previous GST administration agreements.
6. GSTAS (through GPAS) will conduct triennial reviews of the body of the Agreement. The CFFR will be provided with a report from GSTAS on the outcome of each review, with the eighth review to be completed by 30 June 2026.

PART 2 – OBJECTIVES AND CONTEXT OF THE AGREEMENT

Purpose of the Agreement

7. The purpose of the Agreement is to provide:
- a. accountability between the ATO and the CFFR on GST administration, and
 - b. an agreed basis for GSTAS (through GPAS) to monitor the administration of the GST by the ATO and its agents in return for the agreed GST administration costs being paid by the states and territories.

Context of the Agreement

8. The Parties to the Agreement are committed to:
- a. achieving world's best practice for GST administration in Australia
 - b. a cost-effective and transparent GST administration
 - c. digital transformation that improves the efficiency and effectiveness of the administration of the GST system, and
 - d. a cooperative relationship between the Parties.
9. The Parties to the Agreement recognise that:
- a. the achievement of world's best practice GST administration, including in respect of cost effectiveness, is dependent on the GST policy and economic framework and integrated administrative design
 - b. the GST is administered as part of Australia's integrated tax system and its administrative framework
 - c. the Commissioner of Taxation has the general administration of the GST law, and
 - d. the Agreement does not impede the ATO from
 - I. its accountability to the Commonwealth Government and Parliament for its revenue collection and taxation administration responsibilities
 - II. reporting on GST matters to the Commonwealth Government, and
 - III. complying with statutory and other obligations imposed on the ATO by the Commonwealth Government, or Parliament, or

both.

PART 3 – PERFORMANCE OUTCOME

10. The Parties agree that the outcome to be achieved by the ATO in GST administration is to collect GST revenue effectively, including through optimising voluntary compliance by effectively and efficiently managing the administrative and compliance risks to the GST system.
11. The ATO is accountable to the CFFR for achieving the above stated performance outcome, the achievement of which will be measured by the agreed measures outlined in Schedule A (Performance Outcome Measures).

Interpreting performance

12. In evaluating the performance of the ATO against the agreed measures stipulated in Schedule A, the Parties will take into consideration such factors as economic conditions and the context of GST administration as outlined in Part 2 — Objectives and Context of the Agreement.
13. Where possible, the ATO will provide an enhanced narrative on the drivers of the trends in the performance indicators in this Agreement and report 5 years' worth of data to allow trend analysis to occur, giving meaning and context to the performance indicators.

PART 4 – COST OF ADMINISTRATION

GST administration activities

14. The administration activities which are GST-related for the purpose of agreeing the GST administration budget and costs are outlined in Schedule B (GST Budget and Administration Activities).
15. In the context of Australia's integrated taxation system and its administrative framework, the Parties agree that Schedule B will include the activities which are solely GST-related or partly GST-related.
16. The Parties recognise the requirement on the states and territories to fully compensate the Commonwealth for the costs of administering the GST.

PART 5 – PROCESS FOR DEVELOPING AND MODIFYING BUDGETS AND BUSINESS PLANS

17. The Parties agree to the planning and budget processes specified in Schedule B. These processes are designed to broadly accord with Commonwealth arrangements for funding agency operations.
18. Schedules A and B will be adjusted as necessary to ensure they are consistent with the level of funding provided to the ATO to administer the GST.
19. Schedule B outlines the ATO GST-related activities that form the GST administration budget. The Parties agree the ATO will have flexibility to reallocate resourcing within the agreed budget as required to achieve agreed outcomes.
20. The ATO undertakes to advise GSTAS (through GPAS) of any material resource reallocations and the associated reasons. In the event of such a reallocation, the Parties agree that the reallocated resources will be considered through the ex-post adjustment process specified in Schedule B.

PART 6 – MONITORING AND REVIEW

Reporting arrangements

21. The Parties agree to the monitoring and review arrangements outlined in Schedule C (Monitoring and Review Arrangements). These arrangements have been designed to ensure appropriate alignment of ATO Parliamentary reporting responsibilities and reporting responsibilities under the Agreement.

Audit arrangements

22. The ATO will arrange, subject to the agreement of the Commonwealth Auditor-General, for the Australian National Audit Office (ANAO) to conduct an annual special purpose audit of GST costs and the systems for control of GST costs. This audit, where practical, will align with the ANAO's annual audit program of ATO financial statements.
23. The Parties agree to the special purpose audit arrangements outlined in Schedule C.
24. GSTAS (through GPAS) will be consulted on the audit engagement terms of reference, which will be consistent with the relevant

clauses contained in Schedule C.

25. The arrangements for the special purpose audit will take into account the broader financial management and accountability framework within which GST administration operates in order to avoid duplication or inconsistency with other annual ANAO audits or other financial management arrangements of the ATO.

PART 7 – MANAGEMENT OF THE AGREEMENT

Relationship management

26. The Parties agree that a cooperative relationship between them will be achieved through commitment to:
- a. communicating on matters relevant to this Agreement outside of the formal reporting arrangements, and
 - b. consultation processes which promote openness and provide opportunities for input into strategic planning and informal avenues for problem resolution.

Amendment processes

27. Schedules to the Agreement will be reviewed annually by GSTAS (through GPAS). GSTAS may agree to revise the Schedules at any time, subject to endorsement by the CFFR, without terminating the existing Agreement or creating a new Agreement.
28. Amendments to the performance measures (including targets or benchmarks) outlined in Schedule A to this Agreement will take account of (but not be limited to):
- a. alignment with the stated outcomes to be achieved by the ATO and its agents outlined in Part 3
 - b. alignment with ATO's performance measures as reported to Parliament
 - c. the level of agreed investment and funding in GST administration
 - d. consideration of results of relevant benchmarking activities
 - e. consideration of economic conditions and the context of GST administration as outlined in Part 2 – Objectives and Context of the Agreement, and

- f. a manageable set of performance indicators focusing on key outcomes.

29. Changes to the body of the Agreement will require the agreement of the CFFR. Any proposals for a new Agreement will initially be prepared by the Parties for review by GSTAS (through GPAS). Consistent with the provisions of the Intergovernmental Agreement any new Performance Agreement is to be endorsed by the CFFR prior to being endorsed by the Parties.

Dispute resolution

30. Disputes over the operation of the Agreement which cannot be resolved by GPAS or GSTAS in accordance with this Agreement's relationship management arrangements may be referred by any Party to the CFFR.
31. The Parties agree that the ATO will have the opportunity to provide direct advice to the CFFR on any matter related to this Agreement submitted for consideration by the CFFR.

The Parties have confirmed their commitment to this Agreement, to take effect from 1 July 2023, as follows:

- Treasurer of the Commonwealth of Australia – The Honourable Dr Jim Chalmers MP
- Commissioner of Taxation – Mr Chris Jordan AO
- Treasurer of New South Wales – The Honourable Matt Kean MP
- Treasurer of Victoria – The Honourable Tim Pallas MP
- Treasurer Queensland – The Honourable Cameron Dick MP
- Treasurer of Western Australia – The Honourable Mark McGowan BA LLB MLA
- Treasurer of the Australian Capital Territory – Mr Andrew Barr MLA
- Treasurer of Tasmania – The Honourable Michael Ferguson MP
- Treasurer of the Northern Territory – The Honourable Eva Lawler MLA
- Treasurer of South Australia – The Honourable Stephen Mullighan MP

SCHEDULE A – PERFORMANCE OUTCOME MEASURES



SCHEDULE B – GST BUDGET AND ADMINISTRATION ACTIVITIES



SCHEDULE C – MONITORING AND REVIEW ARRANGEMENTS



**SCHEDULE D – 2023–24 BUDGET MEASURE:
GST COMPLIANCE PROGRAM – FOUR-YEAR
EXTENSION**



QC 73160

SCHEDULE A – PERFORMANCE OUTCOME MEASURES

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On this page

[GST ADMINISTRATION PERFORMANCE AGREEMENT](#)

[Maintain compliance](#)

[Client engagement outcomes](#)

[Cost-effective administration](#)

[Department of Home Affairs \(Home Affairs\)](#)

GST ADMINISTRATION PERFORMANCE AGREEMENT

A1 This Schedule provides a range of agreed measures for the CFFR to determine whether the ATO has achieved the stated outcomes in clauses 10 and 11 of this Agreement.

A2 Achievements against these measures may be found in the annual GST administration performance reports provided by the ATO.

A3 Notes for Schedule A: Where international benchmarking figures are shown, these are based on the latest information available. Definitions of each measure are described in the Schedule A explanatory notes.

Maintain compliance

Maintain compliance – core indicators

1. Revenue outcome

a. GST revenue

I. Total GST accrual

II. Total GST cash

III. Home Affairs GST cash

2. Trend in GST gap

a. Estimated GST gap – value

b. Estimated GST gap excluding debt as a percentage of theoretical revenue

c. Estimated GST gap including debt as a percentage of theoretical revenue

3. GST debt

a. GST debt outstanding

I. Total GST debt outstanding

II. Collectable GST debt

III. Insolvent debt

IV. Disputed debt

- b. 12-month rolling average of ratio of collectable debt to GST cash and accruals

Maintain compliance – supplementary debt indicators

c. GST debt non-pursuit

- i. Percentage of non-pursuit debt on the total debt
- ii. Ratio of GST debt non-pursuit to GST revenue

d. GST on-time payment rate

- i. Percentage of payments made on time
- ii. Percentage of value of GST paid on time

e. Ageing of GST debt – value

- i. GST debt aged <1 month
- ii. GST debt aged 1–2 months
- iii. GST debt aged 2–3 months
- iv. GST debt aged 3–12 months
- v. GST debt aged >12 months
- vi. Total value

4. Cross-border services and goods

- a. Value of imported services GST
- b. Value of imported low value goods GST

Client engagement outcomes

Client engagement outcomes – core indicators

5. Client engagement outcomes

- a. Total GST revenue effects – tax revenue from all GST engagement activities

- b. GST compliance liabilities raised by client experience and industry, cash collections, cash collection rate within the year, and total cash collections
- c. Strike rate by client experience
- d. Refund integrity active compliance liabilities raised and strike rate by client experience
- e. Compulsory GST registrations compared to potential GST registrations based on income tax returns data
- f. BAS lodgment
- i. Percentage lodged overall – monthly
- ii. Percentage lodged overall – quarterly
- iii. Total lodged overall (including annual BAS)
- iv. Percentage lodged on time – monthly
- v. Percentage lodged on time – quarterly
- vi. Total lodged on time (including annual BAS)
- g. Return on investment from BAU compliance activities

Client engagement outcomes – supplementary indicators

- 6. Supplementary client engagement indicators
 - a. Voluntary compliance ratio by number of taxpayers
 - b. Voluntary compliance ratio by value of GST
 - c. Tax assured – proportion of the GST base where the ATO has justified trust that the amount of GST is correct
- 7. Supplementary dispute resolution indicators
 - a. Number of objections created
 - I. Number of audit-initiated objection cases created
 - II. Number of client-initiated objections created
 - b. Number of objections resolved
 - I. Number of audit-initiated objection cases resolved

- II. Number of client-initiated objections resolved
- c. Audit to objection transition rate
- d. Number of new Part IVC litigation cases
 - I. First instance cases created
 - II. Appeal cases created
 - III. Administrative matter cases created
- e. Number of Part IVC litigation cases resolved
 - I. First instance cases resolved
 - II. Appeal cases resolved
 - III. Administrative matter cases resolved
- f. Proportion of objections to new Part IVC litigation cases
- g. Litigation decision outcomes
 - I. Percentage of decisions in courts/tribunals that wholly support the ATO position
 - II. Percentage of decisions in courts/tribunals that partially support the ATO position
 - III. Percentage of decisions in courts/tribunals that wholly support the taxpayer position
- h. Early resolution litigation outcomes
 - I. Percentage of cases settled by the ATO
 - II. Percentage of cases conceded in part or full by the ATO
 - III. Percentage of cases withdrawn by the taxpayers
 - IV. Percentage of cases dismissed by the courts/tribunals

Cost-effective administration

Cost-effective administration – core indicators

- 8. Cost effectiveness (Cost of collection ratio)
 - a. Cost as a percentage of GST revenue (cash)

- b. Cost per GST registrant
- c. Total registered client base by client experience

9. Operational and cost management

- a. Variation of GST administration costs from agreed budget (total administration budget)
- b. Client engagement costs as a percentage of total administration costs
 - I. Total client engagement costs as a percentage of total administration costs
 - II. GST compliance program engagement cost as a percentage of total administration costs

Cost-effective administration – supplementary indicators

- c. Electronic activity statements finalised in 12 business days
- d. BAS lodgment method – percentage of BAS lodged electronically
 - i. overall
 - ii. monthly remitters
 - iii. quarterly remitters
 - iv. annual remitters

9. Operational and cost management

- e. Written technical advice:
 - i. Taxpayer guidance requests are finalised in 28 calendar days of receiving all necessary information
 - ii. Private rulings are finalised in 28 calendar days of receiving all necessary information
- f. Quality of technical advice – percentage of technical advice cases reviewed rated as 'achieved' for the accuracy of the technical decision/s
- g. Australian resident Australian Business Registry Services (ABRS) registrations are finalised in 20 business days

- h. GST returns filed by intermediaries or tax agents

Department of Home Affairs (Home Affairs)

Core indicators

10. Management of GST revenue collection

- a. GST liability assessed
- b. GST cash collected
- c. Total value of Tourist Refund Scheme (TRS) claims paid

11. Maintain compliance

- a. Costs of compliance
- b. Compliance coverage – TRS
- c. Number of TRS claims rejected
- d. GST adjustments – underpaid GST revenue
- e. Value of TRS claims rejected
- f. Total GST adjustments

12. Cost-effective administration

- a. Costs of import processing
- b. Costs of export processing
- c. Costs of import and export compliance
- d. Costs of administering the TRS
- e. Total costs
- f. Import declarations processed
- g. Export declarations processed
- h. Total TRS claims processed
- i. Total costs as a percentage of total GST liability assessed
- j. Total costs as a percentage of total GST collected

k. Compliance yield

Explanatory notes



QC 73160

Explanatory notes

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On this page

[Key features under the framework](#)

[Core performance indicators](#)

[Supplementary indicators](#)

[International benchmarks](#)

[Maintain compliance](#)

[Client engagement outcomes](#)

[Cost-effective administration](#)

Key features under the framework

- A4 The indicators have been structured to distinguish between those which are considered to be 'core' (or key) and those which are 'supplementary' (or complementary). The distinction enables the ATO to drive towards achieving those performance indicators and targets of greatest importance to the Parties to the Performance Agreement. The 2 indicators are:
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Core performance indicators

- A5 These indicators are defined as key accountability measures. Collectively, core performance indicators enable the ATO to demonstrate it has achieved the desired outcomes for the CFFR. These indicators are base measures and in general would not require change from year to year.
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Supplementary indicators

- A6 These indicators are defined as providing additional context or information about an area of performance. They are complementary to the core performance indicators by providing additional information on ATO workloads, or output performance, or both. They can also include qualitative or narrative information about an aspect of GST administration. Supplementary indicators may include information on matters such as identified risks, strategies, and treatment outcomes.
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International benchmarks

- A7 Average and range are based on a mix of reviews with benchmarking partners and represent the latest figures available. These figures will be updated and new benchmarks included as information becomes available.
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Maintain compliance

1. Revenue Outcome

1(a) GST revenue

- A8 Both the total amount and the Home Affairs amount of GST revenue (cash receipts) are included. In addition, GST accrual revenue is also provided using the tax liability method (TLM).

Under the TLM basis, GST revenue is defined as being the earlier of the cash payment being received or the

associated liability being recognised.

All projections are based on the most recently available Budget or Mid-year Economic and Fiscal Outlook (MYEFO) estimates. The purpose of this indicator is to ensure revenue outcomes are moving with the economic environment to provide assurance that the levels of compliance are maintained. Commentary in the GST annual performance report should address this.

2. Trend in GST gap

2(a) Estimated GST gap – by value

A9 This measure estimates the value in \$b of theoretical GST losses through non-reporting of GST by businesses and individuals through a failure to register or failure to lodge returns, net under-reporting of GST obligations or over-claiming of GST refunds. The GST gap estimates will relate to the financial year in which the economic activity took place.

A10 The measure is calculated as the difference between the actual tax liability reported to the ATO or raised by the ATO, and the tax liability that should be reported (assuming businesses and individuals fully complied with their GST reporting obligations) for a given period. The calculation is:

$$\text{GST gap} = \text{theoretical accrual GST revenue} - \text{actual (ETM) GST revenue}$$

A11 Accrual revenue is based on the economic transaction method (ETM) and reflects the tax liabilities for the period in which an economic activity actually occurred. This approach facilitates comparison with economic events in the same period, being actual liabilities remitted during the year and an estimate of amounts outstanding that relate to transactions that have occurred in the period but are yet to be reported. Theoretical accrual GST revenue is derived from adjusted national accounts data.

A12 The measure is intended to be viewed as a trend over time and used in conjunction with other indicators utilised by the ATO to measure compliance effectiveness. The absolute dollar gap represents more of a guide to the level of actual tax gap. Random and systematic errors arising

from assumptions used to derive the estimate may be present.

A13 The GST gap will be reported in the financial year the gap relates to on an accrual basis.

A14 Full details of the ATO methodology for the GST gap are available on ato.gov.au.

2(b) Estimated GST gap excluding debt as a percentage of theoretical revenue

A15 This measure shows the percentage GST gap relative to estimated theoretical revenue. It is calculated as:

$$\text{GST gap} \div \text{Theoretical GST revenue} \times 100$$

A16 The calculation does not consider the impact of debt on the size of the GST gap.

2(c) Estimated GST gap including debt as a percentage of theoretical revenue

A17 The estimated GST gap including debt is calculated to allow for international comparisons. It represents the GST gap taking into account GST revenue that has not been collected (debt), relative to theoretical accrual GST revenue. Including debt in the calculation reduces the value of actual GST revenue and thereby increases the size of the estimated GST gap.

A18 The calculation is the same as for 2(b) above, however the GST gap figure is adjusted for the debt component.

$$\text{GST gap (including debt)} = \text{Theoretical GST revenue} - (\text{actual accrual GST revenue} - \text{debt component})$$

A19 We use actual non-collectable and provisions based off historical amounts to estimate the value of non-collectable debt.

3. GST debt

3(a) GST debt outstanding

A20 This performance indicator assesses the ATO's ability to manage its GST debt. The ATO's client accounting system for activity statement tax obligations features a running account balance. Liabilities for various revenue products including GST are posted to the accounts while credits (payments) are applied to the balance of the account, rather than being matched to individual liabilities. This necessitates the estimation of GST debt. To enable this estimation, a measurement process is undertaken. The process requires the disaggregation of liabilities by heads of revenue for each taxpayer, after exclusion of certain categories and subsequent apportioning of total debits having regard to the sum of each head of revenue. These debit balances by heads of revenue are then summed to allow an attribution percentage to be derived.

A21 This percentage is then applied to activity statement collectable debt, as adjusted to reflect the exclusion of any amounts subject to dispute or insolvency, to derive an estimated collectable GST debt amount. We also separately include estimates of insolvent and disputed debt.

Insolvent debt is the debt of taxpayers subject to some form of insolvency administration. It comprises debts associated with both ATO-initiated and non ATO-initiated insolvency administrations.

Disputed debt is a term used to describe a tax-related liability, which is subject to an objection, a tribunal review or an appeal. In this context, 'disputed debt' also includes other related components that may arise from the making of the assessment increasing the liability of the taxpayer to tax.

3(b) 12-month rolling average of ratio of collectable debt to GST cash and accruals

A22 The ratio of estimated collectable GST debt to net GST revenue, expressed as a percentage, is a measure used by a number of revenue agencies to gauge their relative effectiveness in managing their debt holdings. The net GST revenue amount is provided by the Revenue Analysis Branch.

The measure is computed using the estimated GST collectable debt amount as a percentage of 12 months'

rolling GST revenue collections.

3(c) GST debt non-pursuit (written-off debt)

- A23 The process employed by the ATO in estimating the amount of GST debt non-pursuit includes the following steps:
- All tax file numbers for taxpayers with write-off postings on their account in the current financial year are identified.
 - For each taxpayer, liabilities by heads of revenue are identified.
 - Each taxpayer's total liabilities are then divided by the total liabilities for each head of revenue to determine a percentage.

- A24 The percentage relating to GST is then applied to total amounts with a write-off posting to provide an estimate of GST debt non-pursuit for that taxpayer. All estimated amounts are then totalled and applied against the sum of all write-off postings to determine an overall percentage for GST debt non-pursuit. This percentage is used to allocate the write-off posting amount from the business system.

GST debt non-pursuit (percentage) is calculated by dividing the estimated amount of GST debt non-pursuit by estimated total GST debt.

- A25 Ratio of GST debt non-pursuit to GST revenue – this ratio compares GST debt non-pursuit to GST revenue and is calculated as:

$$\text{GST debt non-pursuit} \div \text{Total GST revenue (cash)}$$

3(d) GST on-time payment rate

- A26 This measures the compliance level for GST payments and is calculated as:
- Number of GST payments paid on time \div Total number of GST payments due \times 100

- A27 Percentage value on-time payment rate is calculated as:

$$\text{Value of GST payments paid on time} \div \text{Total value of expected GST payments due} \times 100$$

3(e) Ageing of GST debt – value

A28 The age of the debt profile is based on the date of referral of the debt to the ATO's debt and lodgment case management system. The process does not identify GST debt and the attribution percentage is utilised against each of the age categories to provide an estimation of the age of GST debt.

A29 For the purposes of this measure, the debt base is slightly higher than the overall collectable debt figure as it has not been adjusted. Age profiling is then apportioned to the estimated GST collectable debt figure based on the corresponding proportion of total percentage sourced from the age profiling.

4. Cross-border services and goods

4(a) Value of imported services GST

A30 Australian GST applies to sales of imported services and digital products to Australian consumers. Overseas businesses that meet the A\$75,000 registration threshold will need to register for GST, charge GST on sales of imported services and digital products (unless those services or products are GST-free) and lodge returns to the ATO.

This measure calculates the total revenue from payers who report GST either on a BAS or as a LRE (limited registration entity). The LRE is a simplified GST registration option for non-residents.

4(b) Value of low value goods GST

A31 As of 1 July 2018, Australian GST applies to sales of low value goods (less than \$1,000) imported by consumers into Australia. Businesses that meet the registration threshold of A\$75,000 will need to register for GST, charge GST on sales of low value imported goods (unless they are GST-free) and lodge returns to the ATO.

These businesses may be merchants who sell goods, electronic distribution platform operators or re-deliverers. For goods imported in a consignment over A\$1,000, any GST, customs duty and clearance charges will be charged to the importer at the border under existing processes.

This measure calculates the total revenue from payers who report GST either on a BAS or as a LRE. The LRE is a simplified GST registration option for non-residents.

Client engagement outcomes

5. Client engagement outcomes

5(a) Total GST revenue effects – tax revenue from all GST engagement activities

A32 Total revenue effects is a measure of the impact our activities have on improving taxpayer compliance. These activities ultimately improve levels of willing participation with the GST system. The total revenue effects measure is an estimate of the additional tax revenue that comes from our client engagement activities. It is the combination of both:

- audit actions and overpayments stopped, and
- preventive actions and sustained compliance.

A33 Preventive actions and sustained compliance may include:

- preventive activities (designed to assist or encourage clients to pay the right amount of GST upfront)
- corrective activities (other than those captured by audit actions and overpayments stopped) designed to encourage clients to review and amend their previous reporting
- improvements to compliance from preventive or corrective activity (including an audit) conducted in prior periods.

In limited cases, where we can establish a clear causal connection and defensibly measure it, preventive actions and sustained compliance may additionally include the impact of:

- process changes making it easier for clients to comply with their GST obligations
- spill-over or ripple effects on the broader population as a result of our broad communications or knowledge of our activities with other clients.

A34 For full details of the ATO methodology for preventive actions and sustained compliance see **Total revenue effects measure – impacts of our engagement activities** on ato.gov.au.

5(b) GST compliance liabilities raised by client experience and industry. Cash collections, cash collection rate within the year, and total cash collections.

A35 This indicator provides data on ATO compliance liabilities raised in a financial year, cash collections raised on those liabilities raised in the financial year, cash collection rate, and total cash collections by ATO client experience and industry. Industry is based on industry codes from the Australian and New Zealand Industrial Classification (ANZSIC) codes.

A36 Client experience aligns to ATO categories: Individuals, Small Business, Privately Owned and Wealthy Groups, Public and Multinational Businesses, Not for profit, and Superannuation.

A37 Compliance liabilities are the net value of debit and credit amendments from compliance intervention and include overpayments stopped. Overpayments are also known as 'incorrect refunds'. Compliance liabilities exclude penalties and interest. Due to the running balance account, collections are determined using a combination of actual collections and estimates of collections based on sampling.

A38 Cash collections from client engagement activities are based on those collections within the year that relate to the liabilities raised in that year. This provides the cash collection rate as a percentage of those collections. We also estimate the total cash collections within the year (which can relate to compliance liabilities raised from

previous years). Cash collections include penalties and interest.

5(c) Strike rate by client experience

A39 The strike rate (percentage of cases resulting in a liability adjustment by the ATO) is an Organisation for Economic Co-operation and Development (OECD) measure which can indicate the effectiveness of case selection in detecting 'non-compliance'. It should be noted that the measure does not differentiate between upward or downward liability adjustments.

A40 This measure is currently used within the ATO under a broader definition (to encompass not only audit adjustments but where some other outcome has been achieved, for example, de-registration of a taxpayer).

A41 The indicator gives recognition to the ATO's risk-based audit selection strategy (focused on high-risk clients) and is a more appropriate measure of effectiveness than audit coverage.

A42 It should be noted that the strike rate is likely to have an inverse relationship with audit coverage (for example, risk-based audit selection focuses on high risk and often more resource intensive clients. This results in smaller coverage. As coverage is increased, there is more chance that a higher proportion of less risky clients will be included in the audit selection). It also has a relationship with objections increasing in proportion to the number of audits resulting in adjustments.

Number of finalised audit and enforcement cases in year resulting in an outcome ÷ Total number of finalised audit and enforcement cases in a year × 100

5(d) Refund integrity active compliance liabilities raised and strike rate by client experience

A43 This measure will over time indicate if improvements have been made to the ATO's risk-based audit selection strategy for refund integrity cases.

5(e) Compulsory GST registrations compared to potential GST registrations based on income tax return data

- A44 This indicator assesses whether we have the right number of registrants in the system compared to another source of information. In this case we are comparing the number of entities that declare business income (in excess of \$75,000) in their income tax returns with the number of compulsory registrants.
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5(f) BAS lodgment

- A45 This measure has 2 components: one measures the percentage of business activity statements lodged on time, and the other measures the percentage lodged at a given time. The given time will be at 31 December for the mid-year report and 30 June for the annual (full year) report. The trend in this measure looks at the effectiveness of the ATO in dealing with the lodgment risk (i.e. taxpayers who don't lodge).
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5(g) Estimated return on investment from compliance activities

- A46 This measure provides the estimated return on investment of the liabilities raised on GST compliance activities. It compares ratios between ATO business as usual (BAU) and the GST compliance program. The return on investment for the GST compliance program is also shown under Schedule D.
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6. Supplementary client engagement indicators

6(a) Voluntary compliance ratio by number of taxpayers

- A47 The voluntary compliance ratio (VCR) complements the GST gap by measuring the number of taxpayers fully compliant with all 4 pillars of compliance – registration, lodgment, reporting and payment. To be fully compliant, the taxpayer must be correctly registered, lodge by the

due date, report the correct amount of GST and pay the correct amount on time.

This indicator measures the estimated number of taxpayers who meet all their GST obligations for any given financial year, as a proportion of the expected total taxpayer base.

Full details of the ATO methodology for the VCR are available on the ato.gov.au website.

6(b) Voluntary compliance ratio by value of GST

- A48 The voluntary compliance ratio (VCR) complements the GST gap by measuring the value of GST that is fully compliant with all 4 pillars of compliance – registration, lodgment, reporting and payment. To be fully compliant, the taxpayer must: be correctly registered, lodge by the due date, report the correct amount of GST, pay the correct amount on time.

This indicator measures the estimated amount of GST, by value, which is voluntarily provided to us in accordance with the law, for any given financial year, as a proportion of the expected GST.

Full details of the ATO methodology for the VCR are available on ato.gov.au.

6(c) Tax assured – proportion of the GST base where the ATO has justified trust that the amount of GST is correct

- A49 Tax assured is an estimate of the proportion of tax reported that we are highly confident is correct. This measure is based on the concept of justified trust. Justified trust is a matter of judgment. In determining whether justified trust is achieved, we assess whether objective evidence exists that would lead a reasonable person to conclude the correct amount of tax has been reported. For GST, we examine the total throughput that is correct – i.e. tax paid and credits claimed.

- A50 Our broader risk management frameworks including application of industry benchmarks and risk algorithms provide us with a level of confidence over much of the tax

reported that we do not formally consider assured for reporting purposes.

- A51 For full details of the ATO methodology for tax assured see *Tax assured: gaining confidence the right amount of tax is reported* on ato.gov.au.

7. Supplementary dispute resolution indicators

7(a) Number of objections created

- A52 An objection is when a taxpayer disagrees with a decision the ATO has made about their tax affairs. This measure provides statistics on the number of GST objections the ATO receives per year, split between audit-initiated and client-initiated objections. The trend in the number of objections can show whether we are improving engagement throughout an audit case, and the communication of the audit decision and continuing improvements in our early engagement strategies.

- A53 It should be noted that there is a range of factors that can impact on the number of objections received, including improvements in the strike rate (or improved risk identification).

- A54 Audit-initiated objections are where the taxpayer is disputing all or part of a decision made by the tax office as part of an audit activity.

When a taxpayer lodges an objection to an audit-related decision, they are not necessarily disagreeing with the entire original audit assessment. In most cases, taxpayer objections are usually only against one or a couple of factors from an assessment.

- A55 Client-initiated objections are, generally, where the taxpayer has to use the objection process to amend a previous assessment or to seek an extension of time to object.

7(b) Number of objections resolved

- A56 This measure provides statistics on the number of GST objections resolved per year, split between audit-initiated

and client-initiated objections.

7(c) Audit-to-objection transition rate

- A57 The audit-to-objection transition rate provides an indicator of objection levels to audits over time. A decline in this indicator would be consistent with the ATO's emphasis on preventing and resolving disputes earlier. Resolving disputes earlier has benefits for both taxpayers and the ATO: it saves time, effort and money; it promotes better relationships; and it provides taxpayers with certainty in managing their tax obligations.

Number of objections received in a year ÷ Number of audits with a financial adjustment finalised in year × 100

7(d) Number of new Part IVC litigation cases

- A58 Tax disputes can be appealed in the first instance by the taxpayer to the Administrative Review Tribunal (ART) or the Federal Court, with further Appeals to the Federal Court, Full Federal Court and by Special Leave to the High Court. Administrative Matters such as ADJR proceedings are generally appealed directly to the Federal Court. This metric provides data on our new Part IVC Litigation cases for the year, excluding those in the Test Case Litigation Program. When a dispute does reach litigation, our focus is on ensuring that only the right cases are decided in the courts/tribunals, with all other disputes resolved with the taxpayer prior to hearing.

- A59 Part IVC first instance cases are those where the taxpayer lodges an ART or Federal Court application when they are dissatisfied with the Commissioner's objection decision.

- A60 Part IVC appeal cases are when a taxpayer is dissatisfied with an ART decision or Federal Court decision and appeal to the Federal Court, Full Federal Court or seek special leave to appeal to the High Court.

- A61 Administration/other cases are non Part IVC cases where the taxpayer lodges an application with a court (usually the Federal Court). Examples of this include applications under Administrative Decisions (Judicial Review) Act 1977 and declaratory proceedings.

7(e) Number of Part IVC litigation cases resolved

- A62 This measure provides the number of litigation cases resolved per year.
-

7(f) Proportion of objections to new Part IVC litigation cases

- A63 This is an ATO-wide information and assistance services performance measure.

- A64 This measure is calculated as: Number of first instance matters lodged throughout the period, divided by the number of objections resolved for the same period. It is represented as a number per thousand of objections. This may be an indicator that earlier dispute resolution strategies are resolving disputes before they proceed to litigation.

7(g) Litigation decision outcomes

- A65 This is the number of favourable, partially favourable and unfavourable decisions on Part IVC first instance, Appeal and Administrative Matters divided by the total number of decisions for the same period. This measure is designed to indicate that we are only progressing those cases to hearing with strong chances of success or opportunities to clarify the law, in line with our litigation principles.
-

7(h) Early resolution litigation outcomes

- A66 This is the number of Part IVC first instance, Appeal and Administration Matters that have been resolved prior to hearing, divided by the number of finalised cases for the same period. This measure is designed to indicate that we are implementing early resolution processes to ensure we are only progressing those cases to hearing with strong chances of success or opportunities to clarify the law, in line with our litigation principles.
-

Cost-effective administration

8. Cost effectiveness (cost of collection ratio)

8(a) Cost as a percentage of GST revenue

A67 Projections have been adjusted to reflect revenue estimates (cash receipts) from the most recent MYEFO or Budget.

A68 This measure equates to the cost of collecting \$100 of GST revenue. This measure is calculated by:

$$\frac{\text{Total GST collection costs}}{\text{Total GST revenue cash}} \times 100$$

8(b) Cost per GST registrant

A69 Projections have been calculated assuming a client base as per indicator 1(c) – total registered client base. This measure is calculated by:

$$\frac{\text{Total GST administration costs}}{\text{Total registered client base}}$$

8(c) Total registered client base by client experience

A70 This is the total registered population at 30 June of the current year. Over time this measure will show how fluid the client base is through GST registrations.

9. Operational and cost management

9(a) Variation of GST administration costs from agreed budget (total administration budget)

A71 This measure reflects the percentage by which the actual GST product cost varies from the agreed budget, as specified in Schedule B. It will be reported retrospectively.

9(b) Client engagement costs as a percentage of total administration costs

A72 This ratio is calculated as:

Client engagement costs [SCF 3.4 and 3.5 Home Affairs] ÷ Total GST administration costs × 100

A73 The GST Compliance Program (Schedule D) costs as a percentage of total administration costs is calculated as:

GST Compliance Program (Schedule D) costs ÷ Total GST administration costs × 100

9(c) Electronic activity statements are finalised in 12 business days

A74 This is a Taxpayer Charter standard. A 94% target applies.

9(d) BAS lodgment method – percentage of BAS lodged electronically

A75 This measure looks at the number of BAS lodged electronically. Our objective is to increase the proportion of BAS lodged electronically to reduce costs and improve the client experience.

9(e) Written technical advice – taxpayer guidance requests and private rulings are finalised in 28 calendar days

A76 Advice and guidance products are issued to help taxpayers understand their obligations and entitlements under the laws administered by the Commissioner. This indicator is an ATO service commitment to respond to enquiries within certain timeframes. An 80% target applies to private rulings. The private rulings standard is subject to the ATO receiving all necessary information. If a request raises particularly complex matters that will take more than 28 calendar days to resolve after receiving all the necessary information, the ATO will aim to contact the taxpayer within 14 calendar days to negotiate a due date.

9(f) Quality of technical advice: Percentage of technical advice cases reviewed rated as achieved for the accuracy of the technical decision/s

- A77 This measure uses the ATO Quality Model to determine whether a technical decision made by the ATO was correct for accuracy. The ATO Quality Model was introduced in July 2014 and was adjusted from 1 July 2018. Refinements were made to the assessment of the technical accuracy measure to allow better identification of occurrences where technical answers or decisions made by the ATO were correct (that is, the technical answer or decision made considering the available evidence was correct only), from work which is technically correct but the client experience could be improved.
-

9(g) Registrations – Australian resident Australian Business Registry Services (ABRS) registrations are finalised in 20 business days

- A78 This is a Taxpayer Charter standard. A 93% target applies.
-

9(h) GST returns filed by intermediaries or tax agents

- A79 This is an international benchmark measure which indicates the usage of the tax intermediaries and/or tax agents, or both, for the filing of GST or VAT returns. It is calculated as:

$$\text{Number of BAS lodged by tax intermediaries or agents} \div \text{Total number of BAS lodged} \times 100$$

Department of Home Affairs (Home Affairs)



Department of Home Affairs (Home Affairs)

Last updated 21 August 2023

On this page

[10. Management of GST revenue collection](#)

[10\(a\) GST liability assessed](#)

[10\(b\) GST cash collected](#)

[10\(c\) Total value of Tourist Refund Scheme \(TRS\) claims paid](#)

[11. Maintain compliance](#)

[11\(a\) Costs of compliance](#)

[11\(b\) Compliance coverage – TRS](#)

[11\(c\) Number of TRS claims rejected](#)

[11\(d\) GST adjustments – underpaid GST revenue](#)

[11\(e\) Value of TRS claims rejected](#)

[11\(f\) Total GST adjustments](#)

[12. Cost-effective administration](#)

[12\(a\) Costs of import processing](#)

[12\(b\) Costs of export processing](#)

[12\(c\) Costs of import and export compliance](#)

[12\(d\) Costs of administering the TRS](#)

[12\(e\) Total costs](#)

[12\(f\) Import declarations processed](#)

[12\(g\) Export declarations processed](#)

[12\(h\) Total TRS claims processed](#)

[12\(i\) Total costs as a percentage of total GST liability assessed](#)

[12\(j\) Total costs as a percentage of total GST collected](#)

10. Management of GST revenue collection

10(a) GST liability assessed

- A80 Home Affairs assesses the GST liability on all taxable importations of goods imported via Australian ports and airports, mail imported through all Australian international mail centres and goods entering Australia with passengers and crew via all Australian ports and airports. This amount includes deferred import amounts which are accounted for on the BAS.
-

10(b) GST cash collected

- A81 The GST liability assessed by Home Affairs on taxable importations is deferred (and accounted for on the BAS under the deferred imports scheme) for cargo importers that have been approved by the ATO for GST deferral. In all other cases, Home Affairs collects the GST.
-

10(c) Total value of Tourist Refund Scheme (TRS) claims paid

- A82 This is the dollar amount of total TRS claims paid in a specified financial year.
-

11. Maintain compliance

11(a) Costs of compliance

- A83 This figure is calculated as:
- Cost of import and export compliance + Costs of TRS compliance

A84	<p>Home Affairs import and export compliance includes:</p> <ul style="list-style-type: none"> • intelligence and risk assessment (including associated research, analysis and monitoring) • pre- and post-clearance interventions (pre-clearance interventions, including real-time verification of import declarations, occur before the release of goods from Customs control, and post-clearance interventions, including formal audits, occur after the release of goods from Customs control) • enforcement (including investigation, imposition of sanctions and prosecutions) • education and advice (including tariff, valuation and origin advice). <p>Note: Home Affairs captures all TRS costs as a single figure, comprising administration, processing and compliance.</p>
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11(b) Compliance coverage –TRS

A85	<p>TRS coverage is defined as the proportion of TRS claims subject to compliance activity. Compliance coverage for TRS is calculated as:</p>
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$$\text{Number of TRS claims subject to compliance activity} \div \text{Number of TRS claims lodged} \times 100$$

A86	<p>The TRS regulations require TRS claimants to present any or all of the goods, the tax invoice relating to the goods and certain travel documents to a Home Affairs officer on request. Home Affairs undertakes checks before payment of a refund is authorised.</p>
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A87	<p>TRS compliance activities include real-time activities undertaken to verify that particular TRS claims meet the requirements of the regulations and any post-transaction compliance activities.</p>
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11(c) Number of TRS claims rejected

A88	<p>This is a measure of the proportion of TRS claims that are rejected because the claim does not meet one or more of</p>
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the requirements of the regulations. TRS claims rejected is calculated as:

$$\text{Number of TRS claims rejected} \div \text{Number of TRS claims lodged} \times 100$$

11(d) GST adjustments – underpaid GST revenue

A89 GST revenue is underpaid in cases where the GST liability assessed by an importer for a taxable importation is less than the correct GST liability (regardless of whether the GST liability was initially paid to Home Affairs or deferred for payment on the BAS). A GST underpayment adjustment occurs when the importer's incorrect assessment is amended to correct the error, resulting in an increase in the assessed GST liability.

A90 Underpaid GST revenue includes additional GST revenue paid to Home Affairs (or deferred to the next BAS) in cases where an import declaration has been amended by an importer. It can refer to additional GST revenue paid to Home Affairs (or deferred to the next BAS) in relation to notices of assessment or other compliance activity.

A91 A GST assessment error could be the result of incorrect assessment of the value of the taxable importation or incorrect classification as a non-taxable importation.

A92 An incorrect assessment of the value of a taxable importation could result from an error in assessing the customs value, the customs duty, the wine equalisation tax or the amount paid or payable to transport the goods to Australia and to insure the goods for that transport.

A93 An incorrect classification as a non-taxable importation could result from an error in identifying the taxable status of particular goods.

11(e) Value of TRS claims rejected

A94 International travellers can obtain a GST refund under the TRS provided that they submit a claim that fulfils all of the requirements set out in the regulations.

A95 Where a TRS claim is checked and found not to comply with the regulations, the claim is rejected. This results in an adjustment of the GST refund claim down to zero. The value of the GST adjustment is equal to the amount of GST refund that was originally claimed. Certain rejected claims, (for example, not a valid tax invoice) are able to be reviewed by the Tourist Refund Office. If the review results in the claim subsequently being approved, a GST adjustment would need to be made.

11(f) Total GST adjustments

A96 This measure is the sum of the GST adjustments that result from underpaid GST revenue, over-claimed GST refunds and rejected TRS claims.

Total GST adjustments = GST adjustments (underpaid GST revenue) + Rejected TRS claims

A97 Home Affairs also refuses and adjusts GST refund claims lodged by importers to correct overpayments. Data on these GST adjustments is not currently available.

12. Cost-effective administration

12(a) Costs of import processing

A98 This measure is the costs attributed to the GST element of Home Affairs' import-processing function.

A99 This function covers the processing of import transactions and associated revenue functions including establishing the liability for GST, wine equalisation tax and luxury car tax. Included under this function are the recording of amounts of deferred GST and the provision of import data to the ATO (including GST deferred data). Also included under this function is the processing and payment of claims for refund of GST, wine equalisation tax and luxury car tax.

A100 This function is carried out in relation to:

- all goods imported via Australian ports and airports

- mail imported through all Australian international mail centres, and
 - goods entering Australia with passengers and crew via all Australian ports and airports.
-

12(b) Costs of export processing

A101 This measure is the costs attributed to the GST element of Home Affairs' export-processing function.

A102 This function covers the processing of export transactions including collecting export data and providing it to the ATO.

12(c) Costs of import and export compliance

A103 This measure is the costs attributed to the GST element of Home Affairs' import and export compliance functions.

A104 This function covers compliance activities in relation to self-assessed declarations made by importers. It also covers compliance activities in relation to refund claims that relate to taxable importations.

A105 The costs of compliance activities in relation to the TRS are included in item 12(d) below.

A106 Home Affairs utilises a range of monitoring, response and enforcement compliance activities that are proportional to client behaviour and consistent with Home Affairs' regulatory framework.

12(d) Costs of administering the TRS

A107 This is a measure of the costs attributed to the administration of the TRS.

A108	This function covers the processing and payment of TRS claims and associated compliance activities. This function is carried out in relation to passengers departing from all international airports and seaports in Australia.
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12(e) Total costs

A109	This measure is the sum of the costs associated with carrying out Home Affairs' 4 GST functions.
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12(f) Import declarations processed

A110	Owners of imported goods are required by section 68 of the Customs Act 1901 to make a declaration to Home Affairs in relation to each imported consignment. Owners who make an import declaration are making a taxable importation (section 13-5 of the A New Tax System (Goods and Services Tax) Act 1999 (GST Act)). A Home Affairs officer may refuse to deliver the goods concerned unless the GST has been paid [GST Act subsection 13-15(2)].
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A111	An import declaration includes all of the information that is required to assess the GST liability.
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12(g) Export declarations processed

A112	Owners of goods intended for export that have a Free On Board (FOB) value greater than \$2,000 are required by section 113 of the <i>Customs Act 1901</i> to make a declaration to Home Affairs in relation to each export consignment.
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A113	Home Affairs provides the ATO with a monthly export data report. The ATO uses this information in undertaking compliance functions in relation to item G2 on the BAS.
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12(h) Total TRS claims processed

- A114 International travellers can obtain a GST refund under the TRS provided they submit a claim to Home Affairs that fulfils all of the requirements set out in the regulations.
-

12(i) Total costs as a percentage of total GST liability assessed

- A115 Home Affairs assesses the GST liability on all taxable importations. The GST liability assessed by Home Affairs on taxable importations is deferred (and accounted for on the BAS) for importers who have been approved by the ATO for GST deferral. In all other cases, Home Affairs collects the GST.

- A116 Home Affairs processes all taxable importations regardless of whether the GST is paid to Home Affairs or deferred for payment on the BAS. It is appropriate, therefore, to compare processing costs to the GST liability assessed rather than to compare those costs to the GST collected by Home Affairs.

12(j) Total costs as a percentage of total GST collected

- A117 This item could be misleading because it compares the processing costs to a small portion of Home Affairs taxable importation workload. This item needs to be considered in the context of item (i) Total costs as a percentage of total GST liability assessed.
-

12(k) Compliance yield

- A118 This measure reflects the ratio between the Total GST adjustments and the funding provided for compliance. This measure is calculated as:

$$\text{Total GST adjustments} \div \text{Active compliance costs}$$

SCHEDULE B – GST BUDGET AND ADMINISTRATION ACTIVITIES

Last updated 21 August 2023

On this page

[Strategic Costing Framework](#)

[Notes to the Statement of GST Administration Costs](#)

Strategic Costing Framework

- B1 The Strategic Costing Framework is the ATO's primary costing attribution method across all of its activities.

Program Framework deliverables

Program 1 – Australian Taxation Office

- 1.1.1 Policy advice and forecasting
- 1.1.2 Design and build administrative solutions
- 1.1.3 Input into law design
- 1.1.5 Law assurance
- 1.1.6 Cross-agency support and 1.1.7 Government and stakeholder relations
- 1.2.1 Registrations
- 1.2.2 Processing and accounts
- 1.2.3 Customer service
- 1.2.4 Manage payment and debt
- 1.2.5 Interpretative assistance
- 1.3.1 Marketing and communication

1.3.4 Client engagement (ATO)

1.3.4 Client engagement (Home Affairs)

1.3.5 Compliance intelligence and risk management

1.5.1 Resolve disputes

1.5.2 Prevent disputes

Program 2 – Tax Practitioners Board (TPB)

Program 3 – Australian Business Registry Services (ABRS)

TOTAL

B2 Cost information against these Program Framework deliverables may be found in the annual GST administration performance reports provided by the ATO.

B3 Changes to the ATO Program Framework are reflected in the Strategic Costing Framework activities.

Notes to the Statement of GST Administration Costs

Note 1 — Summary of significant accounting policies

Basis of accounting

B4 The GST Administration Cost Statement is a special purpose financial report. The Statement is prepared for the sole purpose of complying with the requirement in this Agreement for the ATO's Administration of the GST for the ATO to prepare and distribute an accrual-based financial statement to the CFFR. As such, it must not be used for any other purpose.

B5 The Statement is prepared having regard to Statements of Accounting Concepts and on an accrual basis.

Proportion of total ATO costs

B6 The financial information and accounting policies used in preparing the GST Administration Cost Statement are the same as used to prepare the ATO's annual audited Financial Statements.

B7 The costs of GST administration activities have been calculated using a model consistent with the Commonwealth Government's accrual-based outcomes and programs framework. They represent the proportion of the ATO's total operating expenses that relate to GST administration activities determined by using the cost attribution approach outlined below.

- The costs of GST administration activities include:
 - direct staff and related costs
 - other direct operating costs including payments to other agencies
 - business line management overhead costs which represent those costs within a line that do not directly provide line products, services or outputs but support the line as a whole
 - corporate support costs including accommodation, information technology, office services, human resource services and internal services, and
 - a proportion of corporate and business management overheads for strategic corporate direction setting (including corporate improvement initiatives), financial management, assurance and governance, and other corporate-related activity based on the total cost of GST administration activities as a proportion of total ATO costs.

Note 2 — Definition of deliverables contributing to the GST administration

Program 1 – Australian Taxation Office

1.1.1 Policy advice and forecasting

B8 This framework deliverable focuses on the provision of advice on administrative, compliance and interpretative matters in relation to new government policy. This includes the provision of advice on costings, modelling and

forecasting. It covers work done before a decision is made by government to proceed with a new policy proposal.

1.1.2 Design and build administrative solutions

- B9 This includes services that support the identification, development and enhancement of business practices, processes, products and systems to implement new law following a policy decision by government or other initiatives related to administration of taxation law.
-

1.1.3 Input into law design

- B10 It supports the ATO's role in shaping the taxation and superannuation systems through the provision of technical and interpretative advice on drafting instructions, and draft legislation and explanatory materials.
-

1.1.5 Law assurance

- B11 This supports the interpretation and administration of laws administered by the ATO through the delivery services and systems, including the continual improvement of policy, practices and procedures, and end-to-end business processes for technical decision-making. This includes prioritisation of technical issues, and the quality assurance of technical decisions.
-

1.1.6 and 1.1.7 Cross-agency support and government and stakeholder relations

- B12 This focuses on those activities the ATO is required to undertake by law or agreement, but which do not necessarily contribute to the ATO's business outcome. This includes parliamentary support.
-

1.2.1 Registrations

- B13 All activities relating to the registration of new clients including processing and maintaining the GST client register.

1.2.2 Processing and accounts

- B14 This includes activities involved in managing accounts, payments and processing for all products. Account management covers all activities that result in refunds and outward payments being issued, adjustments or updates to accounts.
-

1.2.3 Customer service

- B15 This focuses on the ATO's customer service capability that responds to requests or enquires received through electronic, telephony or paper channels.
-

1.2.4 Manage payment and debt

- B16 The ATO takes a purposeful approach to payment and debt, balancing support for clients trying to do the right thing with timely, firmer, or stronger action against those who don't engage to prevent them gaining an unfair financial advantage.
-

1.2.5 Interpretative assistance

- B17 This focuses on the interpretative assistance provided to the community in the form of advice, guidance, and review decisions about the application of laws.
-

1.3.1 Marketing and communication

- B18 Marketing and communication activities that focus on supporting the ATO's business model. This is achieved by helping taxpayers and their advisers understand their rights and obligations, making it as easy as possible to comply, managing relationships and shaping external capabilities. Key client or relationship managers who provide case-specific or one-to-one education or advice to taxpayers to meet their obligations are not included here, but rather form part of the relevant capability.
-

1.3.4 Client engagement (ATO and Home Affairs)

B19 This covers the implementation of engagement strategies such as preventive activities designed to assist clients in getting their tax and super obligations correct before lodgment, and corrective activities that address identified problems with accuracy of information presented by clients and their intermediaries. These strategies influence and promote voluntary compliance on GST, including activities in categories such as:

1. Making it easy
2. How to comply
3. Review
4. Audit and enforcement
5. Investigation including initiating civil proceedings and prosecution.

1.3.5 Compliance intelligence and risk management

B20 This includes processes associated with the discovery, detection, analysis and reporting of compliance risks at a tactical, operational and strategic level, as well as design of end-to-end risk mitigation strategies to improve voluntary compliance. Risk mitigation strategies are affected through other deliverables such as client engagement, marketing and communication, and interpretative assistance.

1.5.1 Resolve disputes

B21 This relates to the resolution of disputes arising from tax technical decisions, including objections, disputes and reviews. Our resolution actions include independent review, in-house facilitation, mediation, early engagement, objections and, where appropriate, taking litigation action.

1.5.2 Prevent disputes

B22 This includes:

- the consolidation of our independent review service and working with taxpayers and/or their

representatives to identify opportunities for further improvement, and

- the provision of internal systems, processes and training, to support staff to actively pursue the prevention and early resolution of disputes.

Program 2 Tax Practitioners Board (TPB)

- B23 This covers the registration and regulation of tax agents, BAS agents and tax (financial) advisers.

Program 3 Australian Business Registry Services (ABRS)

- B24 ABRS increases use by business and government of a complete and single source of business information for planning and service delivery. Work associated with processing ABN registrations and client-initiated transactions generated after registration is completed, including updates, additions and cancellations.

Note 3 — Basis of attributing the cost to GST administration

- B25 The ATO's GST administration activities include activities that are 100% GST-related and others where processes are shared between GST and other taxes. Where a process is shared, the costs are attributed to GST and other revenue products based on the relative consumption of the shared service.

- B26 The basis used for attributing costs to GST administration activities is summarised as follows:

Attributing costs to GST administration activities

1.1.1

Policy advice and forecasting

Policy advice numbers relating to administrative implications, technical interpretative advice, advocacy, proactive suggestions provided, or people involved in providing these activities.

1.1.2

Design and build administrative solutions

Proportion of services required to build administrative solutions to implement new GST law or develop or enhance existing GST-related systems.

1.1.3

Input into law design

Number of drafting instructions or interpretative advice on draft GST legislation or number of people involved in the development of drafting instructions on GST-related law.

1.1.5

Law assurance

Number of people involved in managing highest risk technical issues, quality assurance processes, and technical advice products relating to the interpretation and administration of GST-related law.

1.1.6

Cross-agency support

Proportion of activities to support GST-related work across agencies.

1.1.7

Government and stakeholder relations

Proportion of GST-related support provided to portfolio ministers and members of parliament, including Senate Estimates and Joint Committee of Public Accounts and Audit (JCPAA) processes.

1.2.1

Registrations

GST proportion of processing of transactions and changes to client register based on volume and tax role.

1.2.2

Processing and accounts

GST proportion of activity statement lodgment and payment processing, including corrections, variations and amendments based on volume and profile of taxes, and/or labels on the activity statement. GST proportion of transactions based on volume and profile of client payments and refunds.

1.2.3

Customer service

GST proportions of responses to requests from clients received

through electronic, telephony or paper channels based on volume and tax type.

1.2.4

Manage payment and debt

GST proportion of debt activity undertaken to secure payment of outstanding debt based on cases on hand and client tax role profile.

1.2.5

Interpretative assistance

GST proportion of interpretative assistance including private and public rulings, advice and guidance provided by the ATO to the community. This also includes interpretative guidance to ATO staff.

1.3.1

Marketing and communication

GST proportion of externally published products and services, management of community and industry stakeholder relationships, education services and communication programs.

1.3.4

Client engagement

(ATO) GST proportion of client engagement activities designed to influence and promote voluntary compliance based on case volumes, standard case times and role profile by case type.

The activities associated with client engagement strategies can be categorised as:

- Making it easy
- How to comply
- Review
- Audit and enforcement
- Investigation including initiating civil proceedings and prosecution.
- (Home Affairs) import and export compliance costs, and TRS scheme compliance costs (100% GST).

1.3.5

Compliance intelligence and risk management

GST proportion of perform intelligence and risk identification, risk assessments, case selection, data matching, data mining and analysis, develop end-to-end risk-mitigation strategies activities based on GST case costs.

1.5.1

Resolve disputes

GST proportion of management and response to objections and reviews, conduct litigation, debt litigation and settlement assurance.

1.5.2

Prevent disputes

GST proportion of independent reviews and provision of legal advice and maintenance of the law practice management system.

Program 2

Tax Practitioners Board (TPB)

GST proportion of administering the TPB system to register tax practitioners, ensuring they have the necessary competence and personal attributes and providing guidelines and information on relevant matters.

Program 3

Australian Business Registry Services (ABRS)

GST proportion of ensuring the integrity of a single, authoritative source of business information including lawful use of ABNs.

Note 4 — Planning and budgetary arrangements

- B27 This note sets out the agreed processes for developing and modifying budgets and business plans for the ATO's administration of the GST.

Budget formulation process

- B28 The ATO will formulate proposals for levels of funding required to administer the GST for the immediate future year. The ATO will consult with GSTAS (through GPAS) in formulating its proposals. In formulating the proposals, the ATO will review the budget methodology, associated assumptions and accuracy of data underpinning the proposals.

- B29 The ATO will provide the strategic budget submission to GSTAS (through GPAS). GSTAS will consider the budget submission and forward to the CFFR, together with any comments or recommendations from GSTAS members on the appropriate level of funding.

B30 Whilst the time frames for these processes will change over time to align with Commonwealth budgetary processes, it is anticipated that GSTAS will consider the ATO's funding submission in February each year.

B31 The strategic budget submission to GSTAS will contain an indicative view of the funding against the program deliverables of the strategic costing framework. If required, subject to ATO planning processes and impacts of the Commonwealth budget process, the ATO will provide to GSTAS (through GPAS), within the first quarter of the financial year, a revised view against the program deliverables.

B32 The ATO can raise with GPAS, GSTAS and subsequently, if necessary, the CFFR at any time during a financial year, issues that may impact on the agreed Schedule B information.

Review of actual costs of administration

B33 The ATO will report to GSTAS (through GPAS) the actual costs incurred in administering the GST for each financial year. As per the audit arrangements in Schedule C, these costs and the basis of determining these costs are subject to independent review by the ANAO.

B34 GSTAS (through GPAS) and the Commissioner of Taxation will consult on the amount of any ex-post adjustments for the prior financial year arising from the administration costs actually incurred. GSTAS will recommend to the CFFR any agreed adjustments from the ANAO review. It is anticipated that any agreed adjustments will be settled and given effect to by February each year.

B35 The Commonwealth may publish revised estimates of the GST Administration Budget in its Budget Updates, and may adjust the monthly advance GST payments accordingly, to reduce the adjustment required after the end of the financial year.

SCHEDULE C – MONITORING AND REVIEW ARRANGEMENTS

Last updated 21 August 2023

GST administration performance

Reporting arrangements

C1 To provide assurance to the CFFR that the ATO is achieving the agreed performance outcomes, the ATO will report to GSTAS (through GPAS) at least twice yearly. In addition, the ATO will provide a brief quarterly overview for the September and March quarters.

C2 The first reporting event will occur in the first half of the financial year and the ATO will provide a report on its performance in administering the GST in relation to the immediate prior year. The ATO will also report on the actual full year costs of administering the GST in the immediate prior year, together with any recommendations on ex-post adjustments that may be necessary.

C3 The second reporting event will occur during the second half of the financial year, and the ATO will provide a report on its performance in administering the GST during the first half of the current financial year. The ATO will also provide a strategic budget submission, in accordance with the budget formulation process set out in Note 4 to Schedule B.

C4 In fulfilling these reporting requirements, the ATO will provide to GSTAS (through GPAS) information on the following matters as appropriate:

- financial information relating to the ATO's costs in administering the GST
- reports of audits of GST costs and the systems for control of costs
- reports showing GST workloads and other information necessary to demonstrate performance in relation to the measures outlined in Schedule A
- key emerging compliance issues

- performance on activities specifically related to additional expenditure; refer to Schedule D for the summary spreadsheet that outlines commitments by year for the Budget Measure, GST Compliance Program
- as compliance effectiveness measures are developed, they will be considered for inclusion during the annual review period, and
- significant issues impacting on the GST administrative base.

C5 The ATO will also report on an ad hoc basis as agreed between the Parties. Such ad hoc reports may include (but are not restricted to):

- matters relating to the material cost-effectiveness of GST administration; ANAO reports directly relating to GST administration
- information on GST-related litigation
- updates on relevant compliance and cost of compliance research
- updates on ATO internal governance arrangements as they relate to GST administration
- information on ATO community surveys, and
- updates on digital transformation program progress.

Audit arrangements

Special purpose audit of GST costs and the systems for control of GST costs

C6 The objective of the special purpose audit (the audit) is to provide an independent opinion to the CFFR as to whether:

- the special purpose reports prepared by the ATO relating to GST costs are free as a whole from material misstatement
- the ATO has maintained, in all material respects, effective controls relating to the monitoring and reviewing of GST activity costs, and

- the cost attribution model is appropriately allocating the correct level of GST administration costs.

- C7 The audit will provide reasonable assurance to the CFFR that:
- the GST Cost Statement prepared by the ATO presents fairly in accordance with the accounting policies described in Schedule B, and
 - the ATO has maintained, in all material aspects, effective controls relating to the monitoring and reviewing of GST activity costs as specified in Schedule B.

- C8 The terms of reference for the audit engagement will provide for:
- an audit report which identifies the scope of the special purpose audit, and an opinion on the matters specified in clause C7
 - review of the terms of reference at specified intervals, and
 - materiality levels to be determined in accordance with applicable Accounting Standards.

- C9 In accordance with accepted audit practice, all reports emanating from the special purpose audit will be provided by the ANAO directly to the ATO. The ATO will provide a copy of the audit report to the CFFR as soon as it becomes available.

- C10 Additional costs to the ATO associated with the audit of GST costs and the system for control of GST costs will be included in the cost of GST administration.

Other reviews

- C11 The Parties may agree to an independent review of any aspect of GST operations that has a material impact on the agreed outcome. GSTAS (through GPAS) will be consulted when developing the terms of reference for the review.
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SCHEDULE D – 2023–24 BUDGET MEASURE: GST COMPLIANCE PROGRAM – FOUR-YEAR EXTENSION

Last updated 21 August 2023

On this page

[Summary of commitments by year](#)

[Total costs and return on investment of the GST Compliance Program](#)

Planned and actuals will be reported in the GST annual performance report.

Summary of commitments by year

Additional liabilities raised from compliance activities planned (\$million)

Program strategy	2023–24	2024–25	2025–26	2026–27
1. Increasing GST registration integrity to protect revenue	25.0	19.6	20.4	21.4
2. Preventative action to minimise risk	77.7	54.4	45.1	41.6

and protect revenue				
3. Improving GST lodgment outcomes	363.5	380.1	397.4	415.5
4. Corrective engagement with non-compliant clients	483.3	504.5	512.2	519.8
TOTAL	949.5	958.6	975.1	998.3

Additional cash collections from debt activities planned (\$million)

Program strategy	2023–24	2024–25	2025–26	2026–27
5. Reducing GST debt	254.2	263.6	273.4	283.5

Notes:

1. Strategies 1–4: annual commitments are represented as GST liabilities raised by program activities.
2. Strategy 5: annual commitments are represented as cash collections by program debt collection activities.
3. Totals may differ from the sum of components due to rounding.
4. The liabilities raised from this program are included as a component of the compliance outcomes (in Schedule A). These program activities also are included in the total costs as reported in Schedule B.

5. The ATO will report actual outcomes yearly to the states and territories

Total costs and return on investment of the GST Compliance Program

Total costs and return on investment of GST Compliance Program (\$million)

Financial year	2023–24	2024–25	2025–26	2026–27
TOTAL	146.7	148.0	149.1	144.9

Expected return on investment per sub-program

Program strategy	2023–24	2024–25	2025–26	2026–27
1. Increasing GST registration integrity to protect revenue	2.7:1	2.2:1	2.1:1	2.4:1
2. Preventative action to minimise risk and protect revenue	4.8:1	3.1:1	2.6:1	2.4:1
3. Improving GST lodgment outcomes	14.5:1	14.9:1	15.4:1	16:1
4. Corrective engagement with non-compliant clients	8.1:1	8.3:1	8.4:1	8.4:1
5. Reducing GST debt	11.8:1	12:1	12.4:1	12.7:1

Notes:

1. Strategies 1–4: forecast returns on investment are the planned liabilities raised by audit activity divided by strategy costs.
2. Strategy 5: forecast returns on investment are the expected cash collections by program debt collection activities divided by strategy costs.
3. Totals may differ from the sum of components due to rounding.
4. The liabilities raised from this program are included as a component of the compliance outcomes (in Schedule A). These voluntary program activities also are included in the total costs as reported in Schedule B.
5. The ATO will report actual outcomes yearly to the states and territories.

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