

14 April 2025

Ms Ruth Owen
Inspector General of Taxation and Taxation Ombudsman
Office of the Inspector-General of Taxation
GPO Box 551
Sydney NSW 2001

By email: consultations@igt.gov.au

Dear Ms Owen,

IGTO review: Review of ATO letters and written communications

The Tax Institute welcomes the opportunity to contribute to the Inspector-General of Taxation and Taxation Ombudsman's (**IGTO**) consultation on the review into Australian Taxation Office (**ATO**) letters and written communications (**Review**).

In the development of this submission, we have consulted with our National Technical Committees to provide feedback that is representative of The Tax Institute's broader membership.

The Tax Institute supports the IGTO's review of ATO letters and written communications. We are of the view that letters and written communications from the ATO should be straightforward and clear for taxpayers, as many recipients may not possess in-depth tax and legal knowledge.

We have outlined below some general observations regarding ATO letters and written communications:

- feedback from our members indicates that the volume of correspondence received by tax practices can be quite high, in some cases averaging 50 letters daily in paper form from the ATO (in addition to electronic correspondence). While efforts are made by tax practices to automate delivery of electronic mail through systems such as ATOMate, and to request electronic delivery, sometimes this is ineffective, and the communications are instead sent by the ATO both electronically and in paper form, duplicating the information.

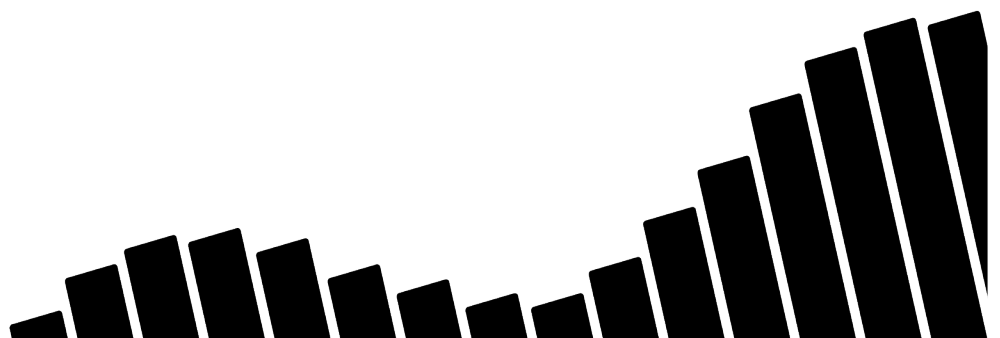
Paper correspondence also sometimes requires manual intervention to redact sensitive information such as TFNs or ABNs, where applicable, and scanning by office staff before it can be forwarded to clients.

Our members consider it would be beneficial to reduce the paper form communications, and that communications could be encouraged through the online portal, MyID and a text message, directing the taxpayers and/or practitioners to these systems;

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- letters received from the ATO are often standardised and are not personalised specific to taxpayer circumstances. Also, some letters are not particularly clear as to the issues and/or actions, and offer limited information about any relevant assessments to be issued and the taxpayers rights in relation to such activity. This can lead to confusion about taxpayer circumstances and the actions required to be taken;
- taxpayers express concern when letters are sent directly to them rather than through their tax agents, and may not necessarily respond promptly, if at all, due to misunderstanding of what is required of them and fears of scams;
- the ATO includes general background information on some notices, such as Division 293 of the *Income Tax Assessment Act 1997* (Cth), excess concessional contributions, PAYG Instalments. While some concise contextual information can be useful, feedback from our members indicates that lengthy background information often leads to client confusion and/or disengagement. This could be addressed through more concise communication with website links to additional resources for more information, as appropriate;
- the issuance of multiple notices, for example, a Notice of Assessment, Notice of Withholding tax, Overseas Levy, and a Statement of account for the same lodgement can confuse and overwhelm taxpayers. It often involves a time-consuming reconciliation process, especially when one notice specifies a refund is due and another provides a tax payable amount. It would be beneficial if some of these notices could be in some way consolidated or otherwise streamlined.

Further, often the Notice of Assessment will not include payment details; this instead will be on the statement of account which may issue at a different time and can result in additional queries from taxpayers. Providing payment information alongside the Notice of Assessment would streamline the payment process and reduce confusion;

- in some cases, a business with a very good lodgment and payment history may be briefly late with only one document or payment (for example, due to illness or systems outages) but the ATO will issue a reminder notice or call the registered agent within a couple of days of the due date. In other cases, taxpayers with large tax debts overdue by 12 months or more, and lodgments outstanding for multiple years, may not receive any communication at all.

We recommend sending reminders for lodgment and payment of activity statements consistently to entities with a history of late lodgment or payment (e.g., 15%, 20%, or 25% in the last three years). For entities with a good compliance history but an isolated incident of non-compliance, such as a lodgment only a few days late, consideration should be given to delaying the initiation of reminders;

- other issues with the content of ATO letters include the inclusion of a physical address that suggests postal delivery to that address, even when some communications are sent online. The timing of correspondence also can be problematic, as batch letters are often dated weeks before they are received by taxpayers; and

- there have been recent instances where taxpayers have received letters regarding unreported rental income directed to an individual, despite the property being owned by a company or partnership. The letters, titled '*Have You Forgotten to Include Rental Income in Your Tax Return?*' (Ref IND/RNTL/OP), state, '*You may not have included all rental income in your 2023 tax return for the following properties,*' and conclude with, '*If you do not own this property, please contact us to update our records.*' This has required repeated calls to the ATO by agents to rectify the situation and prevent unnecessary audits.

We have set out below tax-specific feedback on ATO communications gathered from our members for your consideration.

Goods and Service Tax

Feedback from our members indicates that communications regarding routine notices and reminders related to Goods and Services Tax (**GST**) or Business Activity Statement (**BAS**) obligations are generally clear. However, the ATO sometimes sends auto-generated correspondence when there is a significant increase in BAS figures, such as a rise in GST on purchases, outside of integrity checks or reviews. Our members' experiences suggest that taxpayers often enquire about necessary actions and whether they need to respond to the ATO in such cases.

Regarding cancellations and deregistration, feedback from our members is that some taxpayers and agents have been challenged to determine whether the notices were initiated by the ATO or by the taxpayers themselves. Due to the time elapsed between the request and the final notice, the clarity of the messaging can diminish. It would be beneficial for the ATO to include specific language such as 'As per your request on [X] date...' in these communications if it is taxpayer-initiated deregistration or cancellation. This would assist clarify the origin and nature of requests, and improve overall understanding.

Superannuation

Feedback from our members indicates that communications related to self-managed superannuation funds (**SMSFs**) are often generic and lack clarity. Our members advise that the Trustee may receive a text message indicating that the fund's details have been updated, and that it could be a change in bank account details, without any further information. This often leads to unnecessary worry for taxpayers, especially regarding refunds, and particularly when such a text message can be triggered by something completely unrelated to a change in bank account details (for example, a change in directors and/or members).

A case study provided by a member indicated that a taxpayer was unaware of his SMSF's non-compliance for four years, risking ATO disqualification notices. The taxpayer had minimal involvement and was not informed by the SMSF agent about ongoing issues, worsening the situation. Family dynamics, including a tragic death and financial mismanagement, further complicated the fund's status. The ATO's reliance on bank statements without context led to misunderstandings about a potentially illegal early release.

While the taxpayer clearly should have been more involved and aware of the circumstances, the absence of direct communication from the ATO to the taxpayer or the taxpayers tax agent contributed to his lack of awareness regarding compliance issues and potential misunderstandings about certain transactions.

This case study underscores the need for improved communication strategies, such as reaching out to additional contacts or utilising technology more efficiently to keep all parties informed. Existing platforms and representatives (e.g. MyGov, or the taxpayer's tax agent (not only the SMSF agent)) could be used to enhance notification systems, potentially preventing similar issues in the future.

Income tax

Instances of confusion regarding Pay as you go (**PAYG**) instalments underscore the need for improved communication from the ATO. Feedback from our members indicates that taxpayers have reported feelings of anxiety and concern stemming from inconsistencies in instalment amounts.

A specific member case illustrates this issue: a taxpayer received an ATO notice indicating a new annual PAYG instalment amount of \$16,953, followed later by a higher quarterly instalment notice of \$10,865. This discrepancy caused significant distress for the taxpayer due to concerns that the instalments had increased to \$10,865 per quarter, until the member clarified that the ATO had implemented a 6% increase, raising the annual amount to \$17,970. The quarterly instalment of \$10,865 included both the current payment for March and catch-up payments for unpaid instalments from September and December. It would be beneficial for the ATO to issue clearer notices that explicitly outline the implications of PAYG instalment changes, and provide a projection of the instalments due for the upcoming quarters.

A proposed format for these notices is presented below, outlining how the ATO could communicate the assessed PAYG Instalment for 2024 and the estimated amount for 2025, taking into account a 6% inflation increase.

Your PAYG instalments for 2024 was assessed at \$16,953. We have therefore estimated your 2025 PAYG instalments (after taking into account an inflationary increase of 6%) to be \$17,970.

Your PAYG instalments are therefore:

\$1,518	Sep24 issued
\$1,518	Dec24 issued
\$10,441	Mar25 to be issued (being 75% of new PAYG instalments less the previous instalments detailed above)
\$4,493	Jun25 to be issued

\$17,970	Total PAYG instalments for 2025

To summarise our comments above, our members' collective feedback indicate a pressing need for the ATO to improve its communication strategies, focusing on clarity, personalisation and the reduction of unnecessary correspondence, to better serve taxpayers, practitioners, and the interests of the system as a whole.

We would be pleased to provide further input as this Review progresses.

The Tax Institute is the leading forum for the tax community in Australia. We are committed to shaping the future of the tax profession and the continuous improvement of the tax system for the benefit of all. In this regard, The Tax Institute seeks to influence tax and revenue policy at the highest level with a view to achieving a better Australian tax system for all.

If you would like to discuss any of the above, please contact The Tax Institute's Head of Tax & Legal, Julie Abdalla, on (02) 8223 0058.

Yours faithfully,

Julie Abdalla

Head of Tax & Legal

Tim Sandow

President