



Australian Government

Australian Taxation Office

Strategic Working Group meeting

Presented by:

Martin Mane

Director, Digital Partnership Office

Australian Taxation Office

30 October 2018

Introduction and Welcome

Progress of EST operations

Presented by:

Michael Rowell

Assistant Commissioner, Digital Wholesale Services

Martin Mane

Director, Digital Partnership Office

PROGRESS OF EST OPERATIONS | One-pager of metrics

Metrics and measurements

APIs:

- usage of service
- services released over last period
- services due to be released this financial year
- services with deprecation end date this financial year
- service take-up by DSPs this period

System performance:

- system performance (SBR1/SBR2-prod1&2)
- system outages

DSP experience changes/improvements:

- tracking of initiative/improvements impacting DSPs e.g. ADSM, E2E encryption, supply chain visibility, XML transition

DSP environment:

- number of DSPs registered/new DSPs for the period
- number of DSP products approved under OPF

Incident/Query management:

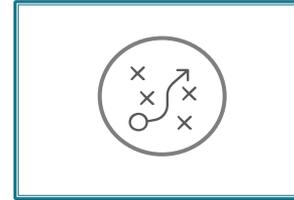
- tickets submitted through OSD period/year
- average length of time to completion period/year
- key issues identified



Digital Service Provider view



Placeholder



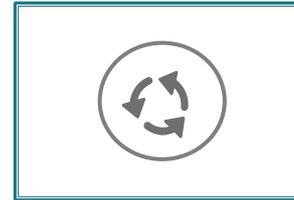
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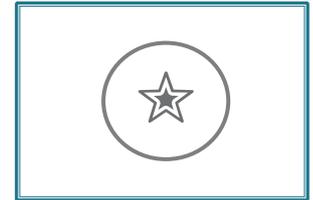
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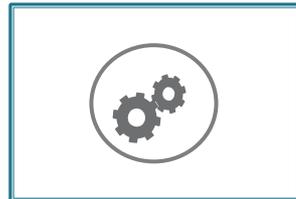
Placeholder



Placeholder



Placeholder



Placeholder



Placeholder



Placeholder

Improving the testing environment

Open discussion

Facilitated by:

Martin Mane

Director, Digital Partnership Office

Mike Behling

MYOB, ABSIA Director

IMPROVING THE TESTING ENVIRONMENT | Discussion

Review recommendations identified by the special interest group for implementation.

Recommendations to progress:

| # | Item | Description |
|---|---|---|
| 1 | Enhance EVTE Conformance Testing to align with External Stakeholder expectations | <p>Review the test data sets supporting the existing mocked service and potentially extend to provide accurate and comprehensive data sets, generating correct responses to all valid and invalid inbound messages.</p> <p>Review the test data sets supporting the existing mocked services and update to align the client data sets where a business process is achieved over multiple service actions, e.g. Client update services</p> |
| 2 | External stakeholders to be consulted on the test scenarios and data to be used to conduct testing | <p>Initiate project and ATO business engagement with external stakeholders that will be consuming the new services through a specific purpose working group. Special Purpose Working Group meets and defines test scenarios and any data requirements.</p> <p>Test scenarios and data characteristics to be defined based on the business rules of the service including error messages which would result.</p> <p>Where there is a limitation on test scenarios supported then a risk based and/or volumetric approach is taken.</p> |
| 3 | Share initial test scenarios early in development lifecycle (Design Phase) | <p>Test scenarios (including expected results) to be utilised in ATO Integration testing are defined as part of the design phase.</p> <p>Test scenarios are shared with External Stakeholders through the Special Purpose Working Groups.</p> <p>External Stakeholders are invited to comment on the test scenarios from the perspective of business rules interpretation. Discrepancies in interpretations of business rules are resolved in design phase.</p> |
| 4 | Review ELS cross check cases | <p>Review ELS cross check cases to identify scenarios which could be reused in the PLS services.</p> |
| 5 | Assurance testing review | <p>Confirm the current status of the assurance testing improvement work.</p> |
| 6 | Regularly engage with industry groups and forums on the progress of External Stakeholder initiatives. | <p>ATO formal communications in External Stakeholder forums (SWG, Special Purpose Working Groups etc.) and also website to communicate in greater detail the scope and progress of ATO initiatives that impact External Stakeholder experience.</p> <p>Provide opportunity for External Stakeholders to engage with the ATO regarding the initiatives.</p> <p>Consider the formation of Special Purpose Working Group for specific initiatives where detailed input/guidance from DSPs required.</p> |

Payment thinking

Open discussion

Facilitated by:

Cameron Sorensen

Assistant Commissioner, Debt

Martin Mane

Director, Digital Partnership Office

Payment thinking *"Payment just happens"*

It's about designing processes, systems and approaches that make payment an easy and natural part of activities across all stages of tax and super.

The Payment thinking initiative has many aspects

- ✓ Working collaboratively across the ATO to bring the payment conversation closer to the liability being raised
- ✓ Improving the client experience by making it simple to pay and hard not to, by improving our digital and online connection to natural systems
- ✓ Leveraging our data to tailor the client experience and take action to prevent debts occurring
- ✓ Influencing the design of the tax and super system to work towards tax (payment) just happens.

We can't audit or collect our way to close the tax gap.

Current Environment

Shifting payment on time by 1% is worth \$5.1 billion

| Measures | 2017-18 |
|---|---|
| Collectable Debt | <p>At 30 June 2018:</p> <ul style="list-style-type: none"> 1,905,062 accounts have overdue liabilities (debts) Collectable debt value was \$23.7 billion. |
| Number and value of payments paid on and over time. | <p>For the 2017-18 financial year:</p> <ul style="list-style-type: none"> Total value of payments received by the ATO was \$490.5 billion \$454.5 billion (89.5%) of liabilities were paid on time, A further \$30.7 billion (6.4%) were paid within 90 days of the due date, A further \$5.4 billion (1.1%) paid between 91 and 365 days of the due date and \$15.6 billion (3.1%) not paid From a debt recovery perspective 85.2% of debts recovered were in the first 90 days. |
| Payment plans granted | <p>In 2017-18, we granted 1,097,916 payment plans</p> <ul style="list-style-type: none"> 75.7% were entered by staff and 24.3% via our automated telephone service and online payment plan service. |
| Debt Level | <p>At 30 June 2018:</p> <ul style="list-style-type: none"> 986,000 (51.7%) accounts had debts below \$2,500, worth \$0.7B (2.9%) of total collectable debt 35,000 (1.8%) accounts had debts of \$100,000 or more worth \$11.1B (46.9%) of total collectable debt |

Notes:

- Value of payments made on time and during the year reflect the gross payments made for liabilities due during the financial year.
- A transaction is the creation of a liability for each revenue product (i.e. when a taxpayer lodges an activity statement with PAYG(W), GST and PAYG(I) – this is three transactions, however the taxpayer may pay the net figure (one payment)). Thus, number of transactions do not equal the number of taxpayers, nor the number of payments or accounts paid.
- Percentages may not add up to 100 due to rounding.

Current Environment - Irritants / Barriers



It's not always easy to pay

- We don't store credit card details – every time the client makes a payment they have to key in their 16 digit credit card number, expiry date, CCV and full name
- A client can't setup a direct debit to pay an activity statement online – they need to call us to do this
- The client cannot use ATO online services to schedule future dated payments
- IT self preparers cannot pay at the time of lodgment - they receive an estimated liability and need to wait for a SOA to confirm the liability. This means lodgment and payment are separate and multiple interactions
- There is no facility for the client to schedule a recurring PAYGI payment
- The majority of clients are phoning us to negotiate a payment plan.



Online experience

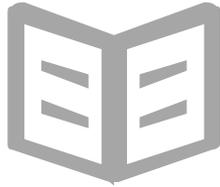
- Limited integration and interoperability between ATO systems and third party accounting software
- Limited functionality for business clients
- No service offering for Legal or Insolvency Practitioners
- Payments – limited channels and complexity of having a PRN for each account – the New Payment Platform not being fully utilised (e.g. real time transfer of funds)
- Client cannot have one payment plan for multiple debts on multiple accounts.



Visibility

- Balance of prior outstanding AS amounts are not visible on BAS
- PAYGI instalment amounts are based on previous income. This is not a real time or contemporary experience and does not work for taxpayers with highly variable or seasonal income.

Current Environment - Irritants / Barriers



Our policies and practices

- The ATO is seen as an attractive source of credit due to:
- The terms of the online payment plans we offer are one size fits all and currently not differentiated based on the client's circumstances



External Drivers of Debt

- The cost of commercial finance, tightening lending terms and the comparative ease of incurring a tax debt.
- Terms of trade and late payments and their impact on cash flow
- The shift away from traditional salary and wage employment (subject to PAYGW) to contract labour and the issues with the PAYGI system is the likely driver to the growth in income tax debt.

PAYMENT THINKING | Short to medium term investments

| Initiatives | Deployment Date |
|---|------------------------------|
| Single account and debt management platform: <ul style="list-style-type: none"> Delivered through ASFP Analytics driven debt case management processes | Tentative December 2019 |
| Improvements to online access and services for tax practitioners: <ul style="list-style-type: none"> 'For Action' feature to provide visibility of accounts with debit balance Visibility of the main accounts with payment options Online payment plans | November 2018 (tentative) |
| Improvements to online services for non-individuals and intermediaries (insolvency and legal practitioners). | Not in design, not scheduled |
| Improve payment plans service available in ATO Online: <ul style="list-style-type: none"> Eligibility for a payment plan, and the parameters acceptable for 'automatic approval' determined by analytical modelling. Opt in SMS / Email reminders for instalments/ability to load instalments onto personal mobile device / calendar Final instalment notification Single payment plan across all accounts (ASFP dependent) | Not Scheduled |
| Opening and closing balance on activity statement lodgment screen (listed on STP Program to support voluntary payments) | Not scheduled |
| Settle payment at time of lodgement – ability to schedule payments to be debited from nominated account / credit card organised at time of lodgement as: <ul style="list-style-type: none"> a once off payment or voluntary instalments prior to the due date or all future liabilities to be automatically debited on the due dates (PAYG ITI). | Not scheduled |
| Improved payment plan monitoring – e.g. retain direct debit where plan defaults for other reason (e.g. non-lodgement) | Not scheduled |
| Improvements to business processes <ul style="list-style-type: none"> Reduce time between income / taxable event and payment – change reporting cycles for non-compliant businesses e.g. change reporting cycles STP - move STP from reporting, to reporting and voluntary payment as the default enabled through software BAS and IT lodgements - Work with software developers to make scheduling payment at the time of lodgement the default option Educating clients on their ability to make voluntary payments to reduce or pay future tax liabilities (e.g. Gig economy) Driving payment conversations into client interactions. (already occurring however not an enterprise wide practice) | Not scheduled |

Sharing intelligence and monitoring practices

Open discussion

Facilitated by:

Martin Mane

Director, Digital Partnership Office

Simon Kert

Director, Forensics and Investigations

SHARING INTELLIGENCE AND MONITORING PRACTICES | Overview

ATO and industry to review information which can be shared and how we can work together to help secure the ecosystem.

Topics for discussion

- Meet the team
- What the ATO does
- Introduction to Threat Intel
- Threat Intel
- Open Discussion



Meet the team

Simon Kert – Cybercrime Director

Christian Motuzas – Threat Intel Lead

Elijah Kusa – Cybercrime Lead

Miranda Shaw – IT Security Governance Lead

Open discussion about intelligence sharing and monitoring
(e.g. how would DSPs and members like to share intelligence)

Operational Framework

Review current processes and evolution

Presented by:

Martin Mane

Director, Digital Partnership Office

OPERATIONAL FRAMEWORK | Current and future state

Review of current state, discussion on identified barriers and how to improve the process for the future.



Current

- ✓ **570** products registered for Standard Business Reporting
 - ✓ **210** already approved under the framework
 - ✓ **75** have started the process and are currently working with the DPO to supply the required evidence
 - ✓ **230** products already in production (varies from approval due to Provisional IDs and out of scope products)
- ✓ Refinement of multi-factor authentication requirements
 - ✓ Additional clarification of in-house providers

Common issues delaying approval

- Implementation of multi-factor authentication
- Demonstration of security posture through completion of self assessment with an approved security standard

Future

- Superannuation transition plan to be finalised shortly
- Exploration of the application of Operational Framework to e-invoicing
- Work with the Digital Transformation Agency on leveraging the Operational Framework as the minimum security standard for TDIF relying parties
- Work to align with Department of Human Services security standards as part of a phase 2 delivery of the Automated Income Stream Project
- Development of a transition plan for ASIC APIs
- Development of position for Partners and Resellers
- Application of the OPF to ecosystems

Lunch

API Catalogue

Demonstration

Facilitated by:

Alastair Parker

SBR Standards Dictionary Services

Commercial use of digital identity

Open discussion

Facilitated by:

Martin Mane

Director, Digital Partnership Office

COMMERCIAL USE OF DIGITAL IDENTITY | Discussion

The Trusted Digital Identity Framework defines success as the ability for people to simply and securely establish a digital identity through an identity service provider of their choice. It will allow them to safely reuse that identity to transact across all tiers of government and the private sector, with their privacy assured.

Whilst 'Citizen to Government' and 'Business to Government' interactions are currently being established under the GovPass program, there has been limited exploration of 'Business to Business' and 'Citizen to Business' opportunities.

Benefits of establishing 'Business 2 Business' and 'Citizen to Business' interactions under the GovPass program



Citizen

- I only have to remember one way to authenticate
- Being part of the TDIF I can complete multiple obligations/tasks without having to re-establish my identity e.g. registering a business through to establishing a bank account
- I have greater control over my personal information and who it is shared with (double-blind)



Digital Service Provider

- Having a single log in will enable me to build innovative solutions that tie together wholesale offerings from government and commercial entities
- Leveraging myGovID increases the confidence in the integrity of the credential
- Leveraging myGovID enables the ability to integrate with other wholesale services and retrieve accurate real time data



Government

- Increased confidence in reporting and interactions with government
- Higher quality risk assessments will support sustainable business growth
- Increased confidence in the reliability and authenticity of information across both government and commercial entities
- Provides an opportunity for innovative fintech/regtech solutions that meet the evolving needs of the Australian community

Review of ATO Corporate Plan

Presented by:

Martin Mane

Director, Digital Partnership Office

Karen Lay-Brew

ABSIA President

ATO CORPORATE PLAN | Partnering with DSPs

The following strategic objectives have been identified as items which the ATO and DSPs can collaborate on.

| Strategic Objectives | | Discussion points |
|----------------------|--|--|
| Government | G1 We build community confidence by sustainably reducing the tax gap and providing assurance across the tax and superannuation systems. | <u>Action:</u> Fix the basics and stay fixed – there are barriers to achieving this goal. Get honest input from the industry without the need to defend. |
| | G2 We design for a better tax and superannuation system to make it easy to comply and hard not to. | Requires strategic level design (new) thinking. <u>Question:</u> Is the current Digital Roadmap automating the status-quo in an incremental way? Are there outdated assumptions that need to be challenged? Are there better ways to achieve the desired outcome faster, more effectively? |
| Client | C1 Our client experience and interactions are well designed, tailored, fair and transparent | ABSIA can provide peer review feedback. Raising at the strategic level, can look across-agencies for whole-of-government approach. |
| | C2 We work with and through others to deliver efficient and effective tax and superannuation systems. | ABSIA engagement with DPO is “ok” but coordination with / of other ATO groups need to leverage the engagement model. |
| Workforce | W1 We are a high-performing, responsive and professional workforce with the right culture to deliver now and for the future. | Peer review feedback from the industry. KLB sat on the WWPTSS Board which was disbanded Dec2018 – is the culture change journey finished? Link to actions in G1 & G2. |
| | W2 We provide the right tools and workplace so staff can deliver the best client experience. | |
| Operational | O1 We use data and insights to deliver value for our clients and inform decision making across everything we do. | <u>Action:</u> What data is held by ABSIA members / industry that can assist in this regard? |
| | O2 Our technology and digital services deliver a reliable and contemporary client experience. | Refer to G1 & G2 |
| Financial | F1 We strive for operational excellence to achieve efficiency and quality outcomes. | Identify and inform areas of efficiency opportunity eg: where a different approach may be more cost effective. |

Wrap up