

SUBMISSION 11 March 2014: Consultation Paper: Tax compliance — improving compliance through third party reporting and data matching

INTRODUCTION

Generally, LGFP and local government would likely agree with the consultation statement on efficient and effective tax administration.

“The objective of an efficient tax administration is to collect the maximum amount of revenue with minimum administration and compliance costs.”

This is, after all, local government’s objective for issue and collection of its’ “own revenue” of rates and charges which is not undertaken for it by other government levels

The following extracts from the paper’s summary, when taken together, highlight what will be of concern.

“A key consideration in developing the proposed third party reporting regimes is minimising the compliance costs for entities that would need to report additional information to the ATO.”

“...it is important to note that the final form of any draft legislation would ultimately depend on the final form of the policy design and this, in turn, will be informed by the outcomes of this consultation process.”

“...the Government envisages also consulting on the draft legislation before introducing any amendments into Parliament.”

COMMENTS AND CONCERNS

Issues of concern include **red tape reduction, government cost shifting and significant timing and cost** issues for introduction of this third party reporting and data matching for taxable government grants and payments.

The ATO does recognise that this is additional non-core work (**red tape**) for local government with no direct compensation (**cost shifting**).

Currently, administration fees are paid by the Queensland State government to local governments in partial compensation for local government administration, compliance and collection of the Emergency Management Fire and Rescue Levy (EMFRL) and its predecessor, the Urban Fire levy.

The dependence of

- final legislation on final consultation; preceded by,
- the dependence of policy design on this initial consultation; preceded by,
- the 3 months preparation time for the consultation paper.

indicate that a 1 July 2014 implementation date is ambitious and likely risky for ATO and local governments alike.

Local governments' experience with prior implementations of GST (Federal), waste levy (State) and the EMFRL (State) were preceded by untimely legislation and regulation resulting in

- untimely preparation and release of implementation advice,
- ill-prepared government departments; trying to,
- advise local governments and their software providers on,
- necessary procedural and software systems in a risky and costly "catch up" environment.

LGFP is aware of the continuing Queensland State government and Queensland Audit Office reforms to local governments' interdependent core businesses of community involvement, asset & service provision and management and community & financial reporting.

The consultation paper acknowledges that *"...timeframes need to recognise that in some cases it is not possible to finalise this information until after the end of the income year and that businesses generally have competing priorities at this time especially in relation to their own accounts and financial affairs."*

LGFP can confirm that, typically, community involvement, asset & service budgeting and community & financial reporting is most intense in the 6 months from April to September and especially June and July.

This encapsulates the **significant timing and cost issues** which will likely result from

- expected untimely final legislation, regulation and implementation advice,
- risky "catch up" solutions for local government, software providers and, not least, local government customers; exacerbated by,
- expected ill-prepared ATO advisers which was the GST experience.

It is also worth noting that:

- local governments are working with the ATO and superannuation funds to implement the Government's SuperStream reforms by 1 July 2014, leaving little capacity for 3rd party matching
- The 3rd party data requirements are yet to be defined eg what is a contractor? There are significant systems and process issues in implementing them.
- There is a general consensus that a 1 July 2014 start date is not feasible and to force that date could lead to compliance and data integrity issues.



LGFP respectfully submits that

- the implementation date be 1 July 2015; preceded by,
- timely consultation as proposed,
- timely legislation as proposed; followed by,
- timely training of ATO staff,
- timely implementation advice for local government staff and software providers; and,
- timely provision of ATO FAQ facilities for local government

to achieve efficient tax administration to collect the maximum amount of revenue with minimum administration and compliance costs.

LGFP would also welcome continuing consultation from the ATO on this tax compliance reform.

Regards.

Terry Cross

Senior Vice President LGPQ

Email: tkjcross@bigpond.com

Mobile: 0409 590 265

Website: www.lgfp.org.au

Mail: C/- The Secretary, LGFPQ, PO Box 21 Emerald Q 4720