

The Assistant Treasurer, Senator Nick Sherry, today released the Inspector-General of Taxation's (IGT) *Review into the non-lodgement of individual income tax returns*, while announcing that the Rudd Government's tax bonus stimulus payment has reaped an important side-benefit by boosting the number of taxpayers who've lodged tax returns to an all-time high of around 96 per cent.

Based on pre-tax bonus data, the IGT found a non-lodgement rate of tax returns of 9.35 per cent; however, using the latest data, the Tax Office now estimates only 4 per cent of Australians have outstanding non-lodged tax returns.

The latest Tax Office analysis has found that as at 30 June 2009, 12.5 million 2007-08 returns had been lodged. This compared to 11.7 million lodgements expected by the Tax Office for that year, before the announcement of the tax bonus.

"The tax bonus has almost single-handedly cut the number of outstanding tax returns by more than half," the Assistant Treasurer.

"The Tax Office estimates an extra 800,000 taxpayers lodged returns before the June 2009 deadline to be eligible for the tax bonus – this is a massive improvement almost overnight."

"This is an important achievement as we move towards the end of the year and the conclusion of the most comprehensive review of our tax system in a generation."

"Tidying up important issues such as the lodgement of personal income tax returns ensures we have as clean a slate as possible for consideration of the outcomes of the Australia's Future Tax System review."

The IGT's *Review into the non-lodgement of individual income tax returns* made six formal recommendations, three to the Government and three to the Tax Office. The recommendations relating to the Government are:

- that the IGT report be referred to the Australia's Future Tax System review for its information and use;
- the ATO be provided with access to more sources of third party data, together with Tax File Numbers and Australian Business Numbers, for compliance purposes and to identify non-lodgers; and

- the penalties for failure-to-lodge are strengthened.

The Government has already acted on the first recommendation, but has declined to accept the others.

"The report's call for more third party data has privacy implications and could impose additional cost burdens on the community, particularly on businesses," the Assistant Treasurer said.

"Also, after liaising with the community and with stakeholders, the Government takes the view that increasing penalties for non-lodgement would be unlikely to deter those who are determined not to lodge tax returns and could act as a disincentive for non-lodgers to come forward to the Tax Office to rectify their tax affairs."

"In coming to these positions, the Government has also taken into account the significant improvement in tax lodgements brought about by the tax bonus eligibility requirement."

The IGT's recommendations to the Tax Office are:

- that the Tax Office supplement its current reporting on lodgement compliance by a periodic report on the broader outcomes and impacts being achieved on the level of non-lodgement in the community;
- the Tax Office should flag low-risk non-lodged returns in its systems and identify them as a separate category in its management reports; and
- the Tax Office should progressively increase, where appropriate, the use of default assessments to further support lodgement compliance.

The Tax Office has indicated its agreement with all three recommendations.

"I would also like to thank the Inspector-General of Taxation and his staff for today's Report. It is an important contribution to the maintenance and development of our tax system," said the Assistant Treasurer.

The IGT report is available on the IGT website www.igt.gov.au.

CANBERRA
16 October 2009