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Working for all Australians

1910–2010

A BRIEF HISTORY OF THE AUSTRALIAN TAXATION OFFICE

Leigh Edmonds

The Australian
Taxation Office
Centenary
1910–2010

Efficient and effective tax and superannuation administration provides the lifeblood of a modern democracy, helping to shape the community and giving strength to the nation.

Michael D'Ascenzo,
Commissioner of Taxation[1]

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Minister's foreword

I want to congratulate the Australian Taxation Office and all its employees, past and present who have made it a world-leading organisation.

Over the past 100 years, the ATO has succeeded as a fair and trusted administrator of our tax and superannuation systems. The work of the ATO has brought great benefits to our country and it is valued by both Australia's citizens and their government.

This book outlines the way our tax administration has evolved, how it was shaped and moulded by the events of the times and the changing needs and expectations of Australians. It shows how the ATO developed to meet the challenges and opportunities of the times, both national and global.

The history provides a rare insight into the working life of a dedicated group of Australian public servants.

I commend this brief history to anyone seeking to understand the human effort of our taxation system, and thank ATO staff, past and present, for their efforts for all Australians.
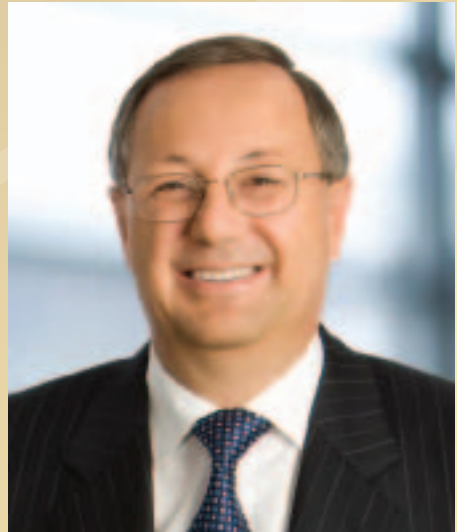
The Hon Bill Shorten MP
Assistant Treasurer
Minister for Financial Services and Superannuation

Commissioner's foreword

This is the story of an institution that has contributed to a country's past, and helped secure its future.

It is a story involving many people – those who worked inside the organisation, and those in the broader landscape, including all the people, and their agents, that live or invest in this country. It is about changes in our society. It is about a tax administration respected around the world, and with a proud history of integrity and public service. It is about how the ATO has adapted over time, and the energy and innovation, trials and tribulation that involved.

The ATO's role has grown to meet the needs of a modern and dynamic Australia. Today the ATO is not only the Australian government's principal revenue agency, it is also a large payer of government funds. The ATO also administers major elements of our superannuation system that secures retirement income for Australians, and we are the custodian of the Australian Business Register that helps to make Australia more efficient.

In our centenary year, the ATO has the opportunity to explore fresh ideas, embrace new technologies and new thinking, and to strengthen partnerships with the community.

This book shows why our people are at the heart of this organisation, and why the ATO's people work for the wellbeing of Australians.

Michael D'Ascenzo

Michael D'Ascenzo
Commissioner of Taxation and Registrar of the Australian Business Register

Preface

I would like to start this history with a few short comments about the Australian Taxation Office (ATO) and the people I have met while researching and writing its history. I want to note that these people, many of whom are named below, greatly assisted me, but carry no responsibility for what is written in this account.

The ATO is one of those organisations we all know about and all have to deal with, but it is an organisation we know very little about. We know about tax, everyone with an income knows about tax, but when we think about the organisation that collects it, what do we think of? Personally, I knew nothing. I write out cheques to the Deputy Commissioner of Taxation but had no idea who that person was. Like most people these days, I deal with the ATO through a tax agent, and I assumed that they knew everything there is to know about the ATO. When I talked to my agent, however, I discovered that he knew a lot about tax, tax law and ATO processes, but almost nothing about the ATO itself.

I was intrigued. So, when the opportunity came to write this centenary history I accepted it enthusiastically. I thought it would be the opportunity to lift the veil on this apparently secret and secretive organisation. I was soon to discover my misconception.

The first thing I learned about the ATO is that it is a bureaucracy, a very large bureaucracy. These days people tend to use the word 'bureaucracy' in a negative sense but the truth is that our modern civilisation could not exist without large organisations whose corporate knowledge extends well beyond the capabilities and understanding of any one person and continues while the people who work in it come and go. Bureaucracies were not new to me, before making the mid-life career change to history I had spent over 20 years in the Commonwealth public service so, as soon as I remembered the processes and procedures, everything ran like clockwork. However, the ATO is a much larger bureaucracy than I had been used to, and accountability and transparency have made processes more thorough since I was a public servant, so things move more slowly and thoroughly. Still, these thorough processes are necessary if public money is to be collected and accounted for in a way that taxpayers expect.

The second thing I found is that although the ATO appears secretive, that is something of an illusion. Before I started the project, forms had to be filled in, applications vetted and so on, but that was only a necessary prelude to the project. My big expectation in undertaking this history was that there would be many doors in the ATO that would have to remain closed to me to preserve its secrets and that there would be whole areas of operations that I would have to leave unexplored. There were no such problems. The ATO is obsessive about secrecy, but that is largely because it takes great precautions to preserve taxpayer privacy. People were more than happy to talk to me about the work they did and their experiences of it, but stopped short as soon as the discussion seemed to be headed towards the details of individual taxpayers or other ATO clients. Once I had a security clearance and a building pass, I was free to come and go at any ATO site in Australia and talk to anybody who was interested in talking to me, without hindrance or hesitation, except for the taxpayer information. The only occasion on which I met some hesitation was when I asked to learn about the ATO's internal fraud prevention processes, but even then people were helpful and friendly once the secure door to that section was opened.

Perhaps there are areas of the taxation processes that have to remain secret but I did not discover them, and I looked in detail at most areas of the history of the ATO's operations. But as I learned, the organisation has little to hide so I was free to explore any aspects of its history that were necessary to understand the ATO. In retrospect I realise that this lack of locked doors is not surprising because the organisation has been open to public scrutiny for many years and transparency has become almost second nature for it.

This brings me to comment on the tax officers I had the opportunity to meet and talk to. Without exception they were friendly and helpful. From the Commissioner and the Second Commissioners through the various levels of the executive and through the rest of the organisation, people were generous with their time, information and stories of their experiences. Not all were happy with their lot in the ATO, but all were happy to talk frankly about their time in the organisation so I began to develop a sense of what life in the organisation had been like as far back as people's memories extended, from the 1930s in two or three cases, right up to current times. Without these many conversations this history would have lacked the important understanding of personal experiences, which is at the core of the ATO as an organisation.

I'd like to acknowledge the value of the help all these people gave me over the time I worked on this history. There were over 150 of them so I cannot thank them individually here, although they are all named in the bibliography. As I write this. I think fondly of many individual moments, sitting in offices or conference rooms, talking to various people when they shared an observation, an experience or a confidence with me. I felt included in the life of the ATO and that helped me understand some of the things about the organisation that create its culture and values.

There are some people who I would like to thank individually. First is Michael D'Ascenzo, the current Commissioner of Taxation for his support of this project and for the times he made available in his intensely busy day to talk about his experiences, ideas and hopes for the ATO.

David Diment sponsored the project to write this history and I thank him for making this opportunity possible, as well as his enthusiastic and insightful support and help with various issues along the way. Thanks also to the steering committee who oversaw the entire project, reviewed drafts and ensured that everything ran smoothly. Members of the committee were Michael Monaghan, Alison Lendon, Philip Hind, Brett Martin, Roseanne McCann and Tom Byrnes.

During occasions when I was in Canberra researching this history I had the opportunity to spend some very enjoyable sessions talking with Trevor Boucher, a former Commissioner of Taxation. I owe much of my feeling for the culture and values of the old ATO to his entertaining comments and stories and I will remember my time with him fondly. Trevor was in the process of writing his history of the schemes era of the 1970s and 1980s with the assistance of the cheerful and helpful Vicki Woolley. In helping Trevor with his history Vicki had earlier found her way through many of the archival sources of the ATO's past and this history would have been much the poorer without her unstinting help in finding my way through those sources as well.

As part of the process of researching and writing this history I had the opportunity to travel to many ATO sites across Australia to collect information about the work and lives of tax officers across the nation. Visits to each site were organised by the individual site leaders and site coordinators. What enjoyable times we had and what important and useful things I learned during those visits! My gratitude to you all for the friendly assistance you gave during my visits.

The most important people in the ATO for the success of this history has been those who have taken care of the day-to-day details of the project. When I started Karen Colquhoun and Margaret McKenna led me into the ways of the organisation and set me on my feet. A little later Andrew Liso took over the reins and has been of endless help and encouragement with great grace and style. Working with him have been, in turn, Kate Everingham, Wern Chee and Shan Gao, graduates on rotation who have cheerfully sorted out the details of trips and interviews and all the minute details of a project like this. Denise Webb also came on board during the project, to take control of the ATO Story collection, and her great work in reorganising it into order was vital to the whole process. My sincere thanks also go to the production team who have turned a collection of photographs and text into this finished and polished product. Without the help of all these people this project of researching and writing this history would have been much less enjoyable and much more stressful.

My sincere thanks goes also to Valma Brown who has accompanied me through much of the work of putting together this history, has been a sounding board for many ideas and read and commented on the many drafts. More importantly for the reader, she selected the photographs included in this history, a painstaking task important to its overall success. Thanks also to my personal friends, Dot and Wayne, who were of great help during the whole project in taking care of Lily-Belle and Jo-Jo during our many research trips.

The friendliness, encouragement, interest and assistance of everyone I met in the ATO has made the process of researching and writing this history a rewarding one. As much as those things, I have enjoyed this project because of the sense of community that exists in the ATO and the way in which I have felt included in it. As a result, just as I have come to understand the way in which the ATO and its people works for all Australians, I have come to feel a personal investment in the ATO as a national institution. I hope that this history helps to explain what the organisation was and what it has become, so that readers can come to appreciate its struggles and achievements in contributing to our Australian way of life.

Introduction

I flew to Sydney as part of the process of researching this history of the Australian Taxation Office (ATO), to look at old documents and talk to current and retired tax officers.

The flight was as pleasant as air travel is these days but there was cloud all the way so not much to see. But as the aeroplane came down through the cloud base Sydney, one of the world's great cities, was suddenly spread out below us as far as we could see.

There were houses, streets after streets of houses, roads, freeways and bridges, railway lines and stations, parks and gardens, sporting grounds and golf courses, shopping centres and malls, warehouses, factories, churches, schools and hospitals and everything else that goes to make up a modern metropolis. And as this panorama of human achievement flowed past below us it came to me that almost everything I saw had been touched in some way by the ATO. The infrastructure had been paid for by taxes and taxes were attached to most of the human activities that took place in this great city.

It is a staggering thought to realise what a vital role tax plays in our lives. It pays for so much of the amenity that we enjoy and it helps ensure the peace and prosperity of our nation. Think about it the next time you find yourself flying over our land or walking down one of its streets, where is the ATO not present in the lives of everyday Australia and Australians?

The ATO is a national institution, nationwide and inextricably bound up in the nation's daily life. Not only does it collect the revenue that 'pays for the Australian way of life',[2] the ATO is one of the pillars of our Australian nation because the way tax is collected creates nations. A well-run and fair taxation administration, free from political interference, is vital to a sustainable democracy but when tax is poorly administered, or the system is seen as unfair, it becomes the source of great community complaint and changes nations. This is demonstrated by some of the forces that have created the way Australia is today.

Our Westminster system of democratic government is the direct result of the way in which tax was collected in England in the early 17th century. The English Civil War was fought over whether the parliament or the monarchy had supreme power and a key issue in that struggle was how the king raised revenue. After a decade in which the king raised revenue through increasingly unfair means, parliament rebelled, the king and his supporters were defeated, and the monarchy abolished. The monarchy was later re-established, but on parliament's terms. This created the basis of the form of government we have in Australia today, with a limited constitutional monarchy and actual power in the hands of a government holding a majority in parliament.[3]

The British colonisation of Australia took place for several reasons, one of which was the loss of its colonies in North America, and a major cause of that was unfair taxation. The British parliament raised taxes in the American colonies but the colonists had no representation in the parliament. That became a source of great resentment and led to the slogan 'No taxation without representation'. Unrest grew, the colonists rebelled, created the United States of America and drove out the British. As a result, Britain had to look elsewhere for military bases and convict colonies so that the colony of Sydney in New South Wales began British colonisation of the Australian continent.[4]

Today's Australian democracy is also partly the result of the way taxes were collected in Victoria in the early 1850s. Several British colonies in Australia were granted self government at that time but voting was limited to men with land or wealth. The discovery of gold in Victoria at that time attracted thousands of men and women from all over the world and the colonial government reacted by imposing heavy taxation to help pay for the goldfields administration, in the form of a Miners' Licence. The tax was very high and brutally enforced, leading to widespread dissent and the rebellion at Eureka in December 1854. The uprising was rapidly crushed but one of its demands, that included much wider political representation, became very popular and had to be granted. This set the tone for democratic reforms across Australia that set the model for our modern government.[5]

These events not only helped create modern Australia but helped shape its taxation system. The ATO is set at arm's length from the political process – as are the legal systems and the police services – so while politicians enact the laws to levy taxes in parliament, the ATO is expected to enforce them impartially and effectively, without fear or favour. The public outcry that results when something goes wrong with the taxation system is a sign that the community expects the ATO to always act with honesty and integrity and in the best interest of the community at all times, but often the public does not get the full story and the ATO is not in a position to defend itself. In the media battle for hearts and minds, the odds are sometimes stacked against the ATO.

This history tells the story of the creation and evolution of the ATO over one hundred years. It is not to be confused with the history of taxation in Australia because there is already a vast literature on that while the history of the ATO has not been told. However, that story is important because the success or failure of the ATO's administration of Australia's taxation system is a key to understanding something about the success or failure of the Australian nation. If Australia has become a peaceful and prosperous commonwealth then the work of the ATO has played a part in achieving that.

We call this a brief history of the ATO, not because it is particularly short but because it could have been much longer. Bear in mind that the history of the ATO begins in the first decade of Australian federation and that everything that has happened to affect and change our society has also affected the ATO. Consider that the ATO has been present all over Australia and that many tens of thousands of Australians have worked for it in its hundred years. And, like all large organisations, the ATO also had, and has, its own internal life which also gave a sense of character to what it did and how it did it. As a consequence, this history has only been able to touch on highlights of the ATO's history rather than go into great detail of particular trends and issues.

The ATO is an agency of the Australian Public Service and the people who work for it are public servants. Almost without exception they have known that the work they did created the lifeblood of the community that paid for its many needs. From the beginning, tax officers have understood the necessity for integrity and honesty in their work. It has become ingrained in the character of the ATO and is taken for granted in the daily working lives of tax officers, reinforced by the knowledge that there are other tax officers always watching for things that might go wrong. Tax officers have also held positions different from most other public servants because

Living links with the past, four Commissioners of Taxation around 2000. Left to right: Sir Edward Cain, Michael Carmody, Bill O'Reilly and Trevor Boucher. Between them they had held stewardship of the Australian taxation system for more than 25 years and had a memory of the ATO from the 1930s.

they routinely deal with the most personal details of taxpayers' lives, so when they join the ATO they sign a declaration that they will never disclose any information unless it is necessary in their work.

However, tax officers are people like everyone else and the things that affect other Australians also affect them. This means that as the Australian society has changed so has the ATO, its people and how they did their work. This is a major theme of this history.

When you read this history you will note some of the most important changes that have occurred in Australia over a hundred years including gender and racial relations, and rapid changes in technology. In 1910 Australia was almost monocultural and now it is multicultural. It was once a society in which women and men had separate roles and now it has almost gender equality. You will also notice the great changes in the tools the ATO has used, from early adding machines and pencils and paper to the almost paperless, screen-based information technology-using ATO of the new century. Changes in transport and communications have also changed the ATO from a regionally-based organisation to one nationwide organisation.

Since this has had to be a short history of the ATO I have not been able to include other important social changes. One that I want to mention here in passing is the great social change that has taken place in the role of religion in Australian society. When the ATO was created religious bigotry was commonplace with a dominant protestant and Anglo Australian majority and a Catholic and Irish-Australian minority. The antagonism between them ran very deep and affected most aspects of daily life. Even into the 1950s, newspaper job advertisements commonly included the phrase 'Catholics need not apply' and religious segregation extended into every corner of society where exclusion of and discrimination against Catholics was taken for granted. For their part, Catholics responded by setting up their own education systems and social and political organisations.

Even in the 1960s it was well known that some public service departments were dominated by Protestants and others by Catholics, and many people say that the ATO was a Catholic department. There is little written to substantiate this but there are many stories that support it. Some people say that the Brothers who ran Catholic schools told their boys that they should seek careers in the public service, preferably the ATO, and in Perth it was said that Catholics could only get jobs in two places, Aherns (the Catholic-owned department store) and the ATO. A strong Catholic population in the ATO might have created a general Catholic ethos there, but what might that mean? Perhaps it means that Catholic values of obedience and service became embedded in the ATO from its beginnings, combined with, as one tax officer told me, 'a very strong Protestant work ethic'.

Religious bigotry and segregation began to dissolve in Australia in the 1960s, one of many other important social changes, so there is little historical evidence left to indicate any lasting Catholic influence on the ATO. However, the fact that Catholicism is no longer important in the ATO reflects something important about the way in which Australia has changed during its history.

This history has tried to avoid discussing the social impact of taxes because they are the result of political decisions and outside its scope, for the most part. However, the social implications of taxes affect the lives of tax officers who not only collect taxes but also pay them, like everyone else. Tax officers also experience the benefits that result from how governments spend the revenue they collect, as citizens and in government financial policies that affect the operations and working conditions of the ATO.

The dispensation

Lionel Jones muses on a curiosity of Tax Office life.

When I entered the Tax Office in 1951, and until half way through my career, the overwhelming culture of the office was Irish Catholic. Although I bear the most common of names. I met very few named Jones in the Tax Office, where the most common name was Murphy. A sort of green Mafia watched what you ate on Friday.

For a retirement, it was usual for a dinner to be held in the staff cafeteria, after work, and for obvious reasons, on a Friday. Tables were set, laid with plates, knives and forks, and a long line of tables to one side groaned under cold cuts, sausage rolls, chicken legs and party pies. Every one stood around, chatting with drinks, except for an official table for the seated Senior Officers at the end of the room, a sort of bridal party table. Cordial membership of this elite was graciously accepted, providing it could not be said of a Senior Officer that 'We don't want him at our table, he doesn't drink.'

At a ceremonial moment, one of the elite would click his glass with his knife, stand, and with great solemnity announce 'I have spoken with Monsignor O'Flaherty this afternoon. We have dispensation for this evening'.

Without a smile, without a wink, everyone picked up his plate and lined up at the serving tables eager to fill his plate, while it lasted, with cold cuts, sausages rolls, chicken legs and party pies. No one noticed my suppressed grin.

After Vatican II, what ever happened to all those poor Tax Office souls burning in Hell for eating a crumb of sausage roll without the good Monsignor's dispensation? If I were them, I'd sue.

People are the key to the history of the ATO but only a handful are named in this history, mostly Commissioners. It would have been unfair to pick out and name the achievements of a few tax officers and leave out the rest, because so many have made their contribution to the evolution of the modern day ATO. However, the excerpts from people's conversations and the photographs help to convey something of the lives of the people who made the ATO what it was, and what it is.

Staff of the ATO's Wollongong branch gather for a group photograph to mark its opening.

Today the ATO is recognised as a world class tax administration and a leader in many aspects of revenue collection and distribution. This journey began a hundred years ago when a handful of men met to plan the introduction of a new tax to the newly-created nation and it has been achieved since then through generations of hard mental and physical labour. The Australians who have achieved this were people just like you, but what they did has helped make us what we are today.

01

The 1910s

LAYING THE FOUNDATIONS

CHAPTER ONE: The 1910s

Laying the foundations

Tax was a big topic during the 1910 federal election campaign, part of the process of creating a new and modern nation. Australians already paid tax through the indirect customs and excise duties that were collected on many imported and locally manufactured goods, but the proposed new tax would be collected directly from many large landholders to help lift the new country out of its old, colonial ways. That, at least, was the way the Labor Party explained its proposed land tax as it approached the election.[6]

Colonial government had risen and fallen on their policies of high or low customs and excise charges, and the new Commonwealth parliament had also begun with the same debates. However, the emergence of the Labor Party after the 1906 election changed that, and by the time of the 1910 election the old colonial politicians found themselves united in the face of new and radical Labor policies. During the colonial period a number of landholders, many of them living in Britain, had built up vast landholdings in Australia but, while many colonial politicians said that was good for the country because it kept British investment here, the Labor Party disagreed.[7]

Labor had already had some success in forcing its opponents to introduce old age and invalid pensions in July 1909 but its major policy was to develop Australia by increasing the nation's population of around four million by opening the land to closer settlement. This could only be done if the large estates were broken up through introduction of a tax that encouraged their owners to sell. The income from that tax would also be useful in helping to pay for services like pension schemes, immigration and defence, and would spread wealth more evenly across the Australian community.[8]

Prime Minister Deakin opened the election campaign in February 1910 in his electorate of Ballarat and then set off on a hectic tour that took him up into Queensland and back to his electorate before the election on 13 April. It was a long and exhausting campaign, travelling 7,000 miles by train and spending a day or two in an electorate supporting the local candidate before moving on. The Labor Party's two most popular politicians, Fisher and Hughes, also embarked on similar tours. In 21st century Australia their election tours seem small and slow, but remember what Australia was like in 1910.[9]

Distance and isolation were major facts of life. The railway and the telegraph were the main means of transport and communications and the only way to reach Western Australia was by ship because the transcontinental railway line had yet to be built. The telephone and the motor car were novelties to most people and most roads were still unformed bare dirt, wireless was in its infancy and the first successful aeroplane flights in Australia took place during the election campaign.[10]

There were only two ways of spreading the political message, in person and through the press. There was a printing press and at least one newspaper in almost every town and city and they printed the news about speeches and election events from around the country. There was no radio or television so politicians had to appear in person before their electors. They hired public halls, stood on balconies or the backs of trucks in the street, or stood on a box on a street corner to speak. Deakin was the most popular anti-Labor politician so he appeared in as many places as he could and spoke to as many people as possible. Fisher and Hughes also travelled widely and spoke as often as they could. Microphones and amplifiers had yet to appear so meetings were easily disrupted by men with 'mouths of brass and lungs of iron' who shouted down speakers and made it impossible for them to be heard.[11]

Rowdy democracy

During the election campaign many meetings were disrupted by interjectors. This is the report of only a few moments on one evening.

During a temporary lull, the chairman shouted, "Officer, remove that man". The noise became worse if possible, vindictive yells being added to the general uproar. Men rose all over the hall, shaking their fists at the chairman, and shrieking defiance at him. A black-bearded senior-constable bore down on the disturber, and conducted him from the hall, to a chorus of boo-hoos and shouts, all of which were drowned in the Labour count of "One, two, three, four, five, six, seven, eight, nine, ten," and then as constable and disturber reached the door a stentorian "Out!" and yells of laughter. The disturber waved his one free arm, and continued to shout his original defiance, whatever it was.

It was some minutes before order was partially restored, and Mr McPherson tried to continue his explanation of the Interstate Commission. A red-faced man, and a striking pallid man, in one of the galleries kept up a running fire of interjections. By direction of the chairman, a constable moved up, and stood between them, whereupon, they lapsed into sudden silence. There were, however, only three constables in the hall, and some hundred interjectors.[12]

Australia, with its national capital temporarily in Melbourne, was a proud member of the British Empire that was at its peak. Australian school children learned geography from a map of the world on which the red of Empire countries circled the globe and Australians travelled under British passports. Many Australians thought of themselves as being British and wanted to keep their country that way, so one of the earliest acts of the first Commonwealth parliament was to pass restrictive immigration legislation to keep out anyone with coloured skins, creating the 'White Australia Policy'. There were Aboriginal and Torres Strait Islander peoples, the original inhabitants, and Chinese and Pacific Islander immigrants already in the country but they had been marginalised so, in Australian cities and towns, most faces were white and the only language heard was English.

Despite this uniformity there was a great divide between men and women. Traditionally women stayed at home to tend their families and men went out to work to provide for them. In addition, housework was hard physical work and cooking was time consuming because there was little in the way of prepared foods. Women were excluded from most areas of economic, cultural and political life. Some occupations were open to women but only in closely restricted fields and at much lower wages so, at the end of 1914, the average weekly wage for a man was £2 15s 7d and for a woman £1 7s 5d. The fact that women were allowed to vote in 1910 showed that, despite these beliefs, Australia was an advanced democracy.[13]

Women were highly visible during the 1910 election campaign but only one woman, the famous suffragist, Vida Goldstein, stood for election and ran her own election campaign of public meetings, supported by other women of like mind. She said that in time women would play an important place in Australia's political life, but she was not elected.[14]

More than 2.3 million Australians over the age of 21 were registered to vote, but voting was not compulsory and preferential voting had yet to be introduced. When polling booths closed at 7.30pm people gathered where news of the results was available, usually outside newspaper offices. By 10pm the crowds were huge and outside *The Argus* building in Melbourne the gathering stopped the trams from running. Sections of the crowd cheered as news of their party's successes came in, but fairly early in the night it became clear that Labor had won a comfortable majority in both houses of parliament.[15]

A huge crowd gathers outside the office of *The Sydney Morning Herald* on election night in 1910, the only way of following the count on the night. (National Library of Australia)

The new Labor cabinet began meeting in mid May to plan its legislative program and the new land tax was high on its agenda. However, the first tax the government introduced was the *Bank Notes Tax Act 1910*, which supported its policy of national development by introducing an Australian currency. It placed a 10 per cent tax on bank notes that had previously been privately issued and the new national currency began appearing in December 1910. At first the notes were existing bank notes overprinted by the government and only a few of the original bank notes remained in circulation by March 1911 when the tax went into operation.[16]

The new land tax legislation took more time to prepare and took the form of two Acts of Parliament, the *Land Tax Act 1910* that was given assent on 16 November and the *Land Tax Assessment Act 1910*, that was assented to on 17 November 1910. The new legislation's main provision was a graduated tax on the unimproved value of land that applied for the total value of land owned by absentees and applied to the value of the land minus the first £3,000 for non-absentees. A Commissioner of Land Taxation was appointed to administer the legislation and an office under the direction of the Commissioner was created as a branch of Treasury. This office has gone under several names during its history including Federal Taxation Office, Commonwealth Taxation Office and Australian Taxation Office. For sake of simplicity and continuity they are all called the Australian Taxation Office or the ATO in this history.[17]

The land tax becomes law

After long weeks of debate in the Senate, the land tax legislation eventually came back to the House of Representatives for approval.

Melbourne, Wednesday.

The House of Representatives renewed acquaintance with an old friend today, when they considered the Senate's amendments of the Land Tax Assessment Bill. It was, perhaps, superfluous, for the Attorney-General to inform members that the amendments were purely formal. Everybody who has watched the progress of the bill through either House knows that only formal and unimportant alterations were permitted by the Government ...

A general discussion took place on the subject, and it looked as though the debate would last for hours. Mr. Hughes had given up hope of forcing a division, and had sat back to let the dissenters tire themselves, when all of a sudden the stonewall collapsed, and, strange to say, it was a little child who pushed it over. Mr. Roberts was in the middle of a tirade against clubs when a merry "Ha, ha," rang through the Chamber. Mr. Roberts went on, and once again came "Ha Ha" and the Chairman glowered. The Sergeant-at-Arms looked round at the strangers' gallery, and members strained their necks to see who had the impudence to openly laugh at Mr. Roberts. There was a brief silence, and then "Ha Ha" again. This time the source of laughter was traced. It proved to be the infant son of Mr Catts who, with his mother, was in the gallery. The incident caused much merriment, and Mr Roberts was so overcome that he sat down. The other stonewallers were so busy laughing that they forgot to take the floor, and before they recovered the bells were ringing for a division.[18]

Sixty people applied for the position of Commissioner and George McKay was appointed to it on 11 November 1910. He was a highly regarded and experienced public servant who had joined the New South Wales Public Service in 1877 and risen to become the chief executive officer of the Department of Mines. He became a Commonwealth Public Service Inspector in 1901 and was appointed to the New South Wales Public Service Board in 1910, a position he held when he was appointed the Commissioner of Land Taxation.[19]

McKay's first tasks were to plan the administrative system for the new tax and to participate in the selection of his deputies for the branches to be established in each state. This was necessary because problems of distance meant each state branch would have to operate almost autonomously from McKay's control and his deputies would have a great deal of individual power. Many people would have to pay tax on land they owned in more than one state so he also established a central office in Melbourne to handle those cases. The first Deputy Commissioners were appointed on 12 December 1910 and vacancies for the first 33 tax officers, clerks and valuers, were advertised in early January. A number of public servants were brought in from other departments to help set up the ATO and other staff were appointed as they were required and became available. At first the ATO employed temporary valuers because it was very difficult to find men with the necessary experience but small teams of experienced valuers were gradually built up in each state.[20]

George McKay, first Commissioner of Taxation

Commissioner McKay and the Deputy Commissioners met in Melbourne from 12–22 December 1910 to plan how the land tax would be administered and collected. To meet the government's requirement that the tax would be collected before the end of June 1911 they planned that the first returns would be due by 1 March 1911 so assessments could be sent to taxpayers by 21 April.[21]

The first land tax return forms were issued on 10 January 1911, a 'formidable-looking document of blue paper' on which landholders had to provide all the information required so they could be assessed for their land tax liabilities. There was also a sheet of instructions to help taxpayers understand and comply with the act that included a description of the penalties for failure to send in a return or make a false return (£100), a fine of 10 per cent of the tax for late payment and up to £500 and three times the tax evaded for under-valuing property.[22]

Landholders complained bitterly when the forms were issued. They said it was a bad tax that would drive pastoralists from the land and bring ruin to the nation. British land holders said that the tax would force them to take their capital out of Australia and invest it somewhere else. The Labor government listened politely but continued with the tax.[23]

More serious were the complaints that the land tax was unconstitutional and its collection illegal. Within a month a case against the tax was mounted in the High Court but, at the end of May 1911, the Court found the tax was constitutional. Another High Court challenge against the general principal of the land tax followed but it was also unsuccessful, followed by a series of challenges to various details of the act to test the legality of parliament's framing of the law. In this way the act and its meaning were gradually developed because the government could amend the law if it was unhappy with a court decision or if problems emerged in the tax's administration. Regular amendments to tax legislation soon became a common part of the tax administration's work.[24]

Land valuations also brought loud complaints. Landowners filling in their returns had to state the value of their land and when the ATO valuers assessed those returns they could reject those values if they did not agree with them. Landowners could object to the changes and this became the most contentious aspect of the new tax so, by mid 1913, the ATO had received over 1,800 appeals and objections, most about land valuations. In many cases where the landowner and ATO could not agree the matter had to be decided in court. It was a costly and time consuming business but some decisions also helped clarify interpretations of the law and made it easier to reach agreed valuations in later cases.[25]

The valuation process might have been made simpler by creating a system of common valuations across Australia at local, state and national levels. It was discussed by a conference of State Treasurers in 1914 and a conference of State and Commonwealth tax officials in March 1917 but they could not reach an agreement. Despite this the ATO received help from state taxation offices, lands departments and registry offices which provided information to verify taxpayer returns. The Commonwealth Attorney-General's Department assisted with legal advice on interpretations of the tax law, the Commonwealth Statistician prepared tables used to calculate valuations and tax liabilities and the government printers prepared reports, return forms and other material.[26]

50,000 calculations

Before the introduction of modern calculating machines most tax was calculated using 'ready reckoners', voluminous tables prepared in advance to make it simple to calculate tax and prepare assessments. However, preparing these tables was far from simple.

The amendment of the rate of tax necessitated the compilation of a new Ready Reckoner, showing the amount of tax at the amended rate payable on any taxable value.

The basis principles of this compilation were obtained from the Commonwealth Statistician, whose assistance in this respect is much appreciated. From the basic principles the Ready Reckoner was compiled by Mr C M Walsh, the Land Tax Officer in charge of the compilation of statistics. The work was of great magnitude, but it was carried out by Mr Walsh and his assistants very rapidly and satisfactorily.

Although the compilation necessitated about 50,000 separate calculations, the new Ready Reckoner was completed in manuscript in five weeks after the Parliament had passed the Act amending the rate, and it was issued to the public three weeks later. It was used for the computation of tax for the financial year 1914–15.[27]

In its first year the ATO employed 105 staff and assessed about 15,000 land tax returns. The peak workload occurred in the period between the arrival of the first land tax returns and when the assessments were completed and sent out, although the work of valuation, revenue collecting, statistical analysis and handling appeals was spread across the rest of the year. The ATO also put a lot of effort into informing the public by talking to taxpayers who visited the enquiries counters in its offices and by answering letters and assisting the press with information, the only ways of communicating with the public at the time. In the first year or so the ATO tended to be lenient with people who were late with returns or in paying their tax but McKay later became frustrated by the laxness of many people and began enforcing the law more strictly unless there were good reasons for delays. If some people found it difficult to pay their taxes the Commissioner could offer relief if the circumstances seemed to warrant it, and this became necessary during the drought of the middle of the decade.[28]

In the first three years land tax revenue was around £1.3 to £1.4 million a year. In the first year the percentage of the cost of collection against what was collected was 1.22 per cent because the ATO had not begun operating at full capacity; in the following two years it was 4.09 per cent and 5.78 per cent. While land tax began to make a useful contribution to Commonwealth revenue it was debatable whether it had done much to break up the large estates for closer settlement, and the statistics did not paint a clear picture of what had happened. Some landholders used technicalities in the Act to reduce their tax liability by doing things like selling portions of their land to relatives, partners or companies to take them below the taxable threshold and in many cases the cost of the tax was shifted to purchasers or tenants.[29]

The first tax day

Taxpayers leaving things to the last moment has always been a fact of life for the Tax Office.

A large sum was received at the office of the Federal land tax commissioner (Mr McKay) yesterday, the last day for the receipt of taxes. In the morning there was not a great rush at the counter, but the cheques paid represented a very substantial amount. The highest individual sum was £15,000, while another cheque represented £11,000. All yesterday afternoon people hastened to the pay office, and at intervals there was such a crush that business was materially delayed. At every delivery of the mail departmental officers were presented with a large bundle of letters, most of which contained cheques. A computation of the receipts will not be made till tomorrow, but an indication of their magnitude can be judged by the fact that the receipts for the two days preceding yesterday amounted to £172,972. Those who have failed to pay are liable to a penalty equal to 10 per cent of the amount of their tax. However, in many cases the commissioner will recommend to the Minister that the penalty be not exacted. Many assessments have required alteration, as the result of recent particulars supplied to the department, but, in consequence of the great amount of work necessarily performed by the land tax officials during the past few days, some of the proper assessments have not been made available. In order to escape the possibility of being fined, a number of people forwarded taxes due on the first assessment. When the assessments are revised refunds will be made to taxpayers who have been overcharged.[30]

By 1914 many of the early problems in administering the land tax had been resolved and the ATO began to settle into a routine. However, the Labor Party returned to power

in September after a period in opposition with the promise of a new tax intended to redistribute wealth by taxing deceased estates. McKay's Land ATO was given the administration of this new tax which came into effect on 21 December 1914 with the granting of assent to the *Estate Duty Act 1914* and the *Estate Duty Assessment Act 1914*. It was a relatively simple tax to administer, in comparison to the Land Tax, because reporting deaths and valuing estates already took place and the states made that information available to the ATO so no new staff were required to administer this new tax.[31]

The ATO's first officials, circa 1915.
Left to right, back row: L Roche, S McKellar White, A Bergin, A Hampton, H James, RW Chenoweth, G Garcia, HF Whitlam.
Centre row: DM Ray, FW Rose, R Ewing, GA McKay, JS Eastwood, MT Keely, H Brodribb.
Front row: H Storey, L Adams, T Ryan. Notable are GA McKay, first Commissioner of Taxation; R Ewing, second Commissioner of Taxation; S McKellar White, later Deputy Commissioner for Queensland; RW Chenoweth, later Deputy Commissioner for Victoria; HF Jones, later Chief Commissioner of Commonwealth Police; and HF Whitlam who became Solicitor General and whose son Gough became Prime Minister in the 1970s.

In August 1914 the tensions that had built up between the most powerful nations in Europe erupted into World War One. Australia mobilised in support of the British Empire and before the end of the year the first contingent of Australian soldiers had arrived in the Middle East. On the verge of war the Labor Party promised that Australia would stand beside the British Empire 'to our last man and our last shilling'[32] and its leaders strove to keep their word when the party was elected to power shortly afterwards. By the end of the war Australia had sent almost 332,000 men overseas

and 61,508 had been killed, and had spent £188.43 million on the war. Just as costly was the rift in Australian society over whether young men should be conscripted for the war that resulted in two bitterly fought conscription referenda in 1916 and 1917 that not only split the nation but also split the Labor Party. Prime Minister Hughes took some other Labor leaders across parliament to join his former enemies in a 'Win the War' party, which later became the Nationalists.[33]

In 1914 the government expected the war would not last long and that it could raise the necessary revenue by increasing customs and excise duties and increasing land tax by lifting the rate at which it was assessed and extending its scope to include crown leases. This caused public outrage that resulted in a Royal Commission in 1919 that reported in favour of land tax on crown leaseholds. However, by mid 1915 an end to the war seemed far off with Australian soldiers bogged down at Gallipoli and the horror of the Western Front consuming men and money at an alarming rate. To make matters worse, imports had declined, leading to a reduced income from customs duties so that the government needed new sources of revenue.[34]

In August 1915 the government announced that it would introduce an income tax to help raise more revenue. Commissioner McKay was given the responsibility for collecting it and became Commissioner for Taxation as well as for Land Tax. The states already had income taxes so this new one increased the tax burden and inconvenience to the community, so when the Commonwealth government began drafting the new legislation it tried to make it as compatible as possible with state income taxes. However, there was so much variation between the various state acts it selected the best features of various state laws and some overseas laws in drafting its new legislation.[35]

The *Income Tax Assessment Act 1915* was a relatively simple document of only 22 pages that was given royal assent on 13 September 1915. The government needed the money quickly so the ATO had to set up the organisation to collect the tax in only a few months. New systems had to be designed, new forms drawn up, new staff recruited and trained and the public informed about how the new tax affected them. Some of the big problems included finding new staff who were equal to the work, finding office space for them and tables and chairs for them to use. The ATO began planning in August while the legislation was being drafted, aware of the rapid expansion it would soon face, but accommodation was scarce and in Melbourne tax officers inspected old factories and warehouses that were dirty, smelly and cold and could find only a floor and a bit of suitable space in the city in Elizabeth House. The situation was similar in Hobart and Sydney. The other problem was in getting suitable people with the necessary qualifications and experience, so to begin with the ATO had to employ unsatisfactory temporary assistants. Another problem that soon emerged was that although most state governments were willing to help

the Commonwealth with land tax information, the secrecy provisions of most state income tax laws prohibited them from supplying the Commonwealth with information about incomes.[36]

The strain on McKay was immense and he frequently worked long into the night. In May 1916 he contracted a heavy cold while his strength was low and pneumonia followed. There were no antibiotic drugs to help him and he died on 14 July 1916. His administration of the land tax had been widely praised and his kindly nature and firmness in dealings with colleagues, business people and taxpayers of all descriptions had won him their warm regard. His standing in the public service was shown by the pallbearers at his funeral who included the Federal Treasurer, Comptroller-General of Customs, Interstate Commissioner and Commonwealth Statistician. The high standards he set continued to motivate the ATO and his successor wrote with pride, 23 years later, that McKay's high standards and lofty spirit of good administration still remained active throughout the ATO. A year after his death the ATO erected a grey granite monument to McKay's memory in the Brighton Cemetery in Melbourne.[37]

Robert Ewing acted as the Commissioner for over a year until he was permanently appointed to the position in September 1917. He had worked in the New South Wales public service, joined the Commonwealth public service and then the Land Tax Branch in 1911 where he became the Deputy Commissioner in Victoria. He had seen the toll the position took on McKay and within a month of his appointment he asked the government to appoint an Assistant Commissioner to help reduce the workload on him that was 'so great that I am unable to cope with it even by continuous night work'. AF Twine was appointed the first Assistant Commissioner (later called Second Commissioner) in November 1917.[38]

In search of even more money to help finance the war the government introduced three new taxes in 1917; an entertainments tax that came into operation on 1 January 1917, a wartime profits tax that began for the financial year 1917–18 in September 1917 and a bachelor tax that raised such bitter protest that it was never put into operation and repealed in 1918. Administration of these taxes was given to the ATO. The wartime profits tax was a complex piece of legislation that levied a tax on the difference between the profits a company might have made had the war not occurred and the profits it made because of the economic stimulus of the war, so the technical provisions of the legislation made it difficult to administer and open to objections and appeals.[39]

The entertainments tax was much simpler, being a halfpenny tax on the price of admission over sixpence to entertainments such as picture shows, theatres and races. The tax was collected by the proprietor and paid to the ATO but there were problems in collecting it, particularly in places remote from the large centres of population or from those who

The entertainments tax section of Melbourne branch, c.1919.

thought to keep the tax for themselves rather than hand it over. Like the other taxes it was introduced quickly and ran into early problems but, by 1918, it had settled down to a system of stamped tickets which made the tax easier to enforce and collect.[40]

Introducing these new taxes and developing the complex administrative systems needed for them were made more difficult by the distances that separated the state branches from each other and from the Commissioner. When new systems were introduced the states tended to interpret instruction in different ways that resulted in them doing things differently. The Commissioner could not travel to all the branches to solve these problems so he began writing to his Deputy Commissioners asking them about how their new systems operated. From their replies he usually decided which system worked best and asked the other branches to adopt that process. However, he had little day-to-day control over the branches and Deputy Commissioners often continued to do what suited them best.[41]

During the war many taxpayers felt it was their patriotic duty to pay more than their assessed tax. Some were not legally obliged to pay tax but did so and others made payments of double, treble or even quadruple the assessed amounts. Most people simply did what the law required of them without fuss or complaint, passing through the taxation system without trouble. The ATO had a range of procedures for those who did not meet their obligations, starting with circular letters or notices in newspapers for the majority of people who failed to comply through forgetfulness.

Those who still failed to comply were dealt with more severely and in 1917 ATO staff began launching the first prosecutions against them. However, before it started staff conducted a careful search of its records to ensure returns had not been misfiled because, for example, handwriting was so bad that the name on a return had been misread. More staff had to be employed for this work and to conduct the prosecutions that followed. In the year to June 1917 legal action was taken against 325 cases for taxes worth £1,600 and £61 in costs.[42]

Taxpayers and the war

By 1918 the long war had begun to affect people going to pay their tax.

A taxpayer who went to the Old General Post-office, at the corner of Elizabeth and Bourke streets, to pay his Federal income tax, desired to be taken to the office in the lift. He was informed, however, that this could not be, because the lift was reserved for persons who wished to transact postal business. While climbing the stairs he passed an elderly woman, who complained of similar treatment. It was represented to the taxpayer that this restriction on the use of the lift was due to motives of economy. The taxation department is only a tenant at the General Post-office, and by reason of that fact taxpayers must submit to inconvenience.[43]

The story continued the next day:

Following an item in *The Argus* that persons who wanted to pay Federal income tax at the old General Post-office building had been refused admittance to the lift because it was reserved for persons who wished to transact postal business, an official reply was given yesterday that the taxation department occupied the whole of the first floor of the building. For some months past it had been necessary to economise in the use of lifts owing to the scarcity of supplies of rope for renewal purposes. In the new General Post-office, and similarly in the Elizabeth street postal building, the lifts had not for some months past been used for the first floor, and it was understood that this practice was almost general in the principal buildings in Melbourne. The practice followed at the Elizabeth street building was therefore adopted generally for the purpose of conserving the life of lift ropes, and there was no discrimination whatever between the classes of passengers carried. Directions had been given by the Minister that aged and infirm persons were to be accommodated in the lift when desiring to visit the Taxation Department.[44]

The overcrowded working conditions of the records section in Melbourne, c.1919.

Rapid introduction of the new taxes put the ATO under enormous stress. In the early days of land tax the ATO had employed 105 people but by the end of the decade it employed 1,565. Among the most serious problems it faced was accommodating the rapidly-expanding staff and storing the growing volume of tax files and other paperwork. In Brisbane and Sydney some accommodation was found in the new Commonwealth Bank buildings and in Melbourne, the ATO occupied two buildings including the upper storeys of the General Post Office. In Sydney in 1917 more accommodation had to be found for staff to administer the new taxes and another floor was rented in the Warwick building. The rapid increase in staff meant that by the end of the decade working conditions in most offices were cramped and unhealthy and sharing buildings with other tenants brought problems such as the security of documents and, in Sydney, the loud sound of machinery on the floor above making it difficult for staff to concentrate on their work.[45]

The assessing section, Melbourne, c.1919.

Introduction of the new taxes also put staff under great pressure. In 1915–16, the first year of the income tax, 391,397 returns were received and had to be assessed between January and May 1916 so the tax could be collected by the end of the financial year. A large number of temporary staff were employed to do the work but the tight deadline meant they only issued temporary rather then final assessments that had to be revised later. In 1916–17, the second year, 410,847 returns were received but the ATO could not start until parliament passed amendments to the legislation and it only had time to issue temporary assessments again to meet the deadline. The ATO did not want to go through that again so, in the third year, it went ahead with assessments in the expectation that parliament would pass amendments to the tax legislation. However, the amendments were not passed so it was necessary to redo about 100,000 assessments. This workload was increased by many objections to assessments, 2,581 in the first year and 2,678 in the second, as well as the introduction of new taxes in 1917 that put an even greater strain on ATO resources.[46]

Women in the correspondence section in Melbourne, c.1919.

Finding satisfactory staff was a major problem. The biggest difficulty lay in finding men with a knowledge of accountancy and auditing, and the ability to analyse complex problems and do the highly technical work of assessing tax returns. The heavy drain on manpower as young men, including many Tax Officers, went to fight in the war made this problem more difficult. A short term solution was to recruit temporary staff but that was unsatisfactory so the ATO began building up a permanent and properly trained staff by recruiting younger men and training them in the work and encouraging permanent officers to study accountancy so they were equipped to become assessors.[47]

These problems also forced the ATO to employ women for the first time around 1917. Most did routine office work but some permanently-employed female clerical officers became temporary assessors, with 'most gratifying results'. Women remained a permanent part of the ATO workforce when the war ended and men returned to the office, but they were employed in the most lowly positions specialising in work such as typing and filing. Public service policy said women had to resign when they married so management was not willing to invest in training them for higher positions.[48]

The unguarded tongue

Commissioner McKay reminds his staff of their commitment to secrecy.

Melbourne, 27th April 1916
The Deputy Federal Commissioner of Taxation

Use of intoxicants

On introduction of the Income Tax Acts it became necessary to largely supplement the staff by temporary assistance. In some cases it has been necessary to caution officers, and in others, to dismiss them for intemperate habits. It is necessary for all officers to keep a strict guard over themselves in this connection.

This Department is the custodian of public credit and the information in its keeping must be regarded as absolutely confidential. Over-indulgence in intoxicating liquors often leads to indiscreet utterance and possibly to violation of the declaration of secrecy, to which each member of the staff had subscribed.

It must be distinctly understood that the Department cannot afford to keep in its employ any person liable to use an unguarded tongue while under the influence of liquor.

I am, however, glad to note that it is an extremely rare occurrence for any officer to offend and I do not wish it to be understood that this memo, though generally circulated, has any application to the vast majority of staff.

G McKay
Commissioner of Taxation[49]

People joining the ATO agreed to accept its values of honesty and integrity, the discipline of the public service and the secrecy needed to protect taxpayer privacy. New tax officers signed secrecy declarations, swearing that they would not divulge, directly or indirectly to anyone, information relating to the affairs of any taxpayer. This oath of secrecy meant they could not discuss their work with others, particularly people who were not tax officers so that secrecy became a barrier between them and the rest of the community and tended to bring tax officers closer together.[50]

Discipline was also generally very strict with supervisory staff firmly enforcing the rules of the office and the Public Service Regulations. An example of this discipline occurred in June 1919 when two young officers were caught talking privately behind some cabinets. They were charged formally under section 46 of the Public Service Act with not having devoted themselves exclusively to their official duties and asked to explain their actions. One already had a record for improper behaviour including late attendance and careless filing and an official reprimand was put on his file. The other was cautioned because his only previous record was for carelessness in handling a return, for which he had been fined one shilling (not a small amount in those days). He could offer no explanation for his actions except that it was an 'indiscretion to which youth seems prone' and he promised that if the offence was forgiven 'your confidence and trust in me to make good will not be misplaced'. He later became a Commissioner of Taxation.[51]

Honesty and integrity quickly became an accepted part of ATO life but it also set up procedures to detect staff who engaged in illegal activities. The complexity of the wartime profits tax tempted some officers to approach businesses with offers of obtaining reductions in their assessments, probably hoping to use errors they found in returns to their own profit. The ATO also received complaints that some people who had resigned from it were using their own knowledge or contacts in the office to obtain information from tax returns. Commissioner Ewing urged taxpayers to report any concerns they had about Tax Officer malpractice, he said many people who left the ATO could never be considered tax experts but there were also some retired officers who gave good tax advice and were a real help to their clients and the ATO through their knowledge of the tax law and ATO general practices.[52]

Sydney branch rugby league team, 1919. Standing: B Stanley (trainer), G Yabsley, C Clemenger, R Hill, W Neill (referee), J Stapleton, J McInnes, G McDonald, D Payne (manager). Sitting: B Marley (honorary secretary), P Johnston, J Palmer, WE Addicoat (captain), C Childers, J Reibelt, S Cooper. Front: B Wearing, S Josselyn (mascot), D Hoctor.

These special working conditions helped forge a common bond between tax officers. The values of honesty and integrity created a shared trust while their requirement for secrecy meant that the only people they could share many of their working experiences with were other officers. These things, the trying conditions and the knowledge that they were all doing work of national importance soon created a shared social life in the ATO, aided by the lack of many modern day distractions like movies and television. Staff social clubs organised dances, picnics and annual balls. Sporting clubs formed to play against teams from other government departments, and tax officers from the Central and Victorian branches visited Adelaide and played two cricket matches against the South Australian branch over the Christmas-New Year period of 1918. This social life laid the foundations for what would become a distinct ATO way of life.[53]

Freda's office days

Freda worked in the Tax Office from its early days until 1923.

Freda was employed as a stenographer typist in the very first Commonwealth Taxation Office in Victoria, working on the sixth floor in the correspondence section under the supervision of Laurie Smith, a war veteran. Freda explained that each day the six dictator clerks dictated letters to the four stenographers and typists in their team. Also on the sixth floor was the cashier, Mr Ivy, and adjacent to him, tellers and enquiry officers. Mr Hunt was responsible for the dispatching of mail with assistance of an offsider.

The hours and conditions they worked under were more restrictive and demanding than the flexible work patterns we enjoy today. The hours were from 9.00am to 4.45pm each day. Three nights a week overtime was compulsory until 9.00pm with a 45 minute meal break. The weekly pay was 7/6 (75 cents) and 1/6 (15 cents) for each night of overtime.

Staff enjoyed an active social life. Freda played on the left wing of the Tax women's hockey team, playing regular matches against other government departments. The Social Club held dances on a regular basis, with a ball at the end of the year. Freda remembers the feeling of togetherness. Staff morale was very high as a result of sharing these experiences. Freda was fortunate to make some lifelong friendships with other staff members including Christine O'Regan, Ada Peach and Vera Patterson. Freda also remembered working with Irene Condon, Doris Wood, Myrtle Mitchell and Lois Hall.

Freda worked in the ATO until 1923, resigning prior to her marriage when she became Mrs Opie.[54]

From its inception in 1910 the ATO had grown to collect around £10.45 million in taxes in 1918–19 with operating costs of £311,330. The taxes it collected had become an important contribution to the national revenue although the major source revenue remained customs and excise duties which raised £17.5 million at the same time. Even so, it had made great strides and a Royal Commission into Federal Economies in 1920 investigated the organisation and management of the Central and Victorian branches and reported very favourably, on the whole. Commissioner Ewing commented that it was a gratifying finding that reflected well on the united efforts of the staff following 'the tremendous difficulties which faced the Department upon its establishment'.[55]

02

The 1920s

SETTLING DOWN

CHAPTER TWO: The 1920s

Settling down

After a decade of growth the ATO's development stalled. Australian society started to change but the experience of war also made it more conservative, and this had its effect on the ATO.

World War One changed Australia. Grief had touched many people, disabled servicemen were visible on the streets and memorials to the war dead were erected in almost every community. The men who came back were changed by their experiences, mentally if not physically, and they found an Australia that was also changed by the experience of war and bitterly divided by the conscription debates. Australia and its people pulled back from the enthusiasm of the previous decade and lacked some of their earlier reforming zeal and energy. History remembers this era as the 'Roaring Twenties' but excitement and glamour were the experience of very few ordinary Australians as the country settled down to recover from the war.[56]

Before the war Australia had begun to express its own youthful independence but the war brought it closer again to Britain. People thought the cost of the war had to mean something and most saw it in the values and power of the British Empire while the thousands of young men who had visited imperial London also revitalised sentiment towards the Empire. This sentiment was reinforced in 1919–20 when the Prince of Wales toured Australia as a gesture of royal thanks for the nation's contribution to the war, also rekindling Empire loyalty. Australia became more stable and sombre, typified by the political environment in which the fiery Hughes was replaced as Prime Minister by the more conservative and 'British' Bruce, leader of the Nationalist Party that governed unchanged through the decade. As a result Commonwealth taxation also changed little in that time.[57]

The war brought Australia into the modern age. The United States began to exert its influence around the world and its culture began to appear in Australia. The first American icecream sundae shop opened in Sydney in 1921 and American moving pictures became popular with the first 'talkie', *The Jazz Singer*, screened in Sydney

in 1928. American companies established branches in Australia and brands like Kellogg, Ford and General Motors started to appear. An Australian identity began to emerge with brands like Aeroplane Jelly and Vegemite, and icons like the Sydney Harbour Bridge, on which construction began in 1924, and the first parliament house in Canberra, which was officially opened in May 1927.[58]

New technologies that had been forged during the war also began to change Australia. Radio broadcasting began in 1923 and became a popular form of entertainment by the end of the decade. Motor cars became popular and widespread with over half a million on Australian roads by 1928. Aviation also developed quickly with the first aeroplane flight from Britain to Australia in 1919 and Kingsford Smith's flight across the Pacific to Australia in 1928. By the end of the decade there were airline services in outback Australia, including Qantas services in Queensland and the Northern Territory. However, travel remained slow, costly and inconvenient so Commissioner Ewing did not travel much. In 1927–28 he made several long trips from Melbourne, to Sydney for four months, to Brisbane and Perth for two weeks each and two trips to Adelaide for a total of three weeks.[59]
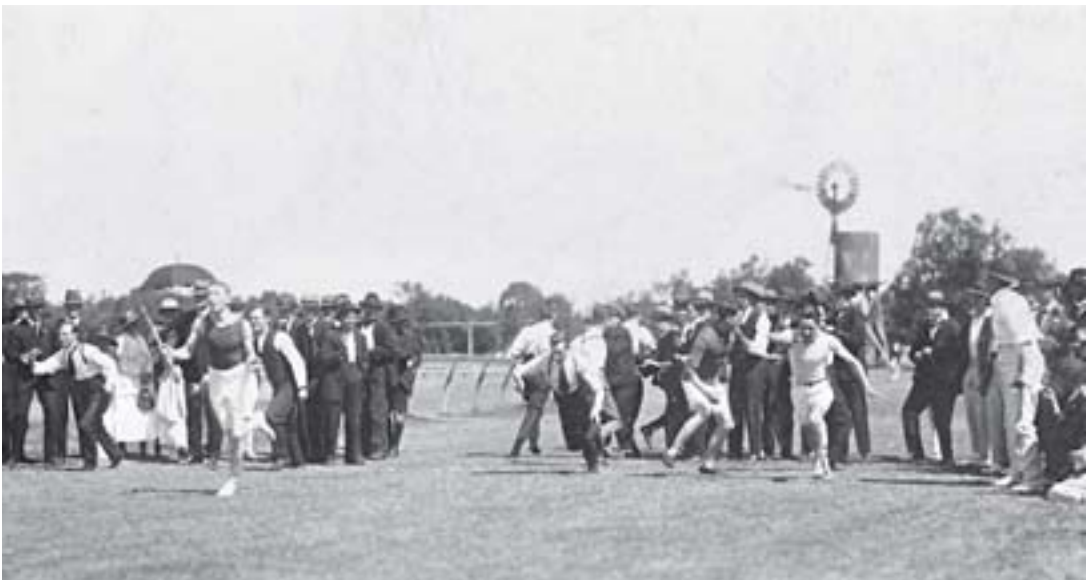
Relay race during the Melbourne office picnic at Aspendale Park, December 1921.
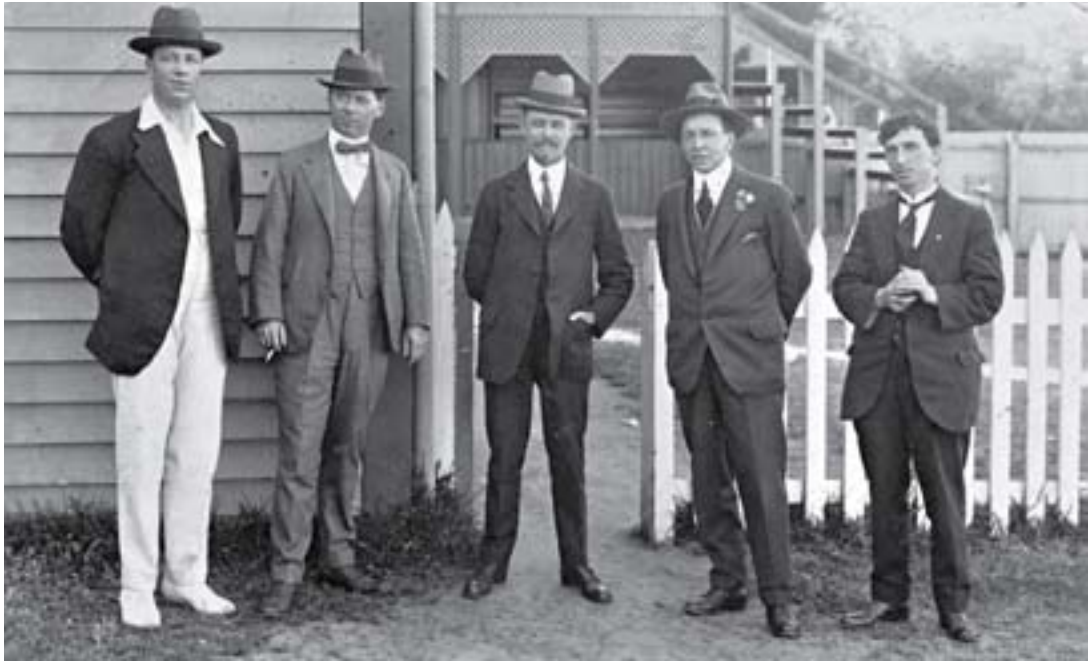
Senior tax officers at the Aspendale Park picnic, Melbourne, December 1921.
Left to right: J Martin (office manager), RW Chenoweth (chief clerk), R Ewing (Commissioner),
D Ray (Deputy Commissioner), E Adams (officer-in-charge, records).

Robert Ewing remained the Commissioner of Taxation throughout the 1920s. During that time the ATO collected in the order of £15 million a year which was significantly less than State tax collections of up to £32 million, or the Commonwealth customs and excise revenue of up to around £43 million a year.[60]

The most significant contributions to revenue came from the land tax, about £3 million a year, and income tax, about £10 million a year by the end of the 1920s. The entertainments tax raised a small but steady stream of revenue worth £358,697 in 1928–29. Estate duties revenue varied considerably, from £1.36 million in 1926–27 to £2.08 million in 1928–29. Collection of the wartime profits tax ceased at the end of June 1919 but complexities in the legislation meant that the ATO was still trying to finalise it at the end of the 1920s.[61]

The principal rule in the Tax Office

Commissioner Ewing's memorandum to all staff sets out the Tax Office position on helping taxpayers.

26 June 1920

Deputy Commissioners
All States

Statements have been made that the attitude of the various State Branches of the Department towards taxpayers is not uniform. E.G. it is stated that in some offices taxpayers are informed of any interpretation of the Act which is in their favor, even though the taxpayer may not refer to the point, whilst in other offices no similar assistance is rendered and the attitude of the office towards taxpayers is suspicious rather than helpful.

The policy which it is desired should be followed in this connection is that it is the duty of the Department to advise any enquiring taxpayer of the exact provision of the law, whether it be in favor of or against the taxpayer. Every possible assistance is to be rendered to taxpayers to enable them to fully comply with the law.

Suspicion of taxpayers by officers of the Department breeds distrust of the Department by taxpayers. This result is to be avoided by every possible means. There will, of course, be cases where taxpayers are open to suspicion, but this attitude by the Department towards them should only be adopted for good cause.

The principal rule of the Department is to assist taxpayers in every way possible so that they shall pay the exact amount of tax required by the law, no more, no less.

This memorandum should be noted by all officers whose duties bring them into contact with the public.

(Sgd) R. Ewing
Commissioner of Taxation.[62]

To collect this revenue the ATO became a large factory that processed paperwork. Tax returns were opened, examined, recorded, filed, matched with previous returns, matched with information from other sources and assessed. Then assessment notices

were prepared and sent out, the revenue collected, enquiries and objections handled and all records securely stored. A lot of temporary staff were employed to do much of the routine work during the peak periods that came to be called 'tax time', when returns came in, were assessed and notices sent out. The entire process was broken down and handled by sections, all carefully organised because of the responsibilities involved in collecting the revenue and being accountable for administering the tax liability of every taxpayer. Supervision was strict because of the need to be meticulous in all decisions, calculations and records, and although errors were common enough because the people who made them were human and fallible, systems were set up and evolved to reduce the risk of mistakes and their effects as much as possible.[63]

A blot on his record

Jack Bloxsome rose to be a senior investigation officer in Perth in the 1960s, but in the 1920s he had started as an office boy. When he retired this story was told.

One incident of Jack's boy-service is perhaps illustrative of just why Miss Sweeny used to shake her head. In the pre-ballpoint era, when pen and ink-wells were the order of the day, Jack was told to clean the Assessors' ink-wells during their lunch hour. At one o'clock Jack dutifully collected the ink-wells and placed them in a bucket of water to soak off the dry ink. This meant a break in Jack's activities, and, of course, time passes quickly when you're young. At two the job wasn't finished and the worst was to come. Assessors, being what they are, insisted on getting their 'own' ink-wells back and it was over an hour before peace again reigned in the Assessing Room. Jack never again washed ink-wells.[64]

Assessors were the key people in this process. They examined taxpayer returns in the light of all the information at their disposal including the current and previous returns and information from other sources, and made assessments based on the tax law and how the ATO interpreted it. They had to possess a good knowledge of accounting and business procedures, as well as the ability to understand complex issues. If returns were incomplete or unclear they could request more information from taxpayers, and if they were unsure of the details of making an assessment they could refer to more senior officers for advice. There seems to have been no formal assessment training in the early years of the ATO so knowledge and experience was acquired through informal training on-the-job in which new assessor's work was carefully checked by supervisors.

Becoming an assessor was the goal of many new tax officers, because of their higher status in the ATO and their higher salary. Usually assessors started their careers at a young age working in other parts of the office where they became recognised as potential assessors. One way of showing their ability and ambition was by enrolling in night classes and obtaining qualifications in accountancy or similar subjects.

An assessing room during the 1920s.

There was a hierarchy of assessors. They began assessing wage-earners and then small private enterprises and, if their work was satisfactory, they moved up to assess the returns of pastoralists and farmers and, higher again, trusts, partnerships, large property owners and then the more complex company returns. At each stage they became more experienced and knowledgeable in the technicalities of the tax laws and the ways of taxpayers. The career path beyond assessing lay either in appeals or investigations and beyond that as one of the ATO's leaders. However, progression was slow and most tax officers considered themselves to have done well if they reached the middle levels of assessing during their working lives.

Not done for pleasure

Commissioner Ewing explains why the Tax Office questioned people about their return.

Some taxpayers have made protests against the practice of the Department in requiring them to answer questions concerning their incomes, and in one State the daily press has discussed the question adversely to the Department.

It should be borne in mind that the Department does not issue the queries for pleasure, but because of either the incompleteness of returns or because of their misleading nature. In some instances the taxpayers who have been loudest in their protests have been amongst the most culpable in regard to misleading returns. Many of the persons concerned are under the impression that if they represent their cases to their representatives in Parliament, all their troubles will vanish, but it is desired to point out that this practice cannot advantage the taxpayers in any way. The Department does not act in any case because of the manner in which representations are made to it, but upon the facts of each case.

Taxpayers who follow the course mentioned above only increase the expenditure of the Department unnecessarily without gaining the slightest advantage.

Queries to taxpayers have been amply justified by experience. Considerable additional revenue has been collected in large numbers of cases where queries have [been] issued, and in which the tax would otherwise have been avoided, whilst in a large number of other cases taxpayers have been saved from over-assessment.[65]

The ATO had the power to investigate tax evasion and force taxpayers to meet their obligations. Commissioner Ewing said the investigation of taxpayers' books and accounts was perhaps the most important work of the ATO, which called for the greatest skill, experience and aptitude in its officers. The ATO became aware of several ways in which people could avoid income tax, a common one being people with more than one job using false names and a very large number of people failing to lodge complete returns. The ATO estimated that no less than £300,000 a year in revenue was being lost through these kinds of tactics and developed ways of catching them. In 1921 a special officer visited the coal mining districts of New South Wales and, as a result, 5,600 demands for returns were issued, 631 people were prosecuted and £1,713 collected in penalties and costs. The ATO knew that many of these problems could have been overcome by the collection of income tax in instalments from wages

as they were paid, but that would have required the introduction of expensive processes to calculate the regular deductions and collect the money, which would not have been worthwhile unless the rate of income tax was considerably increased to justify the expense.[66]

Melbourne branch social event during the 1920s. Many people are in fancy dress.

Another problem was collecting income tax from people going overseas or visitors to Australia who made income here and were obliged to pay tax on it. It first arose with overseas entertainers who came to Australia for a short time and then left without paying tax on the income they had made here. Very quickly the ATO began keeping track of them to make sure it collected their tax before they departed because, if they left without paying their tax, the only thing the ATO could do was keep a list of them and the amounts they owed in case they returned.[67]

It was easy to keep track of visiting entertainers and other celebrities because their movements were well publicised so the ATO had a small group of tax officers who checked on these kinds of people for decades to come. Much more difficult was the business of keeping track of Australians who left the country without paying their tax, an easy way of evading tax. Most Australians had neither the money or time to make overseas trips in the days when it took a month to sail to Britain, but wealthier people could afford the trip and included some who were more likely to try evading tax and, by September 1918, 118 people had evaded the payment of £441 15s in income tax

by going abroad. Branch offices built up small sections to keep track of people who seemed likely to be planning an overseas trip and fortunately, before the arrival of international air travel, it took time to make arrangements so the ATO often had time to find out about it. If the ATO thought people might be planning to go abroad it sent them a letter or telegram reminding them of their tax obligations and, in a 10 month period in 1920, the Sydney branch sent out about 1,300 letters and telegrams a month that resulted in about £60,000 being collected, at the cost of about £1000 a year.[68]

The ATO quickly realised that a more permanent solution to its problem lay in amending the Income Tax Act, but it was not clear what the best system would be. At the beginning of 1920 it received a copy of the 'sailing permit' issued by the United States Internal Revenue Service that prevented anyone who did not get a tax clearance from being issued with a passport. This system was adopted in an amendment to the Act in 1922 that required a taxation clearance certificate to be obtained from the ATO before a passport for overseas travel would be issued. These certificates quickly became a normal part of booking any overseas trip and application forms were available from travel agents and shipping company agents.[69]

Increasing complexity

Commissioner Ewing comments on the increasing complexity of tax law.

The work in connection with the administration of direct taxation laws becomes more complicated each year. Changes in business methods and relations which are taking place almost daily are being made in steadily increasing numbers upon lines which are intended to secure more or less freedom from taxation for either or all the periods of the change. The possibility of success in this direction largely depends upon the form of the law. If the law is expressed in wide general terms there is less possibility of avoiding its incidence. If, however, the expression is more specific, the parties affected by it sooner or later take steps to place themselves beyond the operation of the specification.

From time to time action has been taken by interested individuals and organisations to secure amendments of the law to meet cases which are more or less special. Some of these alterations have greatly increased the complexities of the law, and have added to the costs of administration.

It is a truism that equity cannot be secured in taxation laws without complexity. Complex law involves complex forms of return for income and the complicated forms give rise to demands for simplification of the law.[70]

The various tax acts were frequently amended and between 1920 and 1929 parliament passed 28 amendments to tax laws, and Ewing and his staff helped in drafting them. Sometimes they reflected changes in government policy, sometimes they were intended to make the laws more effective and sometimes they were designed to improve the machinery of the tax systems. Drafting had to be done carefully because a simple word or phrase could have multiple meanings, depending on the context in which it was applied, often to circumstances that had not been considered during drafting. To help clarify the complexities of tax laws Commissioner McKay had begun issuing Income Tax Orders, that could run from a few lines to several pages, and from the beginning of operation of the Income Tax Act in September 1915 until the beginning of June 1916 when he went on sick leave, McKay had issued 209 orders. From then until the end of the 1920s Commissioner Ewing issued a further 998 orders.[71]

The Commissioner and his staff also produced tax rulings that related to specific cases but were applicable to the entire administration of the tax laws. Although the ATO was sometimes criticised for keeping its orders and rulings secret so it could extract more money from the community, Ewing said he had no desire to keep them secret but the pressure of work had made it impossible to make them public. He had plans to publish them so all taxpayers could see how the ATO interpreted the tax law, but the best he could achieve by 1923 was a small book called *Departmental Rulings Regarding Deductions Under Section 23* that was available to the public for 2s 6d.[72]

If taxpayers did not agree with the ATO's assessments they could have the matter heard in court, but this was a costly and time consuming process so an income tax Board of Appeal was set up in 1922 to hear cases. However, the High Court found it did not have the proper judicial basis and was therefore unconstitutional, so it ceased to function. This forced all appeals back to the courts but in 1925 an amendment to the income tax law constituted a new body, the Board of Review, which was fundamentally the same as the old Board of Appeal but was constituted to survive a High Court appeal, and it became the avenue through which most appeals against assessments were resolved.[73]

In 1929 Valuation Boards, modelled on the income tax Boards of Review, were established for the land tax. They comprised an independent chairman, a representative of the Commissioner of Taxation and a representative of landowners. Soon ten boards were sitting, all had the same chairman and Commissioner's representative with the third member selected to represent the local area. They reduced delays and the cost of appeals in comparison to the slow and costly court processes but if taxpayers were unhappy with the Board's decision they could still take their case to court.[74]

The ATO entered the 1920s facing a number of problems, most of them created by the income tax. They included accommodating a growing workforce and keeping capable staff, double taxation and the confusion and complexity caused by state and Commonwealth income taxes.

The work of collecting income tax grew rapidly, from 706,390 returns in 1918–19 to over a million in 1920–21. The number of staff employed to process them also grew and Elizabeth House in Melbourne, that had been inadequate for less than 200 staff in 1916, was holding more than 300 by the end of 1919, and that number continued to grow. With over 300 staff in the office the average floor space for each person was only 35 square feet when 70 square feet was considered a fair thing in the public service. By 1921 the area occupied by some officers was a little over 13 square feet each and two or three of them had to share one table. Some officers had to sit in the passages between filing cabinets and sections were broken up, making it very difficult to organise work and supervise staff. Conditions were little better for taxpayers and in the peak tax time period 1,500 to 2,000 people a day tried to fit into the cashier's room that was only 3.5 feet wide and 20 feet long.[75]

Elizabeth House was reported to be the most overcrowded and unhealthy Commonwealth government office in the entire country and, in October 1921, practically every member of the staff signed a petition that claimed the office was overcrowded, badly lit and ventilated with poor lavatory accommodation. One assessor had recently died of tuberculosis and there was evidence that others in the office were also infected. The ATO knew of these problems and that sick leave in the office was costing it an average of £100 a week, but there was no better accommodation to be had.[76]

Sydney branch picnic, 1922.

The situation was little better in Sydney where staff also suffered overcrowding and poor working conditions. A woman claimed that in one room where women checked assessment two women had died of tuberculosis in the past three years. She also said that the women there were temporary staff because permanent tax officers refused to work there and that they had to check 135 to 140 assessments a day and would be sacked if they could not keep up.[77]

A petition about working conditions

This staff petition shows the conditions staff worked under in the Tax Office in 1921.

Chief Clerk

We, the undersigned officers working on the first four section of the Card Index beg to draw attention to the unhealthy and unsatisfactory conditions under which we are expected to perform our duties.

Firstly, the natural lighting is none too good being mainly a side light from the light well, while the electric lights are so placed as to cause shadows instead of light on our work.

Secondly, there is a cold draft continually present which as the winter advances, is going to be more and more unpleasant and unhealthy.

Thirdly, the space between our chairs and the filing cabinets is far too narrow for a continuous stream of officers (members of the Filing Section etc.) who continually pass along; further, as members of the Filing Section frequently carry ladders, bundles of files, etc. we receive quite a few bruises and knocks from them.

This space is occupied by a small table which we use for sorting files, and when occupied, we practically block what small passage there is.

Trusting that due consideration will be given to our grievances and that we may have them rectified.

Signed
Deputy Commissioner

The unhealthy and inconvenient conditions under which these officers work is well-known, but nothing can be done at this stage even towards temporarily remedying the present lack of heating accommodation as there are no funds available before 1st July.

J.E.M.
Chief Clerk
27-5–21[78]

These appalling working conditions could not continue and the ATO began planning for construction of new buildings in Sydney and Melbourne, big enough to accommodate an entire branch with space left over for other government departments. The Parliamentary Standing Committee on Public Works examined these proposals and recommended that new buildings should be constructed, but they would not be ready until 1924 while working conditions in the existing buildings continued to get worse. In Melbourne the ATO had no option but to renew its lease on the 'altogether inadequate and unsuitable from every point of view' Elizabeth House.[79]

Another problem was the quality of staff and the ATO suffered from a shortage of experienced and capable tax officers at the beginning of the 1920s. After the war most of the tax officers who left their positions to enlist were returned to them, and to higher level jobs and increased pay where possible. However, the employment of other ex-servicemen was not 'an unqualified success' because most of them had neither the education nor experience to equip them for the technical complexities of tax work. To make matters more difficult, a number of experienced tax officers resigned to take up careers in private enterprise, some as tax advisers, leaving the ATO with a shortage of experienced and capable officers. Commissioner Ewing hoped that improved classifications and pay would encourage many officers to stay and negotiations with the Public Service Board to achieve this were completed by the beginning of 1923.[80]

The return of ex-servicemen pushed many women out of the ATO, while those that remained were reassigned to subordinate positions such as sorters and typists. It was compulsory for women to resign when they married so they were not expected to have careers. As a result many of the junior positions that women could have occupied were reserved for men because they were considered to be preparation for promotion to higher positions.[81]

Women were also discriminated against in the wages they were paid. In 1923 a strong case was mounted with the Public Service Arbitrator that women doing the same work should be paid the same but he disagreed and set the basic wage for men in the public service at £198 a year and the basic wage for women £54 lower. He said, that in the majority of cases, the division of work between men and women meant they did not do the same work and, even if they did, they could not be paid the same because women did not have the same responsibilities as men. Young women had no dependents under normal circumstances but men normally had a wife and two or more children to support, so they needed more money.[82]

As well as administrative problems caused by the introduction of income tax, there were technical problems like double taxation. People living in Britain who made income in Australia paid tax in Australia and in Britain on the same income. Initially the British government relieved this problem by giving its taxpayers a rebate for the income tax they paid in other parts of the Empire, but it was a temporary solution. In 1919 Britain convened a conference of Empire countries to consider the problem and Australia was represented there. It supported the general principle that the country in which income was first made had first call on the tax, but this was complicated by other countries that had different ideas so no Empire-wide agreement was reached. These problems remained unresolved for many years.[83]

Perhaps the biggest problem caused by the introduction of the Commonwealth income tax was the confusion and additional work it caused in the community. Although exemption from the requirement to pay Commonwealth income tax was set at a fairly high level so it did not affect most people, those who did have to pay it had to send returns to two tax authorities and pay two lots of income tax. The confusion this caused and the strident complaints it raised led to a series of conferences and meetings between Commonwealth and State politicians and tax officials, but they achieved little. In 1919 the Commonwealth offered to drop its income tax if the states would drop any financial demands on it, but it soon became clear that the Commonwealth needed an income tax of its own to help reduce Australia's war debt. A Royal Commission was appointed in September 1920 to investigate the whole issue of taxation. It issued five reports that included recommendations that were incorporated into tax legislation and a major recommendation that the Commonwealth should have exclusive right to income taxes and the states should retain other taxes such as estate duties and entertainments taxes. But neither the states nor the Commonwealth agreed.[84]

While the Royal Commission was sitting the Commonwealth suggested that it could simplify tax collection and reduce costs by taking over the collection of state income tax. The Western Australian government agreed and the Commonwealth's ATO took over collection of all the state's taxes from 1 July 1921 for one-third of the cost previously incurred by the state government. Before the amalgamation the state and Commonwealth tax offices had played annual football matches and they continued after amalgamation because no suitable building in Perth was available to accommodate them until they were brought together in the Perth General Post Office in about 1923.[85]

Perth branch football team, 1923.
Back row, left to right: Norm Mosel, Bill Peacock, Bert Aderly, Bill Earnshaw, Dave David, Vern Bray.
Middle row: Roy McCarter, Ted Fleming, Harry Wenlock, Alf Langsford, Tommy Duncan, Cyril King.
Front row: Harry Hogue, Bill Hughes, Bert Smith, Bill Moore, Jack Event.

The situation in the eastern states remained at an impasse until January 1923 when Stanley Bruce replaced William Hughes as leader of the Nationalist Party and Prime Minister. Hughes had been involved in creating the Commonwealth taxation policy and staunchly favoured the Commonwealth over the states so the Royal Commission recommendation that the states should leave income tax to the Commonwealth suited his line of thinking. On the other hand, Bruce was much more concerned about the strength of the federation and eliminating the friction between Australia's seven governments. In a meeting with state premiers he tried to resolve the taxation problem but was not successful, and not long after that the Commonwealth offered to let the states collect income tax on its behalf. The states, who had seen their powers slowly being eroded by the Commonwealth, were probably happy to take at least some control over the Commonwealth's revenue raising capacity.[86]

By January 1924 all the Commonwealth income tax branches in the eastern states had been transferred to the states, leaving the Commonwealth's ATO with complete responsibility for tax administration in Western Australia, an income tax Central Office in Melbourne for people and businesses who paid income tax in more than one state, and small offices in the other states to administer the Commonwealth's other taxes.

For administrative and legal convenience the Commissioners of Taxation in the states were also titled Deputy Commissioner of Taxation for the Commonwealth. These arrangements continued through the 1920s and 1930s in a series of five-year agreements that were renewed without significant change.[87]

The only real difficulty in transferring income tax collection to the states was over the terms and conditions of transferred staff. A number of Commonwealth tax officers were transferred to the states where they became members of the state public services, but since the overall number of tax officers was reduced some surplus officers were absorbed into other Commonwealth departments and 147 were retired with compensation. When everything had settled down the staff of the Commonwealth ATO in the eastern states had been reduced from 1,493 to 284 while the Central and Western Australian branches remained stable at 144 and 250 respectively.[88]

Commissioner Ewing later said he was personally opposed to the state collection of Commonwealth income tax because he believed that Commonwealth officers such as assessors and investigators were more capable in every way than those in almost all of the state offices, who were 'mediocre men'. He had tried to ensure that his assessors and investigators were certified accountants or studying accountancy but training in the states was generally poor and in some of them the tax administration was a dumping ground for men other departments did not want. He was also opposed to the change because he had little control over how the state taxation commissioners, who were also his Deputy Commissioners, ran their organisations so there was little uniformity between the states, while one Sydney Deputy Commissioner had openly boasted that he ignored Ewing's rulings and pleased himself about how assessments were made. He complained that therefore the systems of assessment and collection were not uniform in the states, as it had been when the Commonwealth collected its own income tax, and he could 'not control State commissioners in their expenditure to more than a slight degree'. The only way he could keep some control over the quality of the tax technical work in the states was by having all cases that were to go before Boards of Review or courts sent to him for consideration and direction about the arguments to be used.[89]

This loss of control was disappointing after the work Ewing had put into trying to bring uniformity to the branches. In late 1922 he began setting strict guidelines about how assessing would be done and set timetables to ensure all assessments notices were in the mail by 19 May 1923 so income tax was due to be paid by the end of the financial year. All available resources were to be diverted to the process, including the temporary transfer of staff from other sections; assessment staff were to be strictly supervised, although overtime was to be avoided because it reduced staff efficiency and added to costs. Most state branches had their own views about how to achieve

Ewing's goal and there was much debate about it but, by April 1923, all the branches were able to report that they would complete their assessments by the deadline, or 31 May 1923 at the latest, except for Western Australia that expected to have its assessments completed by 31 May 1924. An inspector who was rushed to Perth in May 1923 found that although there were many slight differences in how Perth assessments were conducted, the principal cause of the low output was that the Perth branch also had responsibility for collecting Western Australian tax and the difference between Commonwealth and state income tax legislation caused the delay.[90]

As well as ending the uniformity of Commonwealth income tax administration the transfer of tax officers to the states also ended the growing camaraderie that had been developing between the branches. Over Christmas 1921 tax officers from Adelaide, Melbourne and Brisbane visited Sydney for an annual athletics carnival and the following year groups from Sydney and Adelaide visited Melbourne for competitions in cricket, athletics, tennis and swimming. After that, there was nothing for many years.[91]

The loss of income tax to the states solved one major problem because office accommodation became a state responsibility. In Sydney the state took over the lease of the building that housed income tax staff and most of them were not immediately affected by the change. The remaining Commonwealth tax organisation moved into a building that had previously been occupied by the state tax administration, an old stone building in George Street that dated back to early settlement. It was not an ideal building but serious concerns about it surfaced in December 1926 when a young woman there was reported with tuberculosis. Health authorities regarded this case seriously and quickly recommended several measures to prevent the spread of the disease that included spraying and swabbing the building with disinfectant, repainting the walls, regular sweeping and dusting after hours, damp washing the floors and fittings once a week with disinfectant and strictly forbidding spitting, a common form of transmission. Medical records showed that four people in the building had had tuberculosis and one assessor had died from it, while another three were possibly infected (one was the fiancee of the assessor who had died, he had broken off the engagement when he was diagnosed because he believed she had infected him). A report on conditions in the building following this outbreak found it far from satisfactory and recommended that an office in a better location should be found. When its windows were opened to let in fresh air large quantities of dust blew in from the street, which did not cause the disease but made the office uncomfortable, the lighting needed to be improved and the walls needed painting. A report later in the year found the building clean, bright and generally improved but there were still serious problems with draughts, that would be costly to fix. However, by the end of the 1920s the ATO was a very small government agency and not much was done.[92]

03

The 1930s

UNSETTLING TIMES

CHAPTER THREE: The 1930s

Unsettling times

The Great Depression of the 1930s revitalised the ATO. In this period of economic crisis the Commonwealth government needed more revenue which it raised through a major new tax – sales tax. The ATO was given responsibility for it, leading to the creation of a new national structure.

Australians suffered badly during the depression. The nation's currency was devalued by about 25 per cent, the basic wage was reduced by 10 per cent and old age and invalid pensions were also reduced. Recorded unemployment reached 28 per cent in June 1932 but the real figure was much worse. There was no social security to protect most people and unemployment-relief work was barely enough to sustain families.[93]

Although the depression was a worldwide catastrophe it struck Australia particularly hard and many commentators have since argued that it was the government's economic policies that caused so much distress. Fear of debt was a major cause of the government's policy. By 1929 Australia's seven governments owed a total of £1,104.02 million and the Commonwealth owed £541.98 million of that. Australia had been built on debt, governments routinely funded recurrent expenditure from revenue and development from borrowings, arguing that development was an investment for the future and could be paid for in the future. Major investment funded by borrowing had gone into national development such as telegraph and telephone construction, railway construction, maritime and port development, defence and immigration. Most of the debt was owed to British investors and as the depression deepened the British government insisted that Australia had to balance its budget, liquidate its British debt and reduce its standard of living to pay for it. A conference of Commonwealth and state governments agreed to this and resolved to reduce government spending by 20 per cent, reduce interest rates and increase revenue through increased taxation.[94]

The Commonwealth government increased its customs and excise rates but revenue from those sources fell dramatically as imports fell, from £59 million in 1928–29 to £39.2 million in 1931–32. The government increased its income tax rate and the state governments increased rates on existing taxes, lowered exemption rates so income tax reached the lowest wage earners and introduced new taxes. As a result, in 1935 taxpayers could be paying as many as 14 different income taxes.[95]

In October 1929 the Labor Party won the federal election. James Scullin became the new Prime Minister but the economic crisis left him a broken man and out of office in two years. Under the pressure of the depression the Labor Party split and one faction joined the conservatives in the Commonwealth parliament to form the United Australia Party which was elected to power in December 1931 and Joseph Lyons became Prime Minister.[96]

The gloom of the depression was occasionally relieved by the exploits of national heroes such as Phar Lap, which won the Melbourne Cup in 1930, and Don Bradman, who thrilled huge crowds at cricket matches. Movie shows at the local picture theatre helped lift spirits and women's magazines, such as the *Australian Women's Weekly* which was first published in June 1932, encouraged women and helped them cope. By the end of the decade the air transport system provided frequent flights between the eastern states capital cities, and a flight every second day to Western Australia, all in modern American airliners flying at 150 miles an hour. The streamlined Spirit of Progress train ran at an average of 52 miles an hour between Melbourne and the New South Wales border where passengers transferred to another train to complete their trip to Sydney because the two states had different railway gauges.[97]

Despite these advances life remained precarious. There were no antibiotic drugs to cure many infections, and diseases like polio and tuberculosis were commonplace in the community. Special isolation hospitals were set up to treat tuberculosis patients and a future Commissioner of Taxation, Patrick McGovern, spent the best part of a year in the early 1930s in one of them. In 1938 a polio epidemic isolated country towns, closed some schools for months and forced cancellation of many sporting and social events. Natural disasters also took their toll. Drought ravaged many rural areas, causing distress in farming communities, and Melbourne was put on water restrictions in January 1939. On 13 January that year the Black Friday bushfires destroyed millions of hectares of forest, killed 71 people and made 1,500 homeless.[98]

All forms of taxation were affected by the economic crisis. Entertainments tax collections fell dramatically from £358,697 in 1928–29 to £133,072 in 1931–32. In 1933 the Commonwealth left the entertainments tax field for the states but it took until June 1936 to finalise that tax, the same year that the ATO was finally able to close the books on the long running problem of the wartime profits tax. Revenue from estate duties fell, although they began increasing again in 1933–34. The government reduced land tax rates by a third in 1931–32 and a half in 1932–33 because of the depressed rural economy, so revenue from that source fell from £3.02 million in 1927–28 to £1.28 million in 1934–35. Income tax revenue rose from £9.84 million in 1928–29 to a peak of £13.60 million in 1930–31 through heavy rate increases and the imposition of a super tax on higher income earners and companies. As the depression lifted rates were reduced so the revenue from income tax fell to £8.76 in 1934–35. By the end of the 1930s the Australian economy had almost recovered from the effects of the

depression and customs and excise remained the major source of Commonwealth revenue at £53.83 million in 1939–40 while revenue from the established taxes was £32.38 million.[99]

Primary industry suffered severely through the 1930s, from the depression and from drought. This led the government to introduce three new taxes; the flour tax, wool tax and apple and pear tax. The flour tax was introduced in 1934 to help the wheat industry because the cost of production had become more than the sale price. Millers and others in the flour industry paid a levy intended to raise about half of the £3 million needed to support the wheat industry, which was passed on to state governments to be allocated to distressed wheat farmers. This tax was modelled on the sales tax and the ATO administered it using sales tax staff, so the cost of collection was minimal. The tax first operated between December 1933 and May 1934, then from January 1935 to February 1936 and it was revived again in December 1938 as part of a wheat price stabilisation scheme.[100]

Flour tax avoidance

Commissioner Ewing noted the measures taken to ensure compliance with the new flour tax laws.

It was known that many persons had purchased large quantities of flour when the flour tax was first mooted, hoping thereby to avoid the incidence of the tax.

Special action was taken to ensure that these persons accounted for the full amount of tax due by them, both to protect the revenue and to prevent competitive disabilities to other traders.

The services of postmasters, country valuers, and officers of the Taxation Department were utilised in the inspection of stocks of flour held on 4th December, 1933, by persons in the metropolitan areas and larger country centres. The prompt action taken in this regard obviated in a large measure under-statements by taxpayers of stocks held by them.

A number of prosecutions have been carried out for concealment of stocks of flour or furnishing false returns.[101]

The wool tax was introduced at the beginning of July 1936 to improve the production of wool and promote its use in Australia. All receipts were paid into an account administered by the Australian Wool Board. The ATO consulted widely with the wool industry in putting this new tax into operation to eliminate inconvenience and reduce

administrative costs and few new staff were needed since the tax was also modelled on the sales tax. The apple and pear tax was created to fund a board that would help that industry. It too was modelled on the sales tax and would have been relatively simple to collect but it was never put into operation because its markets were in Europe where the political situation was rapidly getting worse in the late 1930s.[102]

The most important new tax introduced in this period was the Commonwealth's sales tax. The government announced it in July 1930 and it came into operation on 1 August. It was introduced with a rate of 2.5 per cent, in the expectation that it would yield £6.5 million a year, but the economy had slowed so much that the rate soon had to be increased to six per cent to yield a useful revenue. The government called it a luxury tax because it was not imposed on the necessities of life and exemptions included food, medicine, materials and equipment used in industry and goods sold for export. As time passed and the depression lifted, the number and type of exemptions increased so taxable sales were £183.29 million and exempt sales £280.28 million by the end of the decade. These increasing exemptions and rate reductions, to five and then four per cent, saw sales sax collections begin at £3.47 million, reach a peak of £9.42 million in 1935–36 and fall to around £8 million a year in the late 1930s.[103]

Setting up the sales tax organisation

Patrick McGovern was directly involved in setting up the sales tax organisation in 1930. He wrote about it in a letter in 1936.

It will be remembered that the Sales Tax legislation was hurriedly enacted. It was actually assented to on 18.8.30 whereas it became operational from 1.8.30. At the time that it came into operation there was not in the States any organisation, accommodation, staff nor furniture, neither were there any precedents to which reference could be made for guidance in the requirements. When it is remembered that the legislation required the registration of all manufacturers and wholesale merchants (there are at present over 9,000 effective registrations in Victoria), and the receipt and acknowledgement, recording, checking and investigation of monthly returns from each, the speed with which the organisation had to be brought to efficiency whilst observing the requirements of economy and the difficulties to be overcome in so doing may well be appreciated.

The Victorian section at present deals with returns involving revenue amounting to not less than £3,000,000 per annum and is a smooth working efficient section.

I have had direct control of the Section from its inception in 1930, and almost every problem of staffing and organisation has either been personally dealt with by me or reported upon for consideration of higher authority.[104]

A Board of Review was established for the sales tax but it was little used. The sales tax legislation was amended numerous times before the end of 1939, some were changes to its administrative machinery but most extended the list of exemptions. To help the community understand the new tax the ATO published a sales tax handbook in 1933 which was consolidated in 1936 and completely revised and published again in 1939.[105]

The sales tax revived the ATO because it needed larger branches in each state to administer and collect it. In most cases these branches took over administrative control of the other sections that collected other Commonwealth taxes in the states. However, restriction imposed by the government due to the depression limited the size of the ATO to about 1,000 people during the 1930s and costs were kept down by recruiting staff from other public service departments so the government's overall expense was not increased. During the initial phases of the new tax the cost of collection was about £55,000, mainly in staff costs. The sales tax involved a large volume of work and the Victorian branch alone handled between 900 and 1,400 items of mail a week and up to 9,000 returns a year.[106]

In Sydney the problem of finding additional space for sales tax staff was solved by the availability of the recently-vacated space on the first floor of the building that the ATO leased from the state government. Since the public would need access to the sales tax office, initially to handle all the enquiries that were expected as the tax was being set up, and then for the monthly collection of the tax, the valuation section had to move upstairs to make room for the sales tax section. The arrangements were hastily made but as the sales tax went into operation the new accommodation was barely adequate with four enquiries staff behind a counter 12 feet long and the public on the other side, usually two deep, waiting patiently for their turn to ask their questions, with everyone else listening in.[107]

Upstairs, valuation staff were far from comfortable. The space they moved into had been a workshop and lacked a ceiling, but all the ATO had time for, and could afford, was to whitewash the walls. The room was cold, water came in through the slatted roof when it rained and dust and soot fell down on people as they worked. In July 1931, 25 of the staff sent a petition to the Commissioner complaining about their conditions and it was decided to put a ceiling in the room. Initially the building's owner was not keen to do the work but after a few months the owner decided to put a ceiling into the room and, while it was about it, re-roof the building. This resulted in dust and soot from the roof raining thickly on the tables, papers and the staff. By the end of 1931 the work had been completed and the building repainted inside and out, putting it into a most satisfactory condition. By then, however, planning had begun on moving into a new office building.[108]

The Government Savings Bank of New South Wales built a grand new office in Martin Place, Sydney, between 1925 and 1928, costing £1.5 million and the most expensive building constructed in Australia to that time. In the depth of the depression that bank was taken over by the Commonwealth Bank and vacant space in it became available for the ATO. Planning for the move began in mid 1932 and involved consideration of many details including provision of enquiries and cashier areas easily accessible to the public, the allocation of floor space to the various sections and the installation of storage facilities. The move permitted a partial integration of some sections with land and sales tax sections having a combined correspondence section.

The Savings Bank building in Martin Place, Sydney.

There was one telephone switchboard for the whole office and the question about where it should go arose because there was apparently not enough use of telephones to keep the operator fully occupied. It could either go in the enquiries area where she could help when not answering calls or in the correspondence area, although the sound of typewriters might cause problems. After consideration the switchboard was put in the enquiries area. The move was made smoothly from 24 to 28 November 1932 and the only significant complaint in the new building became problems with draughts.[109]

The introduction of the flour tax in 1934 caused a few problems in the new Sydney office in finding a room for the staff needed to set up the new tax. The best arrangement was to make space by moving sales tax investigators somewhere else, but that caused other problems. When the flour tax settled down to routine administration only two full-time officers were required, which reduced accommodation pressure, but the introduction of the wool tax in 1936 created the same kinds of problems again.[110]

Canberra became Australia's seat of government after the official opening of the first parliament house in 1927 and policy-making sections of some public service departments soon transferred from Melbourne to join the government. Commissioner Ewing and some of his staff moved to Canberra in 1930, followed by the Second

Commissioner and the rest of the administration in January 1933. There were then 10 ATO staff located in West Block not far from Parliament House. Transferred staff received a Canberra allowance of £39 for married men and £26 for single people but finding places to live was difficult and married people faced a three-year waiting period for a house, so some preferred to stay in Melbourne.[111]

Canberra allowances ended after a year due to the government's financial restrictions caused by the depression. Salaries were reduced in several stages in 1931 and 1932 with the lowest adult male wage falling from £216 to £174 a year and the lowest adult female wage from £168 to £140 a year. The public service also cut back on temporary

Canberra, the bush capital, in 1927, around the time Parliament House was opened. The white building in the centre is West Block, the other white building behind the trees is Parliament House. (National Library of Australia)

employment but no permanent officers were retrenched. By the end of the decade the standard working week was 44 hours, a full working day from Monday to Friday and Saturday morning, leaving the afternoon free for recreation such as sport.[112]

Dancers of the Sydney branch *Stardust* review, April 1938.

The size of the ATO after the introduction of the sales tax allowed it to form lively staff clubs. Social events like picnics and balls, parties and dances were popular and the Sydney branch had an active social life that included an annual variety show. Sydney (and perhaps other branches) also had a branch of the RSL that had been established in the 1920s that brought together and provided comradeship and help to returned soldiers from the war. Sporting clubs were formed in most branches, playing a range of sports and holding social and fund-raising events that were open to all ATO staff. A rugby league club was formed in the Sydney branch in 1929 to compete in a public service mid-week competition with players selected from matches played between sections in the branch. It won the premiership in 1933 and was narrowly beaten in 1934, and then changed to play rugby union when some organisations in the competition preferred their staff to play union rather than the 'blue collar' game. Interstate sporting links began developing again during the 1930s and, from 1930, the Central office and South Australian branches met annually to compete in cricket.[113]

Adelaide and Melbourne staff and families at a picnic in December 1934
during a visit to Adelaide by the Melbourne branch cricket team.

There was a very lively sporting and social scene in Brisbane by the late 1930s that had begun in 1936 after a tax officer visiting Sydney discussed the possibility of annual visits of sporting teams between the Sydney and Brisbane branches. To make this dream a reality funds had to be raised and sporting teams formed and, before long, cricket, tennis and table tennis teams and a Taxation Golf Club had been formed. To raise funds for the planned trip a variety show, *Taxation Follies of 1938*, was performed in South Brisbane before a packed house in October 1938. As a result of this work a group of 54 participants travelled to Sydney in December 1938 where they competed in cricket, tennis, table tennis, swimming and golf and enjoyed social events including a scenic drive, a smoke concert and theatre party and a farewell dance at the end of the week. The enthusiasm continued and in 1939 people from the Sydney branch made the trip to Brisbane for a return competition.[114]

This sporting and social life, and the shared experience of working in the ATO with its structure, culture, values, processes and secrecy created a strong sense of unity among tax officers that felt almost like family. Staff helped each other in times of trouble by doing things like taking up office collections or helping each other in their homes, and senior staff also often assisted when they could by making arrangements to help tax officers with problems.[115]

Sydney branch women's tennis team, Premiers of the NSW Public Service Tennis Association, 1938.
Left to right: Misses Lang, Bush, Elith, Falvey, Crown and Lake, with Mr Bennett.

The senior officer in each branch was the Deputy Commissioner and there were two in each state except Western Australia. One, called the Deputy Commissioner (Sales Tax) was the senior Commonwealth tax officer in each state and had responsibility for all Commonwealth taxes except income tax. The Deputy Commissioner (Income Tax) was the head of the state tax administration and also had the title of Deputy Commissioner to meet the legal requirements of income tax legislation. Deputy Commissioners had direct responsibility for the efficient operation of their branches but they usually left that to an Assistant Deputy Commissioner and concentrated on tax technical aspects of ATO operations, only informing the Commissioner of issues that might have wider implications. Commissioner Ewing made only rare visits to the branches and when he did he conferred with the Deputy Commissioners rather than giving them directions.[116]

The hierarchy of the ATO was reinforced by the hierarchical structure of the Commonwealth Public Service which was organised into four divisions. The Third and Fourth Divisions contained the rank and file of the public service, entry to the Third Division was through an examination at an educational level roughly equivalent to today's Year 11, which was a high level of education in those days, with the Fourth Division examination at a lower level. Fourth Division officers were classified as clerical

assistants and performed most of the menial work of the public service. Women were restricted to the Fourth Division. Third Division officers were classified as clerks and had responsibility for the higher level functions. The Second Division comprised the higher level position in the public service and were promoted from the Third Division – Deputy Commissioners were Second Division officers. Only heads of departments were First Division officers. The Commissioner and Second Commissioner were appointed directly by the government and thus outside this public service structure. This structure created barriers between the Divisions and in all but a few cases Third Division officers were considered superior to those in the Fourth Division.[117]

Processing returns in Sydney in the 1930s.

ATO staff were closely and strictly supervised. Discipline was firmly enforced to ensure deadlines were met, procedures followed and high standards maintained. Supervision was also vital for the security and secrecy of ATO information and to detect any fraud or theft. Inventive and dishonest officers sometimes found ways around systems and those who were caught were severely punished.[118]

Disloyalty of officers

Illegal activities by tax officers were rarely made public, but some cases were used as examples, such as these discussed by Commissioner Ewing in an annual report.

In one case an officer substituted false returns of income for those lodged by the taxpayer concerned. His practices were discovered, and he was sentenced by the Court in Adelaide to imprisonment for a period of two years and six months with hard labour, on a charge of larceny of Departmental documents.

The somewhat similar, but less serious, practices of another officer were brought to light by a New South Wales firm of solicitors, who forwarded to the Commissioner of Taxation a circular issued by a person styling himself "Antoine Loesch", and practising as a taxation expert at an address in Collins-street, Melbourne, but who was really a land tax assessor in the Central Office of the Department, and further inquiry showed him to be working in collusion with an income tax assessor in the same office. Although the Department failed to secure his conviction by a jury on a charge of conspiracy, it succeeded in obtaining penalties amounting to £150 imposed upon him by a Court of summary jurisdiction on several other charges preferred against him immediately upon the termination of the trial by jury.

The officer with whom he was working in collusion was dealt with under the Public Service Act before a Board of Inquiry, which found him guilty, and he was dismissed from the Service.[119]

Supervisors trained staff, allocated them to suitable work, devised work methods and evaluated staff performance. Advancement in the ATO depended on the opinions of supervisors about efficiency, diligence and potential and the reports they prepared about their staff included factors such as late attendance, errors in work, cautions given and suggestions made to improve efficiency. Promotion was normally achieved in the ATO through seniority (based on the date of an officer's appointment) and then on merit, so most promotions were fairly routine and with the most senior officer being appointed to a vacancy.[120]

Commissioner Ewing wanted to ensure that the ATO had high quality staff in its leadership, particularly his assessors, so he built up a cadre of high quality senior staff who later became ATO leaders. Low level tax officers who showed potential were offered opportunities to prove themselves, usually in the form of temporary

appointment to higher positions, which could lead to further opportunities if they did well. They might also be given a special project to do which would test their abilities. Tax officers who stood out in this way came to the notice of senior staff and further opportunities often came their way. After Commissioner Ewing moved to Canberra these opportunities usually included the invitation of temporary appointment to a position in Head office, which could result in a permanent position there.[121]

Head office staff at West Block, Canberra, 1933. Several of the men would go on to become Commissioners and Deputy Commissioners.

This progression can be seen in the careers of three future Commissioners. Patrick McGovern had acquitted himself well in the early days of the sales tax in Melbourne and was sent to Sydney in 1938 to investigate and report on staffing there. The Commissioner congratulated him personally on his work, he was transferred to Canberra for an indefinite period in April 1939, and never returned to Melbourne. In January 1936 John Dennis O'Sullivan was one of two officers specially commended by the Board of Review. This came to the attention of the Commissioner and in August the same year O'Sullivan was temporarily transferred to Canberra for special company work and subsequently promoted to a position there. Leo Canavan was one of those officers transferred from the Commonwealth to the state income tax branch in Victoria

in 1923 but he returned to the Commonwealth ATO in 1933 as a relatively senior assessor. In February 1936 he was transferred to Canberra to work on sales tax but he could not stay because his father became very sick and he asked to be transferred back to Melbourne. He went to Sydney in 1938 to investigate the tax affairs of a national business and so impressed them that the Chairman of the Board wrote directly to the Commissioner about his exemplary conduct. He went on to become Deputy Commissioner in Victoria before becoming Commissioner.[122]

Another quality important for promotion was good relations with the community. Commissioner Ewing wrote:

> Officers who are dealing with the public should realise that they are holding responsible positions where they have the opportunity to help the public and the department, and that their conduct and ability are being carefully observed by senior officers. Prompt and courteous attention to the public are regarded as most important factors leading to an officer's promotion.[123]

To help the community in understanding and paying tax the ATO sent officers to New South Wales country districts in 1936 where they talked to hundreds of taxpayers and spoke at public meetings to explain the tax laws and answer their questions. These trips were a success so senior tax officers made similar tours to other districts for the rest of the 1930s. Other taxpayer help came from the publication of tax information, ready reckoners to help in tax calculations and publications such as the handbook, *Commonwealth and State Income Taxes for the Financial Year 1937–38,* that was published in May 1938 and updated in early 1939.[124]

At the end of the 1930s two major tax issues remained unresolved. One was the complexity of income tax systems in Australia and the other was the problem of overseas double taxation.

The pressure placed on all taxes during the depression emphasised the difficulties taxpayers experienced in having to comply with two sets of taxes. As a result, a new Royal Commission on Taxation was established in 1932 to inquire into ways to simplify and standardise the taxation laws of the Commonwealth and states and make recommendations on achieving uniform legislation. When the chairman of the Royal Commission asked Commissioner Ewing for his views about what could be done to resolve this problem, Ewing replied that the existing arrangements worked satisfactorily, generally speaking. The major defect was caused largely by the character and capacity of state officials who needed intensive training by capable people 'with the highest sense of justice for taxpayers'. He added that the best possible solution would be for the Commonwealth to take over income tax collection, but that seemed unlikely to happen.[125]

Robert Ewing, second Commissioner of Taxation

Ewing's suggestions were beyond the scope of the Royal Commission and so the Commonwealth and states embarked on a much more laborious solution. The Commission began sitting in October 1932, conducted public hearings in all state capitals between November 1932 and July 1933 and published four reports between December 1933 and October 1934. Its overall recommendations dealt with the technical complexities of tax laws and proposed guidelines for uniform but separate Commonwealth and state income tax laws.[126]

To bring this about members of the Royal Commission and the Commonwealth and state Commissioners of Taxation held a conference in Canberra in May 1934 to work out the details of the new legislation that could be passed by all Australian parliaments to bring as much uniformity as possible to Australia's income tax systems. The 19-day conference was chaired by the Royal Commission chairman and each state and the Commonwealth had one vote each. During the conference they worked through a draft income tax act clause by clause, discussing its technicalities in detail and trying to find a common path through the complexity of income tax legislation.[127]

The draft uniform legislation that was drawn up after this conference was considered at two similar conferences in 1935, lasting a total of 21 days and again going through the legislation clause by clause. The result of this work was the *Income Tax Assessment Act 1936* that became a landmark in Australian income tax legislation. The new act was more consistent and clearly organised than previous income tax legislation and consisted of 84 printed pages. State parliaments also passed legislation to amend their income tax laws to bring all the income tax legislation in Australia closer together, but complete uniformity was not achieved and further conferences were held in 1938 and later years to continue the process of trying to achieve uniformity.[128]

Australia's isolation from the rest of the world meant double taxation remained a minor but annoying problem in the 1930s. The Royal Commission recommended a partial solution that was not adopted and the League of Nations tried to deal with the issue in a multilateral way, but made little progress. Australia's major financial ties were with Britain so the focus lay in trying to reach a suitable agreement with the British government but the British only wanted one agreement with Australia, which was not possible because the states also collected separate income taxes. This was discussed at a conference of the Commonwealth and states in 1934 but they could not reach agreement on the British proposal so the Commonwealth government could not negotiate an agreement with Britain. The problem remained as before with both countries making some provision to relieve double taxation in their individual tax laws.[129]

The problem of international tax evasion began to emerge at this time but Commissioner Ewing believed it was negligible, with the exception of Britain. However, he said that if other countries wanted help in preventing this kind of evasion it would not be difficult to arrange, either through amendments to the Commonwealth income tax laws or through international conventions.[130]

Commissioner Ewing's long term as Commissioner of Taxation came to an end after 22 years on 5 May 1939. The new Commissioner of Taxation was Lawrence Jackson who had been Deputy Commissioner of Taxation in New South Wales before becoming Second Commissioner in 1936. When Jackson was organising a conference of Deputy Commissioners in Canberra in 1939 he timed it to coincide with Ewing's retirement and he was farewelled at a formal dinner including the Deputy Commissioners on one evening and a social event with his Canberra staff on his final day in the position.[131]

Robert Ewing had served almost all his working life in revenue-raising. His professionalism and conduct were of the highest standard of administration and he possessed singleness of purpose and untiring devotion to duty. He was a mild man of frail appearance which concealed an outstanding administrative efficiency and determination to uphold the integrity of his office.[132]

Lawrence Jackson, third Commissioner of Taxation

Ewing published the small book *Taxes and their incidence* in 1926. In it he wrote that tax was vital to a healthy community:

> We have seen that taxation means the drawing upon the revenue of the individuals of the community for the purpose of providing the wherewithal for effectively carrying on the activities of the community as a whole. A community is a living organism. It uses energy which is supplied by its component parts. It does not drain energy away from the individual; it merely diverts it into channels which are different from those into which the individual would have directed it. It is impossible for the individual member of a community to have any communal life, as we understand it, without contributing some part of his "energy" or earnings towards the creation and maintenance of the communal life. The existence of the community places limitations upon the individual members of it. At the same time, it makes the individual freer than he could possibly be if he had no communal life, but merely lived unto himself. Each member of the community, therefore, is bound to contribute some part of his "energy" or earnings for use in promoting the common welfare of himself and his fellows. The necessity to make this contribution is scarcely realised by very many Australian citizens, and many of the remainder use all sorts of means to try to avoid making it.

Speaking idealistically, the effect upon a community of taxation should be beneficial. It enables the community as a whole to maintain itself with some degree of respectability; it helps the community to pay its debts; it assists the community to take its place alongside the other communities of the world, and to speak with more or less influence and conviction. A community which taxes itself properly in order to meet its engagements always has a good reputation.[133]

04

The 1940s

REBIRTH IN ADVERSITY

CHAPTER FOUR: The 1940s

Rebirth in adversity

Between 1939 and 1949 ATO staff grew from about 1,000 to 7,200. In the same period the revenue it collected grew from £35.05 million (39 per cent of the Commonwealth's total revenue) to £362.45 million (over 71 per cent of the Commonwealth's total revenue). War was the first impetus for this tenfold growth but post-war reconstruction continued it. In this period the ATO also went through major reconstruction.[134]

War became inevitable during the 1930s as Nazi Germany became a dominant military power in Europe, Fascist Italy sought territory in northern Africa and Japan militarised and invaded China. Other countries began modernising their military forces and industries in response and Australia put new energy into developing industry and rebuilding its military forces. Prime Minister Lyons died in office in April 1939 and Robert Menzies became leader of the United Australia Party and Prime Minister.[135]

When war finally broke out on 3 September 1939 Menzies told Australians that Britain had declared war on Germany and, as a result, Australia was also at war. Within days Australia's military forces were mobilised, regulations were announced to give the Commonwealth government wide powers for the duration of the war, prices and rents were fixed and plans announced to train over 66,000 airmen and soldiers to support Britain in the war. The leader of the Labor Party, John Curtin, also pledged his party's support for the war effort. When peace finally returned in August 1945 almost a million Australians had seen military service and 39,761 had been killed. The monetary cost of the war was £2,132.74 million, more than 10 times the cost of World War One. Raising revenue became a vital part of Australia's war effort and that saw the creation of virtually a new ATO playing a central role in Australian life.[136]

A pinch of desert sand

A taxpayer writes from the Middle East.

6th Division, AIF
Palestine
8th May, 1940

Dear Sir

I am in receipt of the attached notice. All going well you should now have summoned me about six weeks ago and by the time you receive this you should have me well on the way to penal servitude.

However if I were you I would save further expense and with the money buy a new poker for stoking the home fires.

I am enclosing a pinch of desert sand for your consumption. We find that taken with a bit of fly blown meat and questionable cabbage it makes an excellent cure for financial worry.

Yours faithfully

Wartime conditions resulted in the fall of revenue from customs and excise duties so a greater burden fell on taxation. Land tax was increased by about 11 per cent in 1938 and doubled in 1940, sales tax rates were increased from six to 8.5 per cent in May 1940 and income tax rates were also increased, particularly for higher income earners.[137]

These increases did not create much more work for the ATO but new taxes did. A gold tax was introduced soon after the war started to raise revenue from the rapidly increasing value of gold. Gift duty was introduced in 1941 to raise additional revenue and discourage people from making large gifts that reduced estate duties when they died. The wartime (company) tax was introduced in 1941 with the same intention as the wartime profits tax of World War One but it was simpler to administer. A payroll tax was introduced in May 1941 but it was not designed to fund the war, rather it helped fund a new national child endowment scheme announced in January 1941.[138]

These new taxes increased the ATO's workload at the worst possible time. Many young tax officers enlisted for military service while about another 170 of the most experienced tax officers were transferred to government departments that were being set up or expanded for the war. The strain on remaining tax officers was exceptionally heavy and to cope, the ATO introduced compulsory overtime two nights a week around this time.[139]

The most significant change, that increased the workload again, was the introduction of income tax payment by instalment. At the beginning of the war income tax exemption rates were lowered so more people became liable to pay the tax, making it viable to introduce an instalment deduction system that spread the collection of income tax across the year. The ATO was not keen on the new system because it would need more staff and be more expensive to administer. There were also many complexities in administering an instalment system including setting up a tax stamp system and the need to coordinate with the states that already had instalment systems so the Commonwealth and state systems would be compatible.[140]

The government's needs outweighed ATO misgivings and Commonwealth and state Commissioners of Taxation met in January 1940 to devise the new system that was approved in September. It would cost an estimated £227,000 to introduce, including recurring costs such as salaries, rent, commission paid on stamp sales and printing them, and one-off costs including machines, furniture and building alterations which included adding a new floor to the taxation building in Melbourne.[141]

There were two parallel instalment systems. Tax stamps were the most common, bought by employers at post offices and given to their employees in place of the tax that had been paid for the stamps. Employees then used them to cancel the tax shown as owing on their annual income tax assessment. The basic principle was simple but the ATO had to set up complex systems to issue, check and cancel the stamps, collect tax stamp money and pay cash refunds when too much tax had been paid. State governments also used the Commonwealth's tax stamps to collect their income tax so tax stamps were overprinted with the name of the state in which they were sold and they could not be used in other states under normal circumstances. Larger employers used the 'group' system in which they made regular income tax instalment payments to the ATO of deductions from employee wages and issued 'group' members with certificates that they then used in the same way as tax stamps when they received their assessment notice.[142]

The instalment scheme started at the beginning of 1941 and made income tax a part of daily life for many Australians, rather than a once a year event. In the first six months the ATO had collected £7.44 million, and in the first full year of operation, 1941–42, it collected £25.22 million, £16.38 million from the sale of stamps.[143]

The Menzies government did not put Australia onto a full wartime footing until June 1941 when the war was going very badly and there were fears of Japanese expansion into the Pacific. New government departments were established and the Commonwealth resolved to push ahead with nationwide mobilisation despite state resistance. By then, however, the United Australia Party was in disarray and Menzies resigned from its leadership. In October two independents in parliament gave their support to the Labor Party and John Curtin became the new Prime Minister.[144]

On 7 December Japan began the Pacific War with landings in Thailand and Malaya and an airborne attack on Pearl Harbour. Within weeks Japanese forces had reached northern New Guinea and were pushing towards the Solomon Islands in an attempt to isolate Australia from the United States. On 19 February 1942 a large force of Japanese aircraft raided Darwin for the first time, killing 243 people and injuring more than 300. The ATO there was damaged during the raid and Darwin's office was relocated to Adelaide.[145]

Staff and family at a combined picnic of the Adelaide sales tax branch and Northern Territory branch after it had been moved to Adelaide following the bombing in February 1942.

In this crisis Curtin said Australia looked to America for help, free from any pangs about its links with Britain. He demanded 'a complete revision of the whole Australian economic, domestic and industrial life' and his government created a 'total war' economy. The National Security Act mobilised the workforce to preserve essential industries, an identity card system was introduced, rationing began and the prices of goods and services were fixed.[146]

The United States Army began arriving in Australia in April 1942 and in May and June the United States Navy blunted the Japanese advance in sea battles in the Coral Sea and at Midway. On the ground Australian forces stopped the Japanese at Milne Bay and on the Kokoda Track in September. But the war remained in a very precarious state.[147]

Total war forced the Commonwealth government to spend money at an unheard of rate. Curtin launched a £35 million 'liberty loan' in February 1942 and in November a much larger £100 million loan. That was not enough so taxation also had to be increased. When Treasurer Ben Chifley delivered the 1942 Commonwealth Budget he said that virtually every Australian was working so the community had never had so much money while prohibitions and restrictions meant there was little it could be spent on. This created a great surplus that the government could channel through loans and taxation to pay for the war. 'The Government is determined on this', Chifley said, 'and will take such measures as may be necessary to impose its will.'[148]

By June 1942 the government had imposed additional taxation worth about £60 million and in October it took back control of entertainments tax and increased it. In this time of desperate national emergency money had to be raised and efficiencies made wherever they could be found but there was no greater source of revenue or cause of inefficiency in Australia than its income tax system. The Menzies government had known this and suggested to the states in 1941 that it could take over all income tax for the duration of the war, plus a year, and pay the states compensation, but the states had not agreed.[149]

The Curtin government was less concerned with state sensibilities and more concerned with efficiency and revenue so it appointed a committee of three to study the problem again in February 1942. A month later it recommended the Menzies proposal again. The government then developed a scheme to take over income tax under its constitutional powers, and all state income tax collecting organisations – the staff, records, furniture and accommodation – to stop the

states from collecting income taxes.[150] It sought legal advice about its plans and, on 1 May 1942, a cablegram from the Solicitor General to the Attorney-General swept aside two decades of debate and negotiation:

> Re uniform taxation. Sydney Counsel after perusing opinion of Melbourne Counsel and considering matter further agree with Melbourne view that under the Defence Power Commonwealth can exclude States from field of income taxation if Commonwealth measures have real connection with Defence Power and in a totalitarian war such as present one measures can have such connection.[151]

The Commonwealth's plan to take over all income tax collection was generally popular but the states rejected it and took their objection to the High Court, where they lost. Several states also tried to stop the Commonwealth from taking over their income tax organisations, but the High Court rejected that too. Consequently, uniform taxation came into force in 1942.[152]

Sydney branch rugby league team, 1941.
Back row, left to right: Pat O'Connor, Jack Morahan, Lance Ferguson, Alby Kemister, Jack Foran, Alf Green, Alan Fox, Jim Fullerton, George Pearton. Front: Bobby Pearson, Nev Hall, Paul Crilley. With so many tax officers enlisting for military service the team comprised junior clerks straight from school. They played before record crowds on the Sydney Domain.

Some 2,900 tax officers were transferred to the Commonwealth on 1 September 1942. Most would hardly have noticed the difference because they went to the same offices and sat at the same desks doing almost the same work. There were many minor problems to be overcome because conditions in the states differed from each other and from Commonwealth public service conditions in many ways and the ATO and Public Service Board tried to be as liberal as possible in helping with the transition. But they could not satisfy everyone and, at a time when unemployment was almost non-existent, some officers resigned to find other employment.[153]

Despite the amalgamation the ATO still faced staff shortages. Annual visits to regional areas were abandoned and land values were pegged at pre-war levels because there was a shortage of skilled valuers. The only way to increase staff numbers was to employ more women and the percentage of women working for the ATO rose from 23 per cent at the beginning of the war to 51 per cent in June 1943, and a peak of 57 per cent in June 1945. Most people saw this as a temporary arrangement for the duration of the war and although women were traditionally paid less than men, the government established the Women's Employment Board to set women's pay rates outside the normal wage setting arrangements so they could be paid at higher rates. As a result many women in the ATO were paid at male rates. After they had proved their capabilities many women were given low-level assessing positions, and less experienced women came in to fill the positions they had previously held as typists and assistants.[154]

Many men had little idea of how to relate to 'the fairer sex' in the workplace. Some of the helpful advice they received included retaining doctors who could examine women for 'female conditions', giving women definite day-long schedules so they were kept busy and did not bother managers with questions, giving them a variety of work because women were inclined to be less nervous and happier with change and giving them adequate rest periods. Supervisors were advised to pick young married women who were liable to have a greater sense of responsibility than young unmarried women, pick older women with experience outside her home and 'huskier' girls who were more even-tempered and efficient than their underweight sisters. They were also warned to be tactful in issuing instructions or making criticisms because women were often sensitive and could not shrug off harsh words the way men did.[155]

Tax officers outside the Great Southern Hotel, Sydney, where they went for lunch when working overtime on the weekends during the war.

Even with the employment of women the ATO struggled to keep up with the work. All staff worked a regulation 45 hours a week and compulsory overtime to about 8.30pm twice a week. At tax time they spent the weekends opening mail, helping with enquiries or in the cashier's office. While it was possible to work more overtime for short periods, the ATO soon found it reduced overall efficiency so it was limited as much as possible, particularly during winter months when the blackout made it hard for staff to get home late.[156]

Despite these strenuous efforts the ATO had fallen seriously behind by mid 1944 which caused serious problems for the government and the community. Taxpayers suffered from long delays in receiving their assessments and in the crowds and queues when they made queries or payments.

Under pressure

A tax officer sent the Commissioner a report on the state of the enquiries section in Sydney office after a complaint from the Taxpayers' Association had been published in *The Sydney Morning Herald* in August 1943.

I telephoned Mr J M White this morning regarding the reported statement by him that many complaints had been received by taxpayers that they were unable to obtain information or assistance from this Department in preparing their returns.

In the first place Mr White intimated that the "Herald" had not published several other of his statements in which he pointed out the difficulties confronting the Department at this period of the year. He realised that it was almost impossible to provide the service and accommodation to cope with a peak such as is met immediately prior to the last day for lodging returns.

He claimed that many complaints were received but, generally, they were due to the delay in receiving attention at the Department. Others complained that there was insufficient privacy. Mr White realises that there is bound to be a little more delay than usual at this time of the year and also that complete privacy is not practicable with our present accommodation. On Saturday morning Mr White attended the Basement personally and his observation was that the facilities were inadequate for the crowd to be handled. On the other hand, Mr Pullan, Chief Interviewer, reported to me that he had spent three-quarters of an hour in the Basement, and while there was some congestion, the crowd seemed to be moving through fairly freely. In support of this Mr Pullan mentioned that, in the space of three-quarters of an hour, he answered approximately fifty enquiries. Several of the taxpayers seen by him expected the Department to complete the return forms on their behalf which, of course, was out of the question. I mentioned this latter aspect to Mr White and he too realises that such a service cannot be expected.[157]

By late 1944 the ATO had a staff of 4,980 in 16 office buildings across Australia. In Sydney tax officers were spread across four buildings and in Brisbane and Hobart three buildings each, but overcrowding was still a problem. In Canberra, where 54 tax officers were housed in West Block, the situation was described as 'suitable but inadequate'. In Sydney the ATO had gradually expanded to take over most of the Savings Bank Building but there was still severe overcrowding with 1,500 packed into a building designed to accommodate 1,200 so a penthouse was constructed on the roof as a temporary solution.[158]

Other working conditions were generally poor. Air conditioning was unknown and lighting was often poor so staff doing complex assessments and calculations often had to work in dull light and the cold of winter and the stifling hot conditions of summer. Opening windows for some relief let in the dust and noise of the city and often caused draughts that sometimes blew confidential papers out into the street. Rats were a common problem and the Sydney office was infested with them. They were a health hazard and nibbled at files, so the entire building had to be fumigated in 1944, with only partial success.[159]

In addition to these working conditions tax officers shared the same difficulties and privations as the rest of the community; the regulations, shortages, restrictions, censorship and gnawing uncertainty about the fate of family and friends overseas. Despite everything most people came to regard the war years with mixed feelings because it was also a time when the entire community seemed to be most united because of what they shared and suffered together. And just as war-time conditions helped bind the entire nation, so the experience of tax officers helped unite them in the difficulties they faced, as did the morale boosting dances, shows and sporting events that they organised and enjoyed.[160]

Patriotic affairs

On Frank Arkwright's retirement an article in *Tax Topics* recounted an event from his career during the war.

He became an energetic Secretary of the Patriotic Affairs Committee during the war. It was at this time, when their hearts were young and gay, that he and our ADC, Mr Keith Myers, who had then become Secretary of the Social Club, hatched a Machiavellian scheme to pep up staff patriotic fund contributions from the "3d per person per pay" basis to a sum they considered more appropriate.

Accordingly one day Keith vociferously harangued the lunch hour crowds in the dining room about the miserable sum in hand for our Servicemen and passionately denounced the Patriotic Affairs Committee for ineptitude, with particular and insulting reference to the Secretary. He demanded a staff 'no confidence' motion, which was deferred until the following day to enable Frank to say his piece. Frank's ability to expound a theme in three minutes or thirty, as the occasion demanded, was fully exploited by our wily conspirator, and as his flights of oratory beat on the ears of his exhausted listeners until five minutes to two, the opportunity was seized by his confederate to withdraw the no confidence motion and substitute an amendment that the previous fixed subscription be increased to a sum more in keeping with the dignity of the office and the worthiness of the cause. The amendment was carried unanimously at one minute to two. The heat engendered in their respective supporters was subsequently the subject of much mirth between Frank and Keith.[161]

ATO people did many things to raise funds for the Taxation Department Comforts Funds with events that included dances, annual balls and variety shows. One example was an ATO dance in Phillip Street, Sydney in June 1942. As usual, women danced with each other because of the shortage of men but they were interrupted by the air raid siren's wail and spent two hours in the basement before the all clear signal sounded. The Sydney Taxation Players was formed to put on shows to raise funds. Its second or third production was the musical comedy, *The Quaker Girl*, that ran for three nights in April 1945 at the Conservatorium of Music in Macquarie Street that seated around 300. There was a cast of over 50, an orchestra, costumes loaned by JC Williamson's and stage furnishings from David Jones.[162]

Many tax officers wrote letters to keep in touch with their colleagues on active service and, in Sydney, Vic McQuarrie and a small group sent a letter every week, with newspaper summaries and an occasional comfort parcel, to each of the 350 tax officers who had enlisted from Sydney. By the end of the war they had sent 39,341 letters, 19,996 magazines and 19,792 newspapers as well as 3,297 parcels, and raised over £5,000 and many donations of goods for the parcels. Many of the serving tax officers wrote back and Vic and his helpers became a link with the world back home.[163]

Dear Vic

One of the letters to Vic McQuarrie from a tax officer on service writes about the value of his letters and about paying tax.

Your letter of 27th June safely to hand, also the canteen orders contained therein, for which please accept my sincere thanks. I wrote some time ago, after receiving your first letter, probably about the middle of June. You should have received it quite some time ago, at any rate, I hope so.

It is very nice to get such letters from you and to be kept somewhat in touch with at least the social side of the office. I was pleased to hear of Jackie Fisk and Bert McGlynn. I knew that that had been pending for a long time. I would be very pleased if you would convey my very best wishes to them both. This increased work is not altogether good hearing. Pat received my Federal Assessment just recently and told me about it in a letter. I nearly fell over when I read the amount, for it was more than three times what I had paid the year before. And last year the income was not quite as much as it had been the year before. However, I suppose that we have to pay for the war somehow, so it is no use worrying over it.

I had heard about Ray. The last that I got was that he is a prisoner, that was from the Records Office. Some time ago, just after we arrived in fact, I had met Gregory – I think I told you of it – and he had told me that he had heard that Ray had been so badly wounded that he did not have a chance. However the latest news seems to indicate that that was exaggerated. It is to be hoped that he will soon be OK again and that it won't be long before he is back home again.

By the end of January 1943 the tide of war had turned and organised Japanese resistance ended in Papua and Australian and American forces began pushing north. In Australia the Labor party won a majority in both houses of parliament in August 1943 and two women were elected for the first time. The electoral defeat signalled the end of the United Australia Party and Robert Menzies brought the Liberal Party into existence towards the end of 1944. John Curtin died in office in July 1945 and Ben Chifley became the new leader of the Labor Party and Prime Minister.[164]

The improved war situation and Labor's 1943 electoral victory allowed the government to turn its mind to the world beyond the end of the war. Curtin and other leaders spent three months overseas in 1944 visiting America and Britain, and Australia was among the 50 nations that met in San Francisco in April 1943 to draw up a charter for the United Nations. A ministry for post-war reconstruction was created to plan for an Australia after the war by developing its industries, population and workforce for future national survival and prosperity. Two early signs of this new government's intentions were the Widows' Pension Bill introduced into parliament in May 1943 and unemployment and sickness benefits introduced in March 1944. Preceding them, and making them possible, was new income tax legislation that set the basic shape of Australia's income tax system for decades to come. The primary purpose of the new legislation was to increase the tax base by lowering the exemption level to just £105 (although the basic wage at this time was still only about £60 a year). It was expected to raise an additional £40 million a year and bring 300,000 more people into the Commonwealth's income tax system.[165]

The details of the new legislation were worked out at a conference of ATO officials in January 1943 and the amended income tax legislation came into force from 1 August. Its major innovations included a much stronger instalment system known as PAYE (pay as you earn) and the registration of tax agents.[166]

Tax agent registration would help protect taxpayers from unscrupulous agents and enable the ATO to deal with them. It had been recommended by the 1930s Royal Commission but since most income tax had been collected by the states at that time, tax agent registration had been left to them, although not all states had it. Bringing income tax under Commonwealth control in 1942 had left tax agents unregistered in some states so a national system of registration was necessary, but since some states already had registration the new Commonwealth system had to be state based. New boards were set up where they did not exist and the existing boards were brought under the control of the new legislation.[167]

The new PAYE system was similar to the 1941 instalment system but spread payments over the full year of 52 weeks to make individual instalments smaller. The major problem with the instalment system was that the tax collected in one year was used to pay the tax due for the previous year, necessitating a system of tax credits that was complex to administer and calculate. As a result the Commissioner told his Deputy Commissioners that they needed more staff for the PAYE system and good officers capable of administering it properly.[168]

This complexity was the real weakness in the PAYE system and it promised to cause real problems at the end of the war when industrial production was reduced and overtime was cut back so workers would find themselves having to pay a lot more tax for the year when they worked overtime from income in a year when they worked little or no overtime. A joint parliamentary committee recommended a simple solution, that the income tax system be changed so PAYE instalments were paid on the current year's income and those outside the PAYE system would pay provisional income tax payments, based on the previous year's income but paid in instalments and assessed for the current tax year. This change was introduced in 1944 and could have obliged taxpayers to pay two years tax in one year, but the government cancelled three-quarters of the tax owing for the taxation year of 1943–44 to lighten this burden. It also gave it a quarter more tax than it would otherwise have received, and involved the ATO in still more work.[169]

The queue of taxpayers outside Sydney Branch in May 1944. (Sydney Morning Herald)

The other change to income tax during the war that increased the ATO's workload even more was the introduction of a social service contribution to help pay for the country's social services. The income tax payable by individuals remained basically the same but was divided into two separate levies, income tax and a social service contribution. This made little real difference to taxpayers, but meant even more work for the ATO in making the separate calculations and separating the contribution that was paid into a different government account.[170]

On 8 May 1945 Germany surrendered unconditionally, on 8 August newspapers reported that the first atomic bomb had been dropped on Japan two days earlier and, on 13 August, Japan's surrender ended the war. In addition to the 33,926 Australian men and women who died in service, 180,864 had been wounded or injured and 23,059 had spent time in prisoner-of war camps.[171]

In all, 1,380 tax officers had enlisted in the fighting services. The returnees were welcomed back to the ATO with thanks for the sacrifices they had made and in the sad memory of lost comrades. They faced the difficulty of fitting back into the daily routine of office life and, at a welcome home ceremony in the Sydney Town Hall in May 1946, the Commissioner and Sydney Deputy Commissioner assured them that everything possible would be done to acknowledge the problems they would experience as a result of their military service and to ensure them a place in the ATO.[172]

War's end in August 1945 brought relief and celebration and thousands of men and women were soon returning to civilian life every week. Tax officers began returning to their duties and the ATO also recruited more ex-servicemen. Returned servicemen were welcomed with dances and dinners and in Sydney with a special meeting in the town hall, followed by dinner, a dance attended by 2,000 people, and a special rugby league match

Cover of the program for the Official Welcome Home held in the Sydney Town Hall for returned tax officers on 10 May 1946.

the following day. To help them in their transition back to civilian life the ATO began classes to bring returned tax officers up-to-date with the changes that had taken place in their absence and give newly appointed ex-servicemen an initial grounding in ATO methods and practices. As men returned to the ATO the number of women working in it declined so they made up only 48 per cent of its workforce by mid 1946. It appears that most women were prepared to leave the ATO or move back to lower positions as men returned because they believed that was the proper order of things and what was expected of them.[173]

Post-war growth soon replaced the stagnation of the 1930s and restrictions of the war years. General working conditions improved and a 40 hour working week, annual leave and penalty rates for weekend work were introduced. The pharmaceutical benefits and national health schemes were introduced and a national anti-tuberculosis campaign launched. Heavy industry and mining began to expand and electric power systems, oil refining and railway modernisation commenced. The Commonwealth Scientific and Industrial Research Organisation (CSIRO) was established in 1948 and the Snowy Mountains Scheme was unveiled in 1949. There were one million motor vehicles on Australian roads by 1947 and rolling out the first Holden car in 1948 was a foretaste of the motor car's future popularity. Australia also began developing a new sense of national identity and the British nationality Australians had previously held was replaced by a separate Australian nationality and citizenship in 1949.[174]

Such large scale and rapid growth needed a large population but Australia had only 7.58 million people in 1947. To increase its population Australia embarked on a major migration program, beginning with refugees from the chaos caused by the war in Europe, and an assisted migration program from Britain to maintain the existing cultural blend. This migration program soon grew to include migrants from other European countries but the 'White Australia' policy kept out people from other parts of the world.[175]

There was little change to post-war taxation. The land tax and payroll tax remained unchanged, the flour tax, gold tax and wartime (company) tax were discontinued and the wool tax was restyled as the wool contribution charge. The rates and exemptions for all other taxes were amended to reduce the tax burden on the community and the only new tax was a stevedoring industry charge, introduced in 1947 to fund a commission that would improve and manage conditions on the waterfront. Labor won the 1946 federal elections but its attempts to enforce greater central control, in particular its attempts to nationalise the banking system, alienated much of the electorate and in December 1949 the Liberal Party was elected to power and Robert Menzies returned to the Prime Ministership.[176]

Commissioner Jackson was only 62 when his seven year term expired in May 1946 but the stress of the many and rapid changes that had taken place since his appointment in 1939 had taken a heavy toll. When the government asked him to accept another term he declined, saying he felt physically incapable of continuing in an office that made such heavy demands on physical and mental resources. He retired on 5 May 1946 and the new Commissioner was Patrick McGovern who had been with the ATO since 1919 and appointed Second Commissioner in 1942.[177]

Patrick McGovern, fourth Commissioner of Taxation.

One of Commissioner Jackson's final achievements was a five month journey to Britain in 1945 to begin negotiation of a double income taxation treaty between Britain and Australia. It had only become possible after the Commonwealth took over all income tax in Australia and it was an important part of Australia's post-war development strategy because it would free the way for increased British investment in Australian secondary industry that would foster national development. The agreement was signed in October 1946 and came into force in April 1947.[178]

Given this and the other benefits that were gained from Commonwealth control of all income tax, it was no surprise in 1946 when the government announced it intended to keep it. All the ATO staff who had been temporarily transferred to the Commonwealth in 1942 were appointed permanently to the Commonwealth public service and the Commonwealth formally ended the 1923 agreements with the states at the end of August 1946. Staff were offered the option of remaining with the state public services or going to the Commonwealth and most decided to go to the Commonwealth.[179]

This change ended the state of limbo that most tax officers had been in since 1942, neither state nor Commonwealth public servants. During that period they had created a Transferred Officers Association to represent them in work related matters but the Commonwealth public service already had two staff associations, one each for Third

Commissioner Jackson and colleagues on the deck of the *Empire Chieftain* returning from their trip to London in 1945.
Left to right: J Belcher, LS Jackson, R Mair, R Gray. Both Belcher and Mair became
Second Commissioners and Gray became the Deputy Commissioner, Sydney.

and Fourth Division officers. Some tax officers joined one of those but they were state based and covered the entire public service while the Transferred Officers Association had been a nationwide organisation for all tax officers, regardless of Division. In late 1946 a majority voted to create a branch of the Federated Clerks Union to represent them, and the Federated Clerks Union (ATO Branch) was created as one union for all tax officers.[180]

Between 1945 and 1949 the ATO staff increased by 1,740 but there was no more accommodation available so most of the wartime accommodation problems became worse. When staff were recruited and trained, space could only be found by making temporary and makeshift arrangements that included using the tables of officers on leave, pushing tables closer together, using storerooms and suspending some work. The only solution lay in finding accommodation in other buildings but that was difficult and created inefficiencies.[181]

Disgraceful conditions

Extracts from a letter from the Commonwealth Public Service Clerical Association to the Commissioner of Taxation in March 1949 give a sense of what it was like to work in the Tax Office.

Office space

This had been a bone of contention for two years and as the staff increases, which is the case, so the position deteriorates.

For example, Section E of Assessments Branch which is comparable with most other Branches has a floor space of 4022 square feet and accommodates on the average no less than 100 officers, which indicates that the space available for each officer is 40 square feet. This calculation does not take into account space allocated to clearance tables, cabinets, bundles of files and 6 pillars each of approximately 4 square feet, so it can be seen that in this Branch particularly the space available for each officer is much less than 40 square feet.

This is deplorable. The officers of this Department in the main are crowded together like sheep and in the warmer months conditions are almost unbearable. It is not necessary to labour this point, the facts are true and an inspection by the Board and the Commissioner is invited, and immediate action demanded.

Hat pegs

There are insufficient and are placed in such positions (directly besides officers' tables) that in wet weather the conditions under which the staff work are almost impossible.

Lift service

This problem is a major one. The Building is hopelessly over-crowded and was designed originally to accommodate approximately half the present number of people occupying the Building. As a result the lifts, during peak periods, do not cope with the demands made upon them.

The Administration has suggested further staggering of commencing times, but to date there is no new system in operation and the conditions with regard to lifts, that appertain, cause the staff much inconvenience.[182]

After the chairman of the Public Service Board visited the Brisbane office in 1949 he described conditions as 'appalling'. There was rarely space for amenities like lunch rooms, sick bays or even adequate toilets, and if they did exist they had to cater for more people than they had originally been provided for. This was a constant source of staff complaint and led to a stream of strongly worded letters from staff associations and unions. All Commissioner McGovern could do was agree that there were problems and say he was doing everything he could to make improvements. The only long term solution to these problems was construction of adequate ATO buildings but, by the end of the 1940s, the only thing that had been achieved was the purchase of land for a dedicated ATO building in Brisbane.[183]

As well as being unhealthy and uncomfortable for staff, these problems also disrupted the smooth flow of ATO work. Delays occurring in one part of the system disrupted the entire process and when some sections began to become bottlenecks they needed special attention and resources, which inevitably led to problems in other sections. The whole system could only be held together by continuous improvisation, making do with what was available and great inconvenience to tax officers in their daily work.[184]

Keeping the work flowing

In December 1946 the Sydney Deputy Commissioner wrote to the Commissioner about the many problems he faced in maintaining the flow of work through his office. One area of particular concern was the calculation sub-section.

Unless the staff of the Calculating Sub-section is increased immediately by 53 officers, thus providing an adequate flow of work to the Issue and Accounting Sections, a breakdown must occur, which in turn will result in complaints and adverse publicity regarding the non-issue of assessments.

An increase of 53 officers in the Calculation Sub-section necessitates an additional 2,650 sq. ft. of accommodation. Such an area is not available in this Office. I am so concerned with the position that arrangements are being made temporarily to place Calculating Officers in the public paying space on the 1st Floor. This space can be used only to a limited degree (2,650 sq. ft. is now available) and will be subject to the demands for paying facilities as the issue of notices of assessment are made (20,000 assessments issued to-day). The layout of this space is such that difficulty will be experienced in observing the secrecy provisions of the Act and preventing members of the public from seeing information relating to other taxpayers.[185]

One possible solution to these problems was decentralisation by locating some ATO buildings in the suburbs or regional centres to reduce overcrowding in central city offices. This would also make the ATO more accessible to the public in suburban and country areas. There had already been two decentralisation experiments, an office established in Launceston by the Tasmanian taxation department that was closed in 1938 to reduce costs and improve efficiency, and a sub-branch of the Sydney branch opened in Newcastle in 1943 that had a staff of three by 1946. In 1949 the conference of Commissioner and Deputy Commissioners decided decentralisation was inevitable and adopted it as a matter of policy, but a year later the proposal was allowed to slide because accommodation in city centres seemed to improve.[186]

These accommodation problems were the result of the virtual cessation of building in Australia through the depression and the war, which was made worse by the shortage of building materials immediately after the war. There was a nationwide housing shortage and the waiting list for a house in Canberra had blown out to three years or more by the end of the 1940s, so staff who moved to Canberra had to leave their families behind until a house was available. Commissioner McGovern believed this would have an adverse effect on the ATO for many years to come because many of the ATO's most promising officers were not prepared to accept Head office positions.[187]

Almost the entire public service suffered from severe staffing shortages in the late 1940s. Despite various attempts to recruit more men the problem remained, and there was only one other option. In February the government announced that the Third Division would be opened to women. Women had previously been restricted to the Fourth Division because it was widely believed that they did not possess the capabilities required by career public servants and, even after their admission, they were still forced to resign when they married so the only way they could have a public service career was by remaining unmarried. Since most women were expected to become wives and mothers rather than have careers few parents educated their girls to the level from which they could enter the Third Division, so most young women in the ATO remained in the Fourth Division.[188]

This gender inequality had been temporarily overlooked during the war and many women were allowed to do Third Division work although few were appointed permanently to it. There was an anomaly in the ATO because of the mass transfer from the state public service and there were 15 women already permanent members of the Third Division in 1949 (nine of them assessors) because they had been transferred at that level. (There had been more but they had married and resigned.) By 1949 there were a total of 39 women acting in Third Division positions in the ATO who could now be appointed permanently. Women who had been appointed to higher positions during the war on men's salary levels and stayed in them continued to receive men's salaries but newly appointed women were paid at the lower women's wages. The difference was maintained by putting all women on the same basic pay levels but giving those who received the higher payment a special allowance that made up the difference. As general levels of public service pay rose in later years those allowances were gradually reduced so the wages and salaries of other tax officers increased while those women's stayed the same.[189]

Although the Third Division of the public service was opened to women in 1949 almost all the tax technical positions of the ATO remained closed to them for some time. The ATO argued that since women had to resign when they married they would not reach the more advanced technical levels, and were perhaps not suited to them. And since the lower levels were the training ground for the higher levels they had to be reserved for men.[190]

The traditional Australian gulf between men and women, and the separation between men in the Third Division and women in the Fourth, meant they rarely worked together – although young men often found excuses to visit the typing pool or other sections where the young women worked. However, there were many opportunities for them to meet socially, in lunch hours and at ATO balls, dances and picnics. There were also the variety shows produced by ATO staff such as the *Taxation Follies 1945* held at the Princess Theatre in South Brisbane, and the *Christmas Frolics* in Sydney that began as the instalments branch Christmas party in 1945 and grew to a fully catered dinner dance by 1950. Organising these kinds of events gave men and women the opportunity to work together and spend more time in each other's company. Office romances began to flourish in these post-war years, leading to weddings and tax officers making their contribution to the beginning of the baby boom.[191]

The social life of the ATO prospered as the ATO grew. Social clubs organised many social events and sub-branches of the RSL sprang up for the men and women who had returned from the war. Sport was still very popular with clubs holding matches between sections and branch teams competing in the many public service and business competitions that sprang up. Football was very popular, rugby (league and union) in Sydney and Brisbane and Australian Rules in the southern states, all branches had cricket teams and tennis, swimming, and golf were also popular. In Sydney the ATO senior and under 21s rugby league teams played on Saturdays and, although the ATO Rugby League Club was not officially formed until 1949, the tax team won the rugby league competition in 1946 and the Deputy Commissioner accepted the cup on its behalf at the presentation ball. Similar things happened in all ATO branches across Australia and most sporting clubs also held activities to raise funds such as raffles, social events and dances that contributed to the social life of each ATO branch. This growth, and the lifting of wartime restrictions, allowed links between the branches to be re-established. The Brisbane and Sydney branches resumed their annual visits in 1947 and the southern states of Victoria, South Australia, Tasmania and the ACT came together from 1949 to compete in cricket, tennis, bowls and golf.[192]

Program for the Brisbane branch *Taxation Follies* 1947.

Deadlock at Rushcutter's Bay

The Tax Office team won the 1946 grand final in a replay. A Sydney newspaper describes the drawn match.

Like the taxpayer, the Taxation Department has worries of its own – particularly in the Rugby League field.

In the City Houses "B" grade competition, Taxation were minor premiers, but were called on to meet Postal in the final of the major premiership and were defeated 10-nil.

Last Saturday the Grand Final was played at Rushcutter's Bay, but neither side had scored at full-time. The referee ordered another 10-minutes each way, but the result was the same.

A rest period was allowed and then the teams filed on to the field for the sixth "half" of the contest. Still no score. What to do?

Someone suggested tossing a coin, but wiser heads opined the association might object.

Halve the honours was another motion but this would have meant no blazers or trophies for the players.

There is also a tidy nest egg of £20 for the winning club from the general pool – and Taxation folks don't let much of that go astray.

Final decision was to play two more full halves next Saturday, or as many more as may be necessary.[193]

Taking control of all income tax meant the ATO also became the target for all complaints about the tax. 'Blitz Tactics' declared *The Sydney Morning Herald* in complaining about ATO investigators and 'Taxation Gestapo Invades Citizen's Home' exclaimed *Smith's Weekly* as it complained about the ATO's 'Big Stick' powers. In Victoria ATO investigations and tactics led to questions about the ATO in parliament. Some complaints may have been justified because officials had more opportunity than ever before to treat people poorly during the war and immediate post-war period and there was less training and supervision to control it. On the other hand, it was also a time when some people needed scapegoats for their frustrations, and the ATO was a good target.[194]

The most persistent complaint about the ATO was the long delay in issuing assessments. Every year after the Commonwealth took over income tax the backlog of unissued assessments grew, from 160,000 in June 1942 to 600,000 in June 1946. Many people were still waiting for assessments from three or four years earlier and the problem became an issue during the 1946 election campaign.[195]

Commissioner McGovern wrote to all the Deputy Commissioners in June 1947 asking for an all-out effort to overcome the backlog by stopping the work of sections not directly related to assessing, calculating and issuing assessment notices where necessary and working overtime. Staff put in the big effort, and worked a lot of overtime which caused many complaints, but the effort paid off and only about 180,000 assessments remained to be issued by the end of June 1948.[196]

This success suggested what could be achieved through a properly organised work program so, in May 1948 the Commissioner sent the Deputy Commissioners detailed assessing programs, setting weekly assessing targets for the coming year. They were based on what had been achieved in the previous year, making allowances for that special effort so they should not need overtime. To ensure branches kept up with this program they had to send Head office weekly telegrams summarising progress and more detailed fortnightly summaries.[197]

Some Deputy Commissioners changed the Commissioner's plan. The Sydney Deputy Commissioner did his own calculations which showed that assessors would need to work overtime and more typists would have to be brought in from other departments to meet the targets. The Adelaide Deputy Commissioner also estimated that his staff would need to work overtime but, because his office traditionally did not work overtime during the hottest months of the year, he wanted to start early. The Melbourne Deputy Commissioner also said overtime would be necessary, but not in October or November when assessing staff going to night school took leave to study for their exams.[198]

Despite many problems the work program was a success and no overtime was necessary after the end of 1948. The government was happy, the ATO received many congratulations from the community and Commissioner McGovern thanked staff for their cooperation. He said the ATO could now return to giving the public 'service in accordance with its traditions'.[199]

The success of the assessing program created the model for how the ATO would handle the tax time peak period in coming years. Each year new weekly targets were set and the necessary resources marshalled to meet them. Between 1945–46 and 1949–50 the number of income tax returns to be assessed increased from 2.72 million to 3.39 million and the ATO kept up by increasing its workforce and returning to

overtime. After a few years the ATO had refined its tax time assessing program through experience and successfully completing that annual program became the dominant annual ATO activity.[200]

The success of the annual assessing program allowed the ATO to expand its other activities including enforcing taxpayer compliance. While the ATO had struggled to keep up with routine work, investigation and enforcement had a low priority and it estimated that evasion of £100 million had occurred in the five years before 1948. The success of the assessing program freed experienced technical tax officers to begin 'an attack upon evasion' and the Commissioner convened a meeting of the branch's chief investigation officers to plan it.[201]

Ready to deal with evasion

In July 1948 Commissioner McGovern issued a press statement about the Tax Office's success in reducing its assessing backlog and where it would next focus its attention.

The Commissioner added that the overtaking of arrears of assessment work should free a considerable number of trained officers for an attack upon evasion. It was well known that evasion had considerably increased during the years of high expenditure and high rates of tax and, although every effort had been made to control this evasion, the meagre staffs available had been too hard pressed in ordinary assessment work to do more than provide a slight check. The methods employed to evade tax had been carefully noted by the Department and the staff which will now be made available will be employed in a determined effort to uncover this evasion and to bring the position back to normal.

Mr McGovern said that those taxpayers who had hitherto disregarded advice to make voluntary disclosures of understated income would be very well advised to reconsider. Statutory penalties, provided for tax evasion, are very high and undesirable publicity follows discovery of evasion. When a voluntary disclosure of understated income is made by a taxpayer, publicity is avoided and penalties imposed are usually in the nature of an interest charge on the underpayment.

Mr McGovern added that it might not be generally appreciated that offences in connection with taxation sometimes involve liability for punishment under the Crimes Act. When two persons conspire together to defraud the Commonwealth of tax, they bring themselves within the ambit of the Crimes Act and the penalty may be imprisonment.[202]

Through war and post-war reconstruction Australia began to become one unified nation rather than a confederation of competing states. It had been made possible by the powers and experience gained during the war, and the revenue of the income tax. The ATO needed to achieve the same unity by building links between the state branches and Head office and in 1948 Commissioner McGovern convened a special conference of departmental officers to discuss matters such as office procedures to help set up standardised systems throughout the entire ATO. But there was a long tradition of state branch independence to overcome before that could be achieved. The regular meeting of the Commissioner and Deputy Commissioners became a way in which some unity could be accomplished and they usually discussed tax technical issues that brought some unity to the administration of tax laws, but they rarely discussed management issues. On one rare occasion during the 1949 conference they discussed smoking in the office because each branch had a different policy that caused dissatisfaction in the offices where smoking was not allowed. Deputy Commissioners explained the policy in their branch and they then agreed to adopt the New South Wales policy. It prohibited smoking by officers who came into contact with the public but allowed it in the office until half an hour before the end of the day (presumably to prevent accidental fires after people had gone home).[203]

The 1949 conference was the first to be held in Adelaide. Commissioner McGovern said he hoped that subsequent conferences would be held in other states in turn so Deputy Commissioners could see the best features in each branch and take them back to their own branches. That would help improve the entire ATO and bring greater uniformity, but it was only the beginning of the process.[204]

05

The 1950s

STABILITY AND CHANGE

CHAPTER FIVE: The 1950s

Stability and change

It was the first decade of the Long Boom, a period of stability and prosperity after years of depression and war. It was also a period of great innovation when the industrial and scientific knowledge gained during the war was turned to peaceful production. For the ATO it was also a time of stability that allowed it to adopt new processes and ways of working, if not new ways of thinking, as old attitudes clashed with ideas of change.

Across Australia the children of the depression who had fought in a global war settled down in peace and prosperity to raise their families. Unemployment was almost unknown and prosperity blossomed, presided over by a stable government led by Robert Menzies who had won the support of the rapidly growing middle class. Picture theatres, sporting venues, churches and Sunday schools were full with young families enjoying richer lives than ever before and working to ensure that their children's lives were even better. New family homes were built in the vast new suburbs that flourished around the major cities, filled with the new products of peacetime industry like motor cars, television sets, washing machines and refrigerators. By the end of the 1950s the Australian community that many called the Lucky Country had grown to 10 million.[205]

This stability was coloured by the excitement of change. Trams began disappearing from city streets, replaced by cars that led to shopping centres, drive-in picture theatres and freeways. Television was introduced in 1956 and had spread to most of Australia by 1959, there was the promise and threat of the atomic age, the first jet airliners entered service and the space race sent people outdoors to peer at tiny artificial satellites overhead in the sky. New miracle drugs protected children from deadly diseases like polio and the infections that had brought death to earlier generations. The new Queen, Elizabeth II, visited Australia in 1954 and the world came to Melbourne for the Olympic Games in 1956. At the same time migrants from across Europe flocked to Australia while young Australians began going to Europe (or at least London) to escape the stifling conservatism they found in much of post-war Australian life. Over all this loomed the fear of nuclear war that threatened to destroy everything everywhere in a matter of minutes as the two

mutually antagonistic ideologies of capitalism and communism became locked in a massive arms race. But fear of nuclear war was dampened by the new consumerism and the booming economy.[206]

Tax officers shared in all this and also lived in the ATO's stable community. In the big branches like Sydney and Melbourne it was not possible to know everyone but many sections were large enough to become their own communities. In smaller offices like Hobart and Perth it was possible to know people in other sections too, and buildings with cafeterias also had a common space that encouraged greater mixing between all staff. People who worked together also tended to socialise together, going to the pictures or shows in groups, shouting drinks after work (when most states still had six o'clock closing for pubs), going to parties and playing sport. Close friendships formed, romances blossomed and envies and petty hatreds festered, as they do everywhere. This sense of community made the ATO a place of shared experiences, made closer by the distrust and fear of tax officers in the wider community and the necessity of keeping the secrecy that all tax officers agreed to which meant that most would only admit to being 'public servants' or working for Treasury when questioned by outsiders.[207]

Sport was the great common bond and sporting clubs flourished. In some states sections were allowed to take one day off a year together as a sporting day, often combined with a picnic, and in the smaller states there was an annual picnic day for the whole branch that included sport. All the usual sports were popular and these activities were generally supported by senior staff with Deputy Commissioners and Assistant Deputy Commissioners often serving as patrons and attending events.[208]

Sydney branch correspondence section Tennis Day, 1951.

Index annual picnic

A report in the staff magazine *Tax Form* relives the sense of social life in the 1950s.

On Friday, 14th March, Index staff assembled in Martin Place to embuss for their annual outing. This took the form of a trip to Austinmer.

For the occasion several lasses from Sortergraph and Transfers Sections joined us. Miss Barry and Mrs Pendergast, both formerly of Index Staff, were welcomed back for the day and were greeted with affection by all present.

With a cheery wave from the Deputy Commissioner, Mr F A Thompson, we sped on our way. We enjoyed several detours – to survey Mascot aerodrome, to see Boys' Town at Engadine, and to enjoy the views from Bald Hill. Thence on to Sublime Point where calories were forgotten, and we feasted upon scones and jam with lashings of cream.

At Austinmer a small party picnicked on the beach whilst the remainder dined at 'Headlands Inn'. We recommend the Inn to one and all.

After lunch, swimming was the order of the day for many. A short sports programme was organised and the following folk proved their prowess.

Swimming Race – Jenny Pennington.
Peanut Scramble – Marion Moffatt and Irene Owens.
Walking Race – Barbara McDonald.
Three Legged Race – Irene Owens and Jenny Pennington.
Sprint Race – Pat Creighton
Egg and Spoon Race – Pat Creighton and Phyl Ward
Wheel Barrow Race – Phyl Ward and Bertha Border
Old Buffer's Race – Phyl Ward

We must admit that how an 'Old Buffer' won the Wheel Barrow Race just gets us in too. T'was a happy day for one and all, 'If only we could have more such days' was the general comment.

'N.O.L.'[209]

Many sections were large enough to form teams to play other sections and the most talented were selected to play in ATO teams against other organisations. Competitions at this level were serious and, in the days before professional sport, many ATO teams included well known and respected sportsmen, as did opposing teams, so the competition was tough. Most of their victories have been long forgotten and their trophies tarnished by time, but some remarkable achievements are still remembered, such as the Sydney branch rugby league team that was virtually unbeatable and won Public Service Competition premierships in 1949, 1950 and 1951.[210]

Brisbane branch Taxation Ballet of 1956.
Left to right, back: Margaret Benson, Daphne Hiller, Pat Carver. **Middle:** Ailsa Dobbie, Margaret Wall, Rhondda Smith, Carol Cantrill, Janice Palmer. **Front:** Jocelyn Colclough, Gloria Bryant, Lorraine Carew, Colleen Bohan, Joan Nichols, Heather Logan.

Social clubs organised many activities and amenities for staff. Several branches put on annual variety shows that were performed, scripted, produced and staged by ATO staff for staff that gained excellent reputations for high standards. They catered for everyone so if someone couldn't sing or act they could write, paint scenery, do carpentry or electronics, organise, sell tickets, usher people to their seats and, very importantly, attend on the night and applaud. The other big event on the ATO social calendar was the Taxation Ball, the formal event of the year that was fully catered with a band and dancing well into the night that gave women a big opportunity to dress up in their finest evening wear. It was also the occasion when the Deputy Commissioner could invite important members of the community to sit at the head table and gave the ATO a public face.[211]

During the 1950s most social clubs began publishing monthly magazines that carried reports of the latest sporting achievements, social events and other club activities as well as news of forthcoming activities and office gossip. They printed photographs taken by members of the photographic club and prose or verse by office writers. Other aspects of ATO life appeared in the newsletters of the unions and staff associations that dealt with work pay and conditions.[212]

The interstate sporting carnivals were the pinnacle of ATO sporting and social life. Sydney and Brisbane continued their annual visits until 1955 and the southern states held a number of carnivals, in Melbourne in 1949, Adelaide in 1950, Hobart in 1953 and Perth in 1955. The first carnival attended by all states was in Melbourne in November 1956 when Head office and ten branches competed in seven sports over six days. Just as important was the social program that included an official opening ceremony, two evening excursions that included barbecues and dances, culminating in the Carnival Ball and trophy presentation on Friday evening. The next carnival was hosted by Head office in Canberra in January 1959 and attended by over 600 people. It continued the tradition of firm but fair sportsmanship on the field and convivial socialising off. Social events included a tour of Canberra sites, a social dance, an open air concert in which every state had to contribute a performance, and a carnival dinner on the final night, hosted by Commissioner McGovern.[213]

In this rich social environment the ATO became a way of life and a family for many tax officers. It provided everything they needed – economically, socially and intellectually. For the men and women who had returned from the war it also provided the stability and certainty that made it possible for those suffering the mental after-effects to find a place where they were understood and helped. Branches were paternalistic, but that

Visitors to Canberra for the 1959 Interstate Sporting Carnival.

was the norm for the times, and the Deputy Commissioner was considered the figurehead of his branch who might not know all his staff personally but took a fatherly interest in them. In fact, most Deputy Commissioners lived lives quite remote from their staff, spending their days involved with tax technical matters while the majority of staff did the daily processing work. Most staff rarely saw and never spoke to their Deputy Commissioners although, in Canberra, Commissioner McGovern had an annual Christmas ritual in which the staff lined up and when each officer's name was called out they stepped forward to have their hand shaken formally and receive a few words from the Commissioner himself. In some branches Deputy Commissioners appeared at Christmas functions held on different floors of the building and spoke a few general words to the staff. If there was anyone in the branch who did take an interest in the staff it was the Deputy Commissioner's secretary or personal assistant who took care of the details of most staff-related social affairs, which gave the Deputy Commissioner the appearance of being 'fatherly'.[214]

The executive enquiries counter on the wood-panelled second floor of the Savings Bank building in Sydney.

The Cold War was the driving force behind many social and economic changes during the decade, changes that included the introduction in 1951 of short-term compulsory military service for all 18 year old Australian males. Australia developed a closer relationship with the United States, entered several defence pacts including ANZUS and SEATO and reached agreements that allowed the US to establish bases in Australia. Australians fought in the Korean War between 1950–54 and the Malayan Emergency against communist guerrillas between 1955–60. Australia also retained its British ties and became a base for British military development with a guided missile test range established at Woomera and atomic bomb tests on the Montebello Islands and at Maralinga.[215]

The Cold War also gave impetus to national development. In 1952 the government agreed to mine and export uranium to Britain and the US, and it established the Australian Atomic Energy Commission in 1954. Major nation-building projects went ahead including the Snowy Mountains Scheme, the Eildon and Warragamba dams and construction of a standard gauge railway line between Sydney and Melbourne. International trade increased and by the end of the decade, Japan was the largest buyer of Australian coal and the second largest buyer of its wool.[216]

The ATO collected much of the revenue that made all these developments possible. In addition, the negotiation of double taxation treaties by an ATO delegation to New Zealand, the United States and Canada in 1953 facilitated international investment and trade. The ATO also offered its experience and knowledge to other countries in the region with training courses and lectures organised through the United Nations and the British Commonwealth of Nations (which the old British Empire had become).[217]

Australian taxation remained stable during the 1950s with the exception of some technical changes and variations in rates. In 1959 the ATO collected £823.37 million, more than twice as much as a decade earlier, due to Australia's growth and prosperity. The flour, gold and entertainment taxes were wound up, along with the land tax that was abolished from 1 July 1952. Because the land tax had initially set up the ATO and much later legislation about the ATO used it, the *Taxation Administration Act 1953* was enacted to replace it. Despite the end of the land tax, valuation remained a part of the ATO's work with valuers fully occupied on estates and gift duties, and providing services that included over 159,000 valuations for Commonwealth and state governments in 1958–59.[218]

The wool tax and the stevedoring industry charge continued to provide support for those industries, a tobacco charge was introduced in 1956 to foster and expand the Australian tobacco industry and the canning fruit charge was introduced in 1959 to provide funds to promote the sale of canned apricots, peaches and pears. Revenue from estate and gift duties climbed as the Australian population grew with 10,090 gift and 15,675 death duty assessments being made in 1959. The work associated with sales tax increased only slightly while payroll tax registrations fell from about 73,306 to 38,4110 due to increases in exemption levels.[219]

Pigs stew

Trevor Boucher recalls one of the first things he was taught about the ATO.

When one entered the office, as I did in about 1956, there were formal induction processes, and you had to learn what the Tax Office did. It administered the tax laws. What tax laws? Pigs Stew! 'Payroll tax, income tax, gift duty, sales tax, stevedoring industry charge, tobacco charge, estate duty and wool tax'.[220]

The number of income tax returns lodged annually grew from 3.48 million in 1950 to 4.68 million by 1959 and the number of registered tax agents rose from 7,800 to over 10,400. Tax avoidance and evasion also grew and, during four years in the early

1950s, prosecutions for failure to furnish returns or other breaches of the income tax acts virtually doubled from 5,905 to 11,357 and the penalties imposed more than doubled from £61,960 to £162,961. A lot of this was petty attempts at evasion that did not add up to much but the cost of detecting and collecting it had to be borne by the whole community as part of ATO operating costs.[221]

The ATO had become a large processing plant for income tax returns and staff worked on the production line at a range of tasks to move returns from arrival to processing refunds and storing files for future use. Most branches also had staff cafeterias for the workers.

No escape from death or taxes

Commissioner McGovern believed in developing a positive relationship between the ATO and the community, as shown in the Annual report in 1958.

It has been remarked that there is no justification for a programme to improve the relations between taxpayers and the Tax Administration. Taxes, like death, are certain it is said – there is no escaping them. The Administration is clothed with adequate power to enforce payment. So why bother about what the taxpayers think of the Administration?

Both experience and common sense provide an emphatic denial to the validity of these views in present day conditions.

It may be true that for many years taxation administrations relied upon their enforcement powers to carry out their legislative duties. There is no doubt that they succeeded in collecting taxes and very little doubt that they also succeeded in incurring the universal opprobrium of taxpayers. Taxes and tax collectors were actively disliked and it was not considered reprehensible to defeat the revenue. But these attitudes belong mostly in the past and it is the residue of these past days that creates the need for public relations activities. There is in these days a desire to understand and be understood.

It would be futile to expend effort on improving public relations unless the basic conditions for the success of the effort were present. Fortunately, this is the case. Equitable tax administration has existed in the Commonwealth for nearly fifty years. This enables a positive approach to be made to improve relations between the Administration and the public. There are two branches of this positive approach – first – the promotion of an understanding of taxation law itself and second – the furthering of confidence in the organisation entrusted with the administration of the law.[222]

In 1950 the ATO staff was about 7,500 and in 1959 it was 7,420. This stability was the result of strict staff ceilings imposed by the government in 1951 to control the growth of the public service. Commissioner McGovern told the government that the ATO could only cope with this limitation by eliminating the least essential functions and reducing the intensity of other work, putting the revenue at risk and reducing the safeguards designed to ensure taxpayers paid the required level of tax.[223]

The first female assessors appointed to Sydney branch.
Left to right: Joan Sneddon, Marie Taylor, Myrna Hallinan, with Jan Brady seated.

Through the decade about 39 per cent of ATO staff were women, but they remained at the lower levels of the workforce. By 1959 there were only 45 female assessors out of a total of 1,343 and 197 clerks out of 1,772, but 856 women and no men were typists or accounting machinists and there were no women in the ranks of investigation officers, inspectors, valuers, legal drafting officers or management. As well as lower status jobs, women continued to receive lower pay than men for equal work, although this was increased from 54 per cent to 75 per cent of the male wage in 1950. Women also made up the large casual workforce of around 500 employed by the ATO during tax time each year to help process the heavy increase in mail containing income tax returns. Despite their low status the ATO depended on its female staff and in 1951 a shortage of typists in Sydney forced the ATO to set up a typing pool of about 100 women in Wollongong to employ women who were not prepared to travel to Sydney.[224]

The upper levels of the ATO remained almost static during the 1950s. Commissioner McGovern was reappointed for a second seven year term in 1953, and there were only a handful of changes at the senior executive level during the period. Staff ceilings meant there was little movement in the Third Division workforce and officers spent an average of seven years on any one level. There was much more change in the Fourth Division as young women joined the ATO for a few years and resigned when they married, but there were few career paths in the Fourth Division so people there also tended to remain in the same position for many years.[225]

Ground to a halt

Lionel Jones recalls the scope for a career in the ATO in the 1950s.

I found myself in an office environment where there was no promotion for anyone and no hope for advancement. Just as the Office had been filled with service personnel returning from the Pacific war, it had previously been filled with returning servicemen from World War I. They occupied positions of any seniority and were slowly ageing. The organisation appeared to have ground to a halt.

For those who wondered about this, and not everyone did, it was generally thought that the Office was too large (you see, expectations were low). It was believed that opportunities would be greater in a small environment such as the Electoral Office, where you might have a base grade clerk or two in an office and perhaps a supervisor one or two grades above base – such giddy heights to be attained![226]

Overcrowding, poor facilities and temporary working arrangements remained the norm during the 1950s. The imposition of staff ceilings in 1951 reduced the need to find space for new staff but the 1952 government decision to restrict spending on buildings also limited the ATO's ability to improve accommodation, and construction of the promised new ATO building in Brisbane did not begin until 1958.[227]

In most cities staff were spread across a number of buildings and the Melbourne situation in 1954 typified ATO accommodation problems in the rest of Australia. The main office in the city centre was augmented by file storage in two huts at the Maribyrnong explosives factory, the records and statistical sections were located in a warehouse in Abbotsford (where the mail was also opened during tax time), three assessing sections were located in temporary wartime barracks at Albert Park (soon to be moved to refurbished premises in Chapel Street, Prahran) while the investigation section was located in another building in the city centre. Very little had changed by the end of the decade.[228]

There were some improvements in the smaller state capitals by the end of the decade. All ATO functions were moved into one building in Hobart in mid 1955 and land was bought in Adelaide for a special ATO building but progress on it was so slow that staff from three offices moved into a new leased building in central Adelaide in 1960. But in Perth the major office remained a warehouse that had been adapted for ATO use in 1940.[229]

An ATO training room. In this class trainees are learning about the structure of the ATO.

After its experience in providing courses for tax officers returning from the war and new ex-servicemen the ATO developed an extensive training program. From 13 courses for 250 tax officers in 1953 training grew to 82 courses for 1,176 officers in 1958 including courses introduced for income tax and sales tax examiners and supervisors. New staff induction courses began from about 1953 when 11 courses were held and one branch produced a booklet, *Welcome to Tax*, that was later adopted by other branches and given to all people joining the ATO.[230]

It was not until the mid 1950s that the ATO began systematically developing its relationship with the Australian community and public relations training courses began in 1958. ATO experiences with the press were not happy and on one occasion a press notice proudly announcing that a quarter of a million refunds had been issued, and only 67,000 remained, was turned around to highlight the unissued returns. This kind of experience made the ATO very wary about what it said to reporters and the Commissioner would not allow any branch to issue notices or give interviews without Head office approval.[231]

The ATO preferred to use forms of publicity that it had better control over, such as pamphlets, radio interviews and early television appearances. It saw public relations as the direct relationship between tax officers and taxpayers, which was not unusual at that time when new communications technologies and practices were only beginning

to develop. Country visits were resumed in all states in 1952 with experienced officers having good personal skills going out at tax time to help individual taxpayers and registered tax agents, visit local industries, give talks to local groups, give interviews to local newspapers and talk on the local radio stations. Branches also experimented with guided tours of tax offices for groups like accountants and businessmen that helped demystify ATO processes. The front line of ATO public relations remained the tone of its letters and the courtesy with which tax officers talked to taxpayers at enquiry counters and on the telephone. Counter work was promoted as a privilege and supervisors were told to select counter staff for their appearance, confidence, alertness and self expression and train them in the knowledge they needed to help the public in a courteous manner. There was no uniform, it was suggested staff should dress smartly in a white shirt, collar and tie and a belt (not braces) and if their dress was not satisfactory they would not work at the counter.[232]

The enquiries counter on the first floor of the Savings Bank Building, Sydney, 1954.

All staff operated under the same basic rules. The Public Service Regulations governed most daily activities, the secrecy agreements staff signed prevented them from talking about their work with outsiders, while regulations prevented them from giving tax advice to anyone, even close relatives, and Treasury regulations strictly controlled how public money was handled.[233]

Despite these strict safeguards some tax officers were tempted by the money that passed through their hands. In September 1957 there were 10 cases of tax stamp fraud worth £1,054 discovered in the Sydney branch, resulting in an officer's dismissal and conviction. In the same month 240 refund cheques worth £2,231 were stolen from the Sydney branch and a junior female officer and five accomplices were all convicted as a result of investigations. Other cases of illegal behaviour detected in the ATO included preparing tax returns for a fee and the alteration or substitution of returns, but these cases were remarkably rare in such a large workforce.[234]

A salutary lesson

Bruce Jones muses on a lesson learned about the importance of secrecy and privacy.

In those assessing schools there was probably one bad egg, one in a hundred. Halfway through our school two very tall and wide gentlemen arrived and walked over to stand beside someone, he stands up and the three of them leave. Nothing is said, but now 100 people are frozen, staring at what's just happened. One of the men returns with a large cardboard box, collects everything on the desk and just tips the contents of the drawers into the box, folds it closed and just walks out. Nothing is said, and you think, 'what was that, what just happened here?' Over the next day the story unfolds that he'd been doing some dodgy things and the Federal Police have arrived and taken him away.[235]

The major problem facing the ATO in the 1950s was unity. Perhaps the best way to imagine the ATO at the beginning of the 1950s is as a fleet of 14 ships all sailing in the same direction. They shared the same task of collecting the nation's revenue but each had its own captain and crew with their own traditions and procedures. Most states apart from Western Australia had an income tax branch and a sales tax branch and there were three branches in Melbourne which also had Central office and in Adelaide which also had the Northern Territory branch.[236]

By the end of the decade the number of branches had been reduced. When one Deputy Commissioner in a state retired the two branches were amalgamated under the remaining Deputy Commissioner. In 1958 the Darwin branch that had been located in Adelaide since 1942 moved back to Darwin so the only state to then have two branches was Victoria, which also had Central office.[237]

Each branch's Deputy Commissioner defended his territory and independence. They took direction from the Commissioner on most policy and tax technical matters but expected to be left to run their own branches as they saw best. It was not an accident that the sporting carnivals were called 'Taxation Offices' carnivals, not 'Taxation Office' carnivals. This parochialism was well expressed in 1959 when Head office suggested a national journal for all tax officers but the Deputy Commissioners said it was unnecessary and unlikely to succeed because the existing state-based magazines and newsletters were sufficient and tax officers would not be interested in what was happening in other states.[238]

Brisbane branch correspondence section, August 1955. Desks are lined up with military precision with supervisors looking back at their staff, almost like being back at school.

Head office in Canberra was mainly involved with tax technical policy and remained, as Commissioner Ewing had insisted, the office that made the final decision on appeals and objections. Its proximity to Parliament House and major government departments such as Treasury and the Attorney-General's Department also lifted the intensity of the office. It attracted many of the smartest and most motivated people in the ATO so the atmosphere in West Block was lively and invigorating and it was an exciting place where the work was more varied and challenging and the hierarchies less evident than in other offices.[239]

Branch offices collected the taxes so they were organised to process the immense flow of paper and money as efficiently as possible. Life in the state branches was therefore quite different to Head office and much more structured, disciplined and hierarchical. This was partly because of the much larger workforces, partly because of the routine and repetitive nature of much of the work, perhaps partly because of the military experience of many of the supervisors who were ex-servicemen, and partly the result of the discipline needed to meet annual assessing deadlines. As a result, many tax officers in the branches regarded the ATO as a job rather than a career.

Each branch had its distinct cultures and routines. For example, some branches recorded staff attendance using a Bundy clock that stamped the time of arrival and departure on each staff member's card and in other branches staff signed an attendance book in which a line was drawn at starting time and those who arrived late had to sign under it. However, Bundy clocks became common in the ATO during the 1950s.[240]

Bundy ill will

John Martin recalls the introduction of Bundy clocks in Sydney.

John could not help but recall the ill will felt towards the use of the notorious Bundy clock. Eventually it worked its way into the system, but initially there was much resistance. There was straight out sabotage! Sugar would be poured into the Bundy clock to 'foul up' the system. Tape would be put over the card so that the time would not register. A mate would 'Bundy off' for someone who had to leave earlier. Even the 'boss' would sign off the card and it would not go through the clock.[241]

There was also no uniformity in office security. The only way to keep offices secure was to lock doors before and after work but that was difficult to do when the ATO shared a building with other government departments or businesses. It would also have been a great inconvenience to staff who arrived early due to public transport, or in Queensland where some staff came early to play bowls, billiards or other games in the basement recreation area. Locking doors after work would also inconvenience staff staying back after hours to attend night classes.[242]

Disagreement between Deputy Commissioners also created significant differences in working conditions and processes. During the assessing emergency of 1947 special sections had been set up to do the calculations that assessors had previously done to reduce the drudgery of assessing and allow assessors to concentrate on the more

technical aspects of their work. However, in later years some Deputy Commissioners said this created an additional stage in the assessing process that cancelled out any benefits in efficiency, while others disagreed. They agreed not to adopt a standard procedure but do whatever they thought was best, so long as it did not slow down the work during tax time peaks.[243]

Perth branch assessing room. Unlike some larger branches, all Perth assessors worked in one room that was sometimes known as the chook farm. As they worked their way up the assessing grades they moved further back in the room, with the newest assessors in the front rows where they were under closer scrutiny.

Deputy Commissioners also disagreed on the amount of work they expected from their assessors. Victoria set quotas as high as 180 assessments a day for salary returns, down to 12 a day for large business returns, while other Deputy Commissioners had different assessing processes and set lower targets. Some did not have fixed quotas and let assessors work according to their capabilities. Some states told their assessors of the targets they had to meet and others did not because they thought that the better assessors would not work as hard if they knew them. In 1959 the Deputy Commissioners discussed these differences but could not agree on any standard targets.[244]

A staff merit system was introduced in 1958 to rate officers on traits including knowledge, diligence, power of expression, judgment and planning and organisation that could be used as a guide by promotions selection committees. Deputy

Commissioners disagreed on it, one branch did not introduce the system because the Deputy Commissioner did not like it and other Deputy Commissioners had different opinions on how much they would use it. Commissioner McGovern was firm on this. He said the merit system would be implemented in all branches because otherwise promotions would be haphazard. In time the merit system would become the basis on which promotions were based and he wanted the system to be firmly embedded in the ATO when that time came.[245]

Despite small successes Commissioner McGovern faced an almost impossible task in trying to bring uniformity to the ATO. He did not try to force change on existing systems, but tried to use the introduction of new systems and processes to introduce some uniformity across the ATO.

The Commonwealth Committee on Taxation was established in February 1950 to recommend ways to simplify tax laws, remove anomalies and provide an adequate and equitable basis for taxation. It completed its deliberations in March 1954 and prepared over 30 reports. One of its most far-reaching suggestions, made in October 1950, was a number of changes to existing taxation processes including the adoption of income tax self-assessment by taxpayers. Commissioner McGovern sent the report to the Deputy Commissioners who supported it so a committee of tax officers from all the branches considered the proposal in greater depth and supported it for three reasons: the need to simplify the tax process as much as possible, the need to relieve the ATO's growing difficulty in keeping up with the volume of work and, finally, the possibility that 'a state of emergency' (euphemism for another World War) would aggravate the ATO's existing problems. The Commissioner and Deputy Commissioners discussed the proposal in October 1951 but decided against it because they could not devise a plan that would work successfully and meet government and public expectations of the taxation system and the ATO. Instead, they decided on a system of self-assessment for provisional income for taxpayers that was adopted in 1952.[246]

More significant change came through a new management philosophy that went by several names including Taylorism, Fordism and 'scientific management'. These ideas were introduced to the Commonwealth Public Service in 1950 by the Public Service Board as 'organisation and methods' to improve the efficiency of government departments. However, when the Public Service Board approached the ATO with these ideas in September 1951 Commissioner McGovern replied that the ATO already looked for new ways of doing things when they were appropriate to its needs. One happy example of this new management philosophy was the introduction of tea ladies who pushed trolleys around the office, serving tax officers at their desks. Tea ladies not only improved efficiency, they also became major sources of news around the office and popular personalities in their own right.[247]

ATO tea ladies.

Commissioner McGovern used Deputy Commissioners conferences to help bring some uniformity to the ATO and there were five during the 1950s. During the decade they gradually changed from discussions of tax technical matters to discussion of general matters of management, partly because of Head office's increasing coordination of tax technical matters and also the stability of the taxation system that reduced the need for tax technical debate. As a result, the 1959 conference did not deal with any tax technical matters.[248]

Reorganisation in Head office during the 1950s made it more capable of assisting the unification process. A Chief Deputy Commissioner was appointed to oversee and coordinate tax technical work to ensure uniformity of decisions and the continuity and regularity of work flows. A new revenue and research section was established in 1953 to prepare revenue estimates and carry out research, statistical and publicity functions. In 1955 Head office was reorganised into three divisions: the management division to oversee matters affecting management and procedures throughout the ATO, the legislation division to oversee application of the laws governing all taxes, and an expanded revenue and research division. An internal audit section was also re-established in 1956 to conduct test checks in all sections of the ATO. To reduce confusion between the titles of senior positions in Head office and the branches the Chief Deputy Commissioner was retitled the Assistant Commissioner and the Deputy Commissioners became Directors.[249]

Head office's management division led the review of a number of procedures across the whole ATO, often through committees comprising tax officers from the management division and branches convened to examine specific problems. They included developing procedures to improve responses to taxpayer queries, procedures to obtain returns from defaulting taxpayers and improvements in sales tax systems to streamline investigations. After the 1957 tax stamp fraud cases a committee reviewed existing procedures to eliminate weaknesses in that system.[250]

One of the areas of greatest innovation was also one in which the community had a particular interest, the issuing of income tax refund cheques. Before the introduction of PAYE most refunds were small and there were not too many so they were usually paid in cash over the counter. However, these changes brought long queues at cashiers counters and more cash in the ATO which were not attractive, so refund cheques were introduced.[251]

This brought new problems and required new procedures. Blank cheques had to be stored securely, clearly typed using ink that could not be altered and guarded until they were sent to the post office, but each branch developed different ways of doing all this. Some branches manually signed and countersigned the cheques and some other states used a cheque signing machine, of which there were at least two types. Some branches used machines that typed the assessment notice and the refund cheque at the same time while some branches prepared the forms separately.[252]

Standardisation began in 1951 when approval was given for refund cheques with a value of less than £20 to be delivered to branches with the signatures already printed on them. This saved an immense amount of work but also came with other problems because previously cheques had been signed towards the end of the process so there was little danger of theft or other malpractice. However, since the new cheques arrived in the office with the signatures on them but still blank there was a greater need for security. The Sydney branch devised a process for ensuring the security of these cheques from their arrival in the office to their delivery to the post office that had 40 steps, several with sub-steps. They included storing cheques in a strongroom with two locks and two officers having one key each, machine operators preparing the cheques in a special locked room, checking them in another secure room, and so on, with officers at each stage signing over responsibility when they had completed their step in the process.[253]

It was a thorough plan and Head office asked the other branches to use it, but that did not happen. In Sydney cheques and assessment notices were prepared separately while in Victoria they were done simultaneously, so the process had to be changed to work there. The Perth office only had one strongroom so it had to make do with a large safe instead, the Adelaide branch did not have the volume of work that

justified setting up the new sections required in the Sydney plan and Hobart had neither a strongroom nor a separate secure room in which machine operators could work. Consequently a uniform process could not be introduced in the branches and had to be adapted to suit local conditions.[254]

Despite this the new cheques had great potential to make ATO processes more efficient so a departmental committee was established to examine how best to introduce the new system. It found that to achieve maximum efficiency the new process required simultaneous preparation of the assessment notice, refund cheque and the official record on the same machine, but the forms had to be redesigned so they could be processed together and the most efficient machines had to be used to do it.[255]

An ATO machine operator.

Tests showed that using a redesigned and standardised form could increase efficiency by between 26 and 39 per cent (depending on the branch), partly by reducing the number of typing lines to limit the amount of machine movement needed to type them. Further efficiencies would come from using standardised envelopes and a standard process of putting the forms into the envelopes. The Melbourne branch conducted tests to find the most efficient machines for the new process. Three typists tested five different machines for two weeks each and at the end of the test productivity ranged from 306 to 348 forms prepared a day. As a result two machines were recommended for the branches to use.[256]

After the form design and types of machine had been decided the Deputy Commissioners agreed to adopt the new system at their 1953 conference, but the Commissioner had no say in what they actually did. Nevertheless, in July 1956 he wrote to the Deputy Commissioners asking them if they had put the system into operation. They replied that they had, but some had made changes to the agreed process and the Adelaide Deputy Commissioner, who had opposed the new process, had made the most changes.[257]

There was little Commissioner McGovern could do about this because the branches would tolerate only so much central control. The same thing happened with another system developed to account for all the refund cheques after they had been issued. After the cheques were cashed they were returned to the branch that issued them, where they were sorted and recorded to identify lost or stolen cheques. Each branch had a different process to do this, although they all achieved the same result, and the Commissioner did not interfere.[258]

However, the Commissioner and Deputy Commissioners were united in resisting change from outside. When the Public Service Board wrote to Commissioner McGovern suggesting that the ATO should use the simpler Department of Social Security method of keeping track of cheques, he asked the Deputy Commissioners for their thoughts. They replied, each in their own way, that it was a bad idea, and Commissioner McGovern told the Public Service Board that the ATO was not the Department of Social Security so it needed different procedures and would not change.[259]

The ATO was motivated by its need to protect the revenue, and the standards of service to the government and the community that it believed were expected of it. It had to balance stability and change to ensure that it continued to improve to meet the challenges of modern Australia and the future, while also meeting its obligations and maintaining its traditional values.

But change was coming rapidly. The first subscriber trunk dialling (STD) telephone lines in Australia were opened in the mid 1950s and the foundations of a stable and efficient air transport industry were also laid during the decade. Educational standards and expectations were rising with the first of Australia's new universities being planned and opened. At the same time culture was changing. Rock and roll music arrived in Australia in 1956, the first Top 40 hit parade chart appeared in 1958 and *Six O'Clock Rock*, compered by Johnny O'Keefe, was launched on ABC television in 1959.[260]

At the enquiry counter

On his retirement John Martin recalled that even rock stars pay tax.

John liked to be able to provide assistance to the public and especially liked to come down to the Enquiry area. It was here that he often met a lot of very interesting and well known people. He certainly remembers the day that Johnny O'Keefe came to the counter and the excitement that he caused. All the female staff left their stations to see him!

06

The 1960s

MARKING TIME TO A NEW BEAT

CHAPTER SIX: The 1960s

Marking time to a new beat

The 1960s was a period of rapid change when the youth and energy of the post-war generation began to reshape Australia's social and cultural landscape. By this time, however, the ATO had settled into a kind of equilibrium that balanced responsibilities and powers between Head office and the branches and between tradition and change. Orderliness and discipline were the orders of the day and necessary if the ATO was to keep pace with its growing workload.

This order was matched by government through the decade. Although the politics of the times was often turbulent the Liberal Party remained in government. It was content with the existing taxation system so there was almost no change in the basic structure of tax laws, although income tax and the social services contribution were combined in 1965 and the ATO began collecting the ACT Stamp Duty in 1968.[261]

A number of detailed legislative changes following appointment of the Commonwealth Committee on Taxation (Ligertwood Committee) in 1959 to review anomalies in the income tax legislation, including some tax avoidance through arrangements such as superannuation schemes. The Committee completed its report in June 1961 and many of its recommendations were implemented in amendments to income tax law in 1963 and 1964. Although they affected how tax was assessed and the amount collected, they had very little effect on ATO operations.[262]

One of the Committee's recommendations was that the ATO should stop issuing the tax clearance certificates for people travelling overseas that had been introduced in the 1920s. By the beginning of the 1960s overseas travel was becoming commonplace and in 1960–61 the ATO issued 183,184 tax clearance certificates, a process which had become a great inconvenience to travellers and a growing work burden on the ATO. The government recognised that abandoning this system might result in some lost revenue but the estimated savings of about £100,000 a year in administration costs would probably compensate for it, so the ATO stopped issuing the certificates on 28 May 1962.[263]

The most significant financial change during the decade was the introduction of decimal currency on 14 February 1966. The ATO began planning for it in October 1963 and was ready for the transition to dollars and cents by late 1965. All active records had to be converted to the new currency, a massive project that was done manually and, in New South Wales alone, staff manually converted 200,000 accounts worth almost $450 million. Cash registers and accounting machines were also converted, new forms designed and printed, new procedures, manuals and ready reckoners prepared and staff trained. Assessment notices for the 1964–65 year were the last to be completed in pounds, shillings and pence, but the net amount of tax payable was also included in dollars and cents and all assessments and records were prepared in the new currency from 1 July 1966. The change was an enormous job but the ATO had decades of experience in these kinds of processes so the conversion went smoothly and had no long term effects on ATO operations, except for the simplified calculations of decimal currency.[264]

Converting to decimal currency

John McCarthy was one of the clerks who converted the ATO from pounds, shillings and pence to decimal currency.

My job, along with a group of about 10 others, was very basic. You had to get all the income tax files in a range and see if any of them had a document inside, a plant register. Officers used to write on it any plant that was to be depreciated; when it was bought and the amount it was bought for so that any depreciation adjustments could be made. We had to leave a couple of lines and rule a line under it and whack a dollar stamp below and a pound stamp above. The other document you had to look for was any primary producers who could average their income over five years. You'd look for the income history sheet where they would hand write the taxable income for the last so many years and you had to get the last four years, whack in a dollar stamp and multiply by two to convert it from pounds to dollars. We did that for about six months.[265]

The 1960s was the second decade of the long boom. Australia's population grew from just under 11 million at the beginning of the decade to almost 12.5 million by the end and the prosperity of the period saw the gross domestic product double from $13,746 million in 1960 to $27,562 million in 1969. Part of Australia's prosperity came from a mining boom that began in 1960 when the government lifted the embargo on iron ore exports that dated from before the war. Exploitation of Australia's rich mining

resources began quickly and by 1966 Japan replaced Britain as Australia's main overseas market. As a result of this growth the ATO collected $4,234.35 million in revenue in the final year of the 1960s, more than twice its collection a decade earlier.[266]

Sydney branch Bunnerong storage facility at Maroubra. The ATO received and had to store a vast amount of paper.

The number of income tax returns increased from 4.08 million in 1960 to 5.31 million in 1969, property valuations increased from 144,000 to 303,000 and the number of letters, documents and other correspondence received by the ATO, apart from return forms, increased from 1.8 million to 2.4 million. To handle all this, its staff grew from 7,649 in 1960 to 10,670 in 1969. The operating costs of the ATO rose from $20.32 million to $49.11 million but the cost of collecting taxes only rose from 95 cents for every $100 collected to 99 cents.[267]

Brisbane ATO building official opening

Staff moved into the Brisbane ATO building before it was officially opened. A circular told staff how their routine would be disrupted by the opening.

Due to certain factors in connection with the official opening of this building by the Postmaster-General, Honourable C W Davidson, OBE, MP, on Thursday 15th February 1962 at 3 pm, it will be necessary to amend for that afternoon the tea-to-desk service to all floors.

Afternoon tea will be delivered at the following times -

Ground Floor	-	2.20 pm
4th Floor	-	2.30 pm
8th Floor	-	2.30 pm
6th Floor	-	2.30 pm
11th Floor	-	2.30 pm

All other floors 30 minutes earlier than time at present delivered.

2. As the Cafeteria staff will be assisting at the function all staff are asked to co-operate by obtaining their tea from the tea attendants at the tea trolley in lieu of them being served at their respective tables.

3. Those people using the Cafeteria at lunch time are also requested to assist by vacating the dining room immediately they have eaten.

4. It is also advised that the Cafeteria will be closed from 3 pm on that day and that there will be no afternoon tea runner service on that afternoon.

5. Co-operation as requested above will assist greatly towards the success of the official opening of this the biggest office building in Brisbane.

(F W Hucham)
Chief Property Officer.[268]

Increased staff put more pressure on accommodation so overcrowding and inconvenience remained a problem in most states for the entire decade. The only cities where accommodation was not a serious problem were Adelaide, where staff had moved into one building in 1960, Brisbane, where the ATO moved into its long-promised new building in 1961 and Darwin, where the ATO moved into new

accommodation in the early 1960s. Office buildings big enough to accommodate a complete ATO branch were very large by the standards of the day and the ATO buildings in Adelaide and Brisbane stood out clearly above the rest of the city skyline, as they also would in other places in later years.[269]

In Hobart the ATO was spread over three offices by the end of the decade. Perth staff were accommodated across three buildings by 1962, and although construction of a new building to house them was approved in 1963, it was still not ready by the end of the decade. In Victoria, Central and Melbourne branches were spread across three city offices each at the beginning of the decade and even more as time passed, although a partial resolution came in 1969 when most of the Melbourne branch moved into a new 15-storey building at 350 Collins Street. In Sydney some working conditions were improved by moving from old buildings to new ones, but the branch occupied four buildings by 1963. A big improvement came in February 1967 when the branch occupied a new building adjacent to the main office in the Savings Bank with links constructed between them, so the branch then occupied only two buildings. The new building was fully air conditioned with vinyl tiled floors, and carpet in the typing and machining areas to reduce noise. There were new training facilities on the third floor, the central tea room on the tenth floor and a penthouse and courtyard with a takeaway food service on the roof. However, as staff numbers continued to grow

Treasury building, Canberra, housed the ATO Head office from 1969.

there were plans to also occupy a building in North Sydney by 1969. In Canberra staff concerned with the affairs of ACT taxpayers moved into Civic Centre during 1962 to be more accessible to the community, and the following year more space was rented there to take some of the pressure off accommodation in West Block. With further growth Head office had spread to five separate locations by 1965 but consolidation began in June 1969 when sections began moving into the new Treasury building constructed in the Parliamentary Triangle not far from West Block.[270]

A scene from the *Pirates of Barrack Street*, a variety show staged by Perth branch in July 1964.

The social life of the ATO continued to blossom. All the social groups of the previous decade – social clubs, sporting clubs and other special interest clubs – continued to prosper while Tax Balls, picnics, dances and variety shows, such as the *Pirates of Barrack Street* (where the Perth office was then located) staged by the Perth branch at His Majesty's Theatre in 1964, continued to grow in popularity. Some branches also held 'Miss Taxation' contests which were part of statewide fundraising for major charities. Winners were chosen on appearance, personality and the amount of money they raised and these money-raising activities helped to swell the ATO's social calendar. The winner of Miss Taxation went on to compete in higher levels of the statewide contest which involved even more branch fundraising.[271]

Melbourne branch choral group with Deputy Commissioner, Leo Canavan, in July 1961. This was one of many sporting and social groups that a large branch like Melbourne could support in the 1960s.

The growing ATO workforce could support even more staff clubs and associations and welfare funds and cooperative credit unions were established in many branches. In Sydney, the biggest branch, several groups had been established for the common good and well-being of the staff by the middle of the 1960s. One was the Staff Canteens Association that ran a small shop selling things like biscuits, confectionery, and cigarettes and operated a discount purchasing scheme that helped staff buy an almost unlimited range of household goods at well below retail price. Profits from the Association were distributed back to the staff through grants and donations to other clubs and sporting events. A Welfare Fund was established in about 1962 that replaced the spasmodic collections that had previously been taken up to assist officers in need. It helped contributors with financial problems such as loss of pay through sickness, heavy medical expenses or a death in the family and was financed by a 'bob-a-pay' subscription and grants from the Staff Canteens Association. The ATO sub-branch of the RSL also carried on a lively welfare service for its members and their families. Two credit unions were also established, for Third and Fourth Division officers, which made loans of up to £1,000 at reasonable interest rates and encouraged regular saving.[272]

ATO netballers playing on the Sydney Domain in the Public Service competition.

Sport continued to play a major role in the ATO. It allowed tax officers to put aside the hierarchies of the office in usually friendly competition and create friendships outside the sections staff worked in. Interstate sporting carnivals became very popular and the 1960s began with carnivals in Sydney in 1961 and Brisbane in 1962. In Brisbane the sports included bowls, cricket, swimming, tennis and table tennis, basketball, golf and billiards and snooker. The social activities included a welcome social, a river trip and dance, an all day excursion to the Gold Coast, a slide competition in the ATO roof garden cafeteria and culminated in the Grand Carnival Ball on the final night.[273]

The Commissioner's welcome

In 1962 Commissioner O'Sullivan wrote a welcome to all the tax officers attending the sporting carnival in Brisbane, setting the tone for the week-long event.

Looking back over the history of the Australia-wide Taxation Sporting Carnivals I find that we are about to embark on the fourth of these friendly contests. That it has proved possible to stage four of these carnivals in the short space of less than six years is a tribute, I think, not only to the popularity of the events themselves but also to the efficiency of the hard-working organisations in the various offices that are responsible for the staging of the carnivals.

Each of the three previous carnivals has, I think I may safely say, enjoyed a considerable success. I have had a look at the programme that has been arranged for the carnival about to be held in Brisbane and I feel I may, with perfect confidence, predict that it will enjoy the same measure of success as its predecessors.

We call these friendly interstate battles 'sporting carnivals' and I think it is a description that is very apt, for while due emphasis is given to the sports aspect and there are many meritorious performances in this field, the social aspects are also considered to be of no little importance. It seems to me that the carnivals are of inestimable value in this way in that they provide opportunities for members of the widespread taxation staff to get to know each other that would otherwise be lacking.

I am looking forward to visiting Brisbane for this carnival and I extend to everyone who will attend my sincere wishes for a pleasant and entertaining time both on the fields of sport and in the social sphere.[274]

The 1960s saw a rapid change in the ATO workforce as staff numbers increased after a decade of staff ceilings. The new generation of tax officers were the first wave of the baby boomer generation, fresh from school, keen to earn an income and happy to spend at least some of it on an active social life and consumer goods like transistor radios, records and record players and, later, motor scooters and cars. The ATO created the opportunities for upward social mobility that had not been available to earlier generations, along with other occupations such as teachers and bank officers who were also employed in great numbers during this period.

The baby boomer generation formed their own social circles, going out and partying together while the social clubs also welcomed them and accommodated their new tastes and values. By the end of the decade dances were often '40/60' so there was music and dancing for the older generation, and the new. As the decade progressed the young men and women of the ATO began their own office romances and the pages of the social club magazines began filling with notices of engagements. Before long the social life of the ATO was catering for a wide range of people; from those recently out of school to those who were newly married and starting families, to the middle-aged and those on the verge of retiring.[275]

Assessors in Hobart branch in the 1960s, a new generation learning tax technical skills on the job.

Only a few of the many thousands who came to the ATO from this time did so deliberately, most joined as the result of random selection. Entry to the public service was gained by sitting entrance examinations for the Third and Fourth Divisions and those who were placed high on the resulting merit list were offered positions in the public service as they became available. New recruits were invited to attend a Public Service Board office where they were given the choice of going to whichever departments needed new recruits at that time and many made decisions on the spur of the moment based on things like which office was closest to home. As a result, most new recruits knew nothing about the ATO when they joined it and a large number planned to spend only a little time there before finding 'a real job', although

many found a place in the ATO and stayed. The Public Service Board continued to supply the ATO with the majority of its recruits for several decades, each year sending people who had been successful at the entrance examinations, most of them school leavers in their mid-to-late teens.[276]

However, since the ATO was a large public service employer its name probably came up more often than most in the positions that were offered and those who had family and friends already working in the ATO often took a position there if it was offered. As a result family members often worked together in the ATO and most branches had brothers and sisters and other family members working in them, which made the ATO a family employer for many as well as feeling like a family.[277]

Despite their youth and a growing youth revolution, most of this new generation settled into ATO life easily, enduring the drudgery of much ATO work and the stern discipline of many supervisors just as they had endured those things during school years. If managers objected to women wearing short skirts or men with long hair, unemployment was low so it was hard to find and keep good staff, so resisting the change for long was like trying to hold back the tide.[278]

Commissioner Cain (centre), with Second Commissioner JM Belcher (left) and First Assistant Commissioner V Grant (right) seated on their raised dais at the 1966 Deputy Commissioners Conference.

New fashions and attitudes also marked a divide between the generations. While this new generation was used to showing respect to the older generation, they were much more informal with their peers and a sense of informality began to spread in the lower levels of the ATO. However, the old formalities remained embedded at the top of the ATO. Senior executives remained secluded in wood-panelled rooms in the executive area and expected staff to treat them with deference. An example of this attitude was the seating arrangements when the Commissioner, senior Head office executives and Deputy Commissioners convened for a conference in Perth in 1966. They sat at a specially constructed round table, which signalled their joint stewardship of the ATO, but the Commissioner sat on a large chair on a raised dais with his executives at his right and left hands, above the Deputy Commissioners. Tax officers who were invited to attend a session were told they were not to turn their backs on the Commissioner and to bow slightly in his direction as they left the room. On the other hand, the new generation's observations of the older generation led to gentle mocking of old habits. For example, in some branches young assessors began using the term 'Grey Cardigan Brigade' to describe the older assessors who habitually came in to work in suits but took off their jackets and put on cardigans, usually grey, before beginning work.[279]

The Melbourne Deputy Commissioner, wearing his grey cardigan, helps count cash collected by tax officers from cars at intersections during the 1965 Miss Taxation competition.

The 21st century ATO has its roots in the cultural and technological changes that emerged in the 1960s. Although the office itself changed little during that period, the changes taking place in the wider world affected the lives of tax officers, those who would become tax officers in the future and what they would do and how they would do it. These changes were the result of many factors including the Cold War, the baby boom and the prosperity of the long boom that led to a paradigm shift in the way people thought about their lives and work.

Advances in communications and transport during the Cold War brought great change. A coaxial communications cable, opened in 1962 between Sydney, Canberra and Melbourne, led to direct dialling telephone calls that later extended to all Australia. Automatic telex, introduced in 1966, allowed subscribers to send text quickly and easily for the first time. New jet airliners brought Melbourne and Sydney within an hour's flight and the east and west coast within four hours flight. These innovations brought Australians closer together as one nation rather than individual states and began to create a national media with the launch of a national newspaper, *The Australian*, in 1964 and the ABC's nightly national current affairs television program, *This Day Tonight*, launched in 1967. These innovations also drew Australia out of its isolation from the rest of the world, including the introduction of telecommunication satellites from the mid 1960s and new high speed, high capacity airliners that brought Australia to within a day's flight of anywhere in the world.[280]

The Cold War probably prevented a cataclysmic third world war but broke out in several skirmish wars. The most important for Australia was the Vietnam War which began with the arrival of the first 30 military advisors in 1962 and reached a peak of more than 8,000 Australian troops in Vietnam in 1968. Almost 60,000 Australians served in Vietnam, over 3,000 were wounded and 521 died. The war became the staple of television nightly news programs and involved baby boomers personally from November 1964 when the government introduced compulsory military service for two years for males aged 20, selected by a birthday ballot. This, and growing social outrage over the war, led to large public demonstrations in Australian cities and the moratorium marches in 1970 that drew hundreds of thousands into the streets.[281]

National service news

The NSW ATO sub-branch of the RSL acknowledged the tax officers who were conscripted for National Service in a Christmas message in 1968.

Another Christmas season is with us and it is hoped that as many of our representatives now in National Service as could be spared from their army commitments were able to join their families for this occasion. Notable absentees of course will be those of you serving in Vietnam, however, the happiness of home coming can be in your thoughts to keep you going at this rather dreary time.

If you are bemoaning the fact that time appears to stand still in the army take heart from the fact that time may pass slowly but it passes surely. Evidence of this is that, since National Service commenced, six tax toilers have already completed their two years service. Three of these, RAY MEALE, GARRY SMITH and COLIN WOOD, resumed here at the office in October last and are free men once more – and were welcomed back by our Deputy Commissioner, Mr Gray. Also to mark the occasion, Ray, Gary and Col enjoyed an extended lunch hour on October 25th when it was the pleasure of Tax RSL President, Jim McNally, Ross Ewin, Wally Meiler and myself to entertain them at lunch at the Combined Services Club. This of course was in line with the policy of the Sub-Branch committee as mentioned in Revenews a couple of issues ago, and was our chance to say "nice to see you back" over a leisurely lunch.[282]

Anti-war sentiment led to a rejection of many of the values of the older generation and when Bob Dylan sang 'The times they are a-changing' in 1964 he gave voice to that generation. New kinds of rock and roll music and colourful and extravagant fashions alarmed the older generation. These changes opened the door to even more liberal attitudes to sexual relations and illicit drugs which were shared by only a minority of young people at the time, but gradually seeped into the attitudes of the wider community. And although many young tax officers accepted the old fashioned ways and disciplines of the ATO, many came to work in the latest fashions and adopted many of the freer, less restrictive and hierarchical ideas in their personal lives.[283]

Another significant change to Australian culture came through migration. Between 1947 and 1969 two million migrants came to Australia, almost half from Britain and New Zealand, a quarter from southern Europe and most of the rest from northern and eastern Europe. Although the 'White Australia' policy gradually disappeared there was little encouragement for Asians to come to Australia and they made up only 2.6 per cent of the migrant intake. The government expected migrants to assimilate into the community and called them 'New Australians' but, while British migrants submerged into the existing culture, those from other European cultures tended to congregate in inner-city communities where they preserved their existing ways of life.[284]

The traditional eating habits of Australians up until the 1960s are shown in the staff canteen menu board in the Engadine Chambers of Sydney branch.

The new migrant cultures and emerging youth culture combined to create a new Australian culture and a new pride in being Australian. In earlier times Australians had thought of themselves as inferior to older western cultures but, beginning in the 1950s and emerging in the 1960s, they began to see themselves as being distinctively Australian with nothing to be ashamed of. Australian music, literature, theatre, film and art boosted this self-assurance and helped create a greater Australian self awareness. Anti-war protest grew into the environmental and conservation movements that began to recognise the unique nature of Australian landscape and heritage. Along with this

Australians also began to understand the values of their country's original inhabitants, who were granted the right to vote in Commonwealth elections in 1962. The 1967 referendum gave the Commonwealth government powers in Aboriginal affairs, and indigenous Australians began asserting their rights in many acts including the Wave Hill walk-off in 1966.[285]

Women doing clerical work in Sydney branch in the 1960s.

The 1960s also saw the beginning of a radical change of women's place in society and in the ATO. One important aspect was birth control, with oral contraceptives going on sale for the first time in Australia in January 1961. They liberated women from the fear of unwanted pregnancies and the expectation of having to have children as soon as they married. In 1966 the public service regulations that had forced women to resign when they married were removed, allowing women to have careers in the ATO, although there had probably been women who had kept their marriage secret so they could keep their jobs. These advances were matched in 1969 by the announcement that women would receive equal pay for equal work from January 1972. At the same time women's liberation led to a decline in the belief about fundamental differences between women and men that said women were only suitable for society's more lowly-paid roles.[286]

Prosecution section, Adelaide branch, in the 1960s. Only two women are present.

These changes did not have an immediate effect on the lives of women in the ATO. They remained in the typing pools and the lower paying and lower status jobs. There were no women in senior positions including management, inspectors and investigation officers in 1965 and only seven, out of a total of 1,221, in 1969. Ten per cent of assessors were women in 1965 and 11 per cent in 1969.[287]

These changes also had little immediate effect on ATO working conditions where everything was designed to run like clockwork. Staff worked a regulation seven hours and 21 minutes, five days a week, at desks that were lined up with military precision. They took a regular lunch hour, had morning and afternoon teas delivered to them by tea ladies and lined up once a fortnight to receive their pay in cash. There were few telephones, and those for official use only. Stationery was strictly controlled and a new pen was only issued when the used one was returned. Photocopying machines began appearing but they had special operators who would only make copies if they received a properly authorised form. Three weeks annual leave was introduced in 1963 and staff were allowed two weeks sick leave (several days without a doctor's certificate) and compassionate leave.[288]

Men in suits

Mike Bond recalls the first time he became aware of the big men of the ATO.

My first job in the Tax Office was to calculate provisional tax. The returns came down from the hallowed halls of assessing and I spent all day with a pen and a rubber calculating. It was quite detailed work.

Picture the scene. We're in 436 Lonsdale Street, five or six floors up in quite an old building and the open windows were the air conditioning. I was by a window, you only had a desk, there wasn't room for cabinets because we were squashed in like sardines. As you worked you moved files from one pile to another and they were building up against the window ledge. You're working away and whoosh, what's that, holy hell, it's a file gone out the window. Not long before this I'd taken the oath of secrecy about revealing taxpayer's affairs, and this was a taxpayer's affair, a return, and it's gone out the window. I was 17, I was frightened and I did nothing, I probably did a lot more calculations in the next hour than I would have normally. I finally went up to this character, Alex McCallack who was very old to a 17 year old. I said, 'I think a file has gone out the window'. He said, 'leave it with me, go back to your desk and keep working'.

I came back from lunch and you know something's going on. Picture us all in shirt sleeves and ties and there are two people at the front of the room in suits. You think, who are these people? At no stage did he call me up, he just handed it over. What had happened, the blue covering sheet had come away and landed somewhere and was returned to the information desk in the office. The return landed in Bourke Street and was returned to the tax agent, who returned it. From that day forward we weren't allowed to open the windows.[289]

Everyone started at the bottom in the ATO and the highest academic qualification required to reach the top was a pass in the public service entrance examination, usually taken by those who had passed the equivalent of Year 11 at high school. The ATO had its own training programs and processes with induction courses for all new employees and a full range of courses to give tax officers all the skills and knowledge they needed. Around 4,600 trainees attended 314 courses offered on 34 different topics in 1968–69.[290]

That year 1,237 trainees attended 62 courses in basic assessment. Across the various branches the details of assessing varied but the principles were generally the same. Trainee assessors were taught by experienced assessors who gave

instruction in application of the tax laws to assessing and the processes used. Those who passed started at the bottom of the ladder in Sections E and F, which were for individual and other incomes and, if they performed satisfactorily, they could progress by stages through Section D, small business enterprises, Section C, primary production, Section B that included partnerships and trusts, and finally Section A which was company assessment. In Section E there was one checker for every three or four assessors who checked assessments and sent back those with mistakes so assessors learned through experience. There were always difficult checkers and supervisors but new assessors generally learned their craft in a helpful and encouraging environment.[291]

The difference between Sydney and Melbourne

Denis Cortese ponders on the differences between Sydney and Melbourne in the 1960s.

In 1966 they were concerned about allocation of resources in the assessing areas. They had these formulas which were based on output and averages and that kind of thing, and they were intrigued why Melbourne seemed to get through so much more work than Sydney. So they got two of us together, myself and Ray Scanlan who was the auditor in the Tax Office at the time, and we went to Sydney to take a look. I knew how things worked there, Ron Gray had these instructions that he wanted things checked, things like exorbitant claims for medical expenses and claims for other expenses, we had to check them all.

When we got to Melbourne it seemed to be open slather. As it happened I knew a former union delegate who had worked in Sydney and was working in Melbourne. So when we were down there I went and saw him and said, 'Hey Les, tell us what the difference is?' He said, 'up there you have to look at things, down here you don't have to look at anything'.

We rationalised it on the basis that Sydney came from the background of the convict era and therefore there was this culture that you had to have a go. That reminded me of this investigation officer who used to work out in the Broken Hill area who said to me, 'You've got to remember you're dealing with people like the little old lady who goes into Coles or Woolies and would not think of pinching a packet of pins, but when it comes time to fill in her tax return she becomes a different person altogether'. And we rationalised that Victoria was a more genteel, settled society and therefore they were more conservative and didn't need the same checking.[292]

All assessors were expected to complete a large number of assessments, in Melbourne the daily quota in Section E was 150 to 160 a day and in Sydney each assessor's work was totalled and tallies were well known so people could compare their performance with others. In Melbourne assessors never handed in more than their daily quota and tried to build up a bank of assessed returns on a good day so they could still meet their quota on a bad day, but in Sydney and some other branches such banks were discouraged. There was no allowance for the difficult returns or other problems so young assessors soon learned the tricks. When they went to pick up a bundle of returns to be assessed they tried to pick an easy one. The best contained returns that had nothing more than a group certificate and they were easily assessed, but some returns came with thick wads of group certificates, sheets of tax stamps and receipts that had to be checked and totalled before the assessment could be completed, so assessors tried to avoid them. Assessors also sent out queries to taxpayers about questionable or incomplete returns and had to prepare reports if taxpayers objected to their assessments, which also ate into their working day.[293]

In the bank

Peter Simpson recalls his early days as an assessor.

There were quotas. You had to do about 160 salary returns a day and sometimes if you were lucky you got a bundle – they always came in bundles of 200 – of what they called SNR (Search No Record), they were mainly kids starting work and all they had was a group certificate so you just went stamp, stamp, stamp, and 160 were finished by lunchtime. Then you'd do another 100 in the afternoon so you had a bank and you always built up a bank so when you had the bad ones you had this bank. It was bit of a factory, process work, and that was the basis of the whole organisation.

The day to day life of an assessor was all paper. You'd examine the returns and check them. Most people had one job and one group certificate and they had a wife and some kids and there were concessions for that, and there'd also be medical and education expenses. We had certain guidelines to go by, you could allow all deductions for education expenses up to £40, I think, for primary state schools, and a bit higher after that. If they went over that you had to send out a query asking for receipts. One of the lessons the Tax Office learned was that once they started asking for receipts more often than not they began allowing more expenses. Taxpayers were so scared of getting it wrong that they understated their claims, but once they started putting the paper together, if they paid 200 you had to allow them 200, and they got a nice bonus.[294]

Assessing was demanding and strenuous work but it paid well for the time, offered the possibility of quick promotion to higher levels with better pay and promised to lead to more interesting work. An assessor who did well could expect to be promoted to more challenging work where the quotas were lower but the returns more complex, and success at each level opened the door to future promotion. At the lower levels of assessing, promotions were decided by supervisors as a matter of course and announced to staff without them having to do anything. In some branches the senior assessor stood on a table or chair and read out the list of names and in other branches the lists were just stuck on the wall for all to read.[295]

Adelaide branch assessing section.

Many staff had shown their interest in assessing by starting part-time studies in accounting or economics but it was not unusual for young assessors to get distracted by marriage and a young family so they did not finish their studies. However, from 1967, they were barred from reaching the higher levels of assessing if they did not complete their studies. Some were content to stay at the lower levels but those with ambition, ability and the time completed their studies and were able to move on to those higher levels.[296]

Getting the stats right

Trevor Boucher learned an important lesson about assessing.

My time in Melbourne gave me an idea of the way the place worked. It sowed the seeds of the conclusion that we reached later on that we were just kidding ourselves when we thought we were assessing liability from income tax returns.

I was in company assessing, being Central office we had the big companies and each assessor had a list, my list was 150 companies, it wasn't that many. You did your work and it was checked, and I got called up one day ... When you did the assessment you filled out an assessment form of the information that went onto the assessment notice, but the Bureau of Statistics depended on us for lots of information so you had to do the stats entry and that included a plant depreciation block that included plant on hand at the beginning of the year, plant on hand at the end, and a reconciliation. I didn't add up this one so the checker called me in and, nicely enough, criticised me for this error because it had come back from Canberra. He said 'you've got to be careful with this stuff. They check it.' What was important was not the determination of liability but getting the statistics right.[297]

Commissioner McGovern's second seven year term as Commissioner of Taxation came to an end in 1960 and was extended for one year until April 1961. He had spent almost all of his working life in the ATO after starting as a post office messenger in 1911. He had moved to Canberra in 1930 and been appointed Commissioner in 1946. Some saw him as very stern but he was also a natural leader and when he was knighted in 1959 he thanked all tax officers for their contribution to the success of the ATO that had been recognised by his award.[298]

Towards the end of his term Commissioner McGovern became concerned about who would succeed him, and the workload on senior management, leading to the creation of a second Second Commissioner's position in 1959. John O'Sullivan was appointed to one of the Second Commissioner positions in September 1959 and Edward Cain was appointed to the other in October. Both came from strong tax technical backgrounds.[299]

John O'Sullivan was appointed the next Commissioner of Taxation from 4 April 1961. He had joined the ATO in 1916 and moved to Head office in Canberra in 1936 where he was a widely respected, capable and efficient administrator. However, he was within two years of retirement and, in recommending him for appointment, McGovern noted that his short term as Commissioner would 'be invaluable to the administration in the circumstances which exist in enabling a successor for him to emerge'. O'Sullivan retired in January 1963.[300]

John O'Sullivan, fifth Commissioner of Taxation.

Most people expected that the other Second Commissioner, Edward Cain, would be appointed the next Commissioner but Leo Canavan, the Deputy Commissioner, Victoria, was appointed instead. He had joined the ATO in about 1916 and risen to become Deputy Commissioner of Central office, Deputy Commissioner (Income Tax), Victoria, and then Deputy Commissioner, Victoria, in 1959 and he had spent some time in Canberra acting as a Second Commissioner. He was the first Commissioner of Taxation to possess a tertiary qualification, a degree of Bachelor of Commerce. Like O'Sullivan, Canavan was close to retirement with less than two years left to serve so he and his wife moved into a small government-owned two-bedroom flat on Northbourne Avenue where they lived until his retirement on 20 November 1964.[301]

Edward Cain was appointed the next Commissioner of Taxation. He was a generation younger than his predecessors, having joined the ATO in 1936 and served in the army during the war. On his return to the ATO he had worked for a short time in Canberra and then in Perth before being appointed again to Head office in 1956.[302]

Leo Canavan, sixth Commissioner of Taxation.

The rapid succession of four Commissioners had little effect on the day-to-day activities of the ATO. Commissioners continued to spend most of their time considering high level tax technical issues and taxation policy, which was natural because they were so close to Australia's political and public service leaders and Head office continued to resolve the more complex tax technical issues.

Head office also had a unique role in helping to prepare new tax legislation so the implementation of Ligertwood Committee recommendations kept the legislation section particularly busy during the first half of the 1960s. If the government decided to initiate a new tax policy the section advised the government on how new tax policies or amendments to existing tax laws should be worded to achieve the government's objectives. If the ATO found a defect in the tax law the section prepared submissions to government explaining the need for a change and, if it was agreed, proposed the wording of the amendments. The section became so proficient in handling these legislative matters that the ATO was the only government agency from which parliamentary draftsmen would accept draft legislation.[303]

During the 1960s the ATO embarked on two new ventures to help improve its service to taxpayers. One was adoption of some automatic data processing systems and the other was opening regional offices to improve taxpayer access.

Poetic correspondence

Not all ATO correspondence was dull. A poetic letter from a taxpayer elicited a response in kind from a Deputy Commissioner.

Wollongong
1 September 1965

Dear Mr Grey

Spring is Sprung, the grass is riz,
I wonder where my return iz.
My 'Rego's' due, my cash is nil,
A cheque from you would pay the till.
So, how about it Mr Grey, -
Take what you must and then repay.

Yours truly
MT73563

3 September 1965

Dear Sir

With enterprise we sympathise,
But fail at once to realise
Why Abalone is your dish ...
Seems not much profit in such fish.

Lucky man you are today,
Your refund cheque is on its way.
Do better if you can next year
Provis'nl tax will cut your beer.

And, oh that car for private fun,
Must run you to a tidy sum.
Be wise and good within the law,
We'll justly even up the score.

Yours faithfully
Deputy Commissioner of Taxation[304]

Regional offices were the logical extension of the ATO desire to make itself more accessible to the community. It continued to publish booklets and pamphlets, used the press, radio and television to make announcements and continued to answer taxpayer letters and telephone calls. However, its service to the public remained focused on face-to-face contact so while its annual tours of regional areas were gradually expanding, a permanent presence there was preferable. As a result the Deputy Commissioners agreed to the establishment of regional offices, so long as they were sub-branches of their branches, and the Treasurer approved the plan in April 1965.[305]

Regional offices usually had five staff, led by an experienced assessor (at company level) who was supported by a sales tax inspector who also handled sales tax issues, two clerks to answer enquiries and take tax payments and a typist. They answered enquiries, received payments for all taxes, had limited power to extend time for lodgment of returns and payments and conducted some sales tax and payroll tax investigations. Regional offices also served as bases for other tax officers while they were working in a region.[306]

The first regional office was opened in July 1965 when the Newcastle sub-branch moved into larger accommodation. The next regional office was opened in Geelong in November that year. Prior to the opening advertisements were placed in the local newspaper and on the radio to tell people about it and the officer-in-charge also told local accountants and businesses personally about the new office. In the first month 346 people visited the Geelong office, 104 people telephoned it and 120 payments totalling over £3.6 million were made there.[307]

These two offices lived up to expectations and a regional office was opened in Wollongong in May 1966, and another in Townsville in June. In May 1968 another regional office was opened in Parramatta and, by the end of the decade, further offices had been set up in Lismore, Ballarat and Launceston. By the mid 1970s more regional offices had opened in Bankstown, Orange, Tamworth and Wagga Wagga in New South Wales, Bendigo in Victoria, Cairns, Rockhampton, Mackay and Toowoomba in Queensland and Elizabeth in South Australia.[308]

Lismore regional office, 1969. It was the first office in a predominantly regional area, situated about 800 kilometres from Sydney and serving about 12,000 residents.

Automatic data processing was the other big ATO development. It was in its infancy when the ATO first began thinking about it in 1961, but some overseas revenue authorities had begun exploring its potential so the ATO set up a small group in Sydney to study whether automatic data processing could improve its efficiency. That study suggested that it could be useful so the ATO commenced a more detailed feasibility study in 1962 and an automatic data processing (ADP) branch was established and transferred to Canberra in August 1963. Its final detailed report on the potential application of automatic data processing in the ATO was completed in 1964.[309]

Computers were first used in an exploratory way in the Adelaide branch from July 1965, working on instalment deductions and other minor projects. Success warranted expansion to other ATO functions and an extension to Sydney and Melbourne in July 1966, Brisbane and Perth from July 1967 and Hobart from July 1968, however the small volume of work conducted in the Northern Territory made it more convenient to relocate some of the processing functions to Adelaide where they could be done by computer.[310]

Starting in ADP

Jack Wheeler was in at the beginning of automatic data processing in Canberra.

The Tax Office was just going into something called ADP. I was interviewed and, while I was doing sales tax investigations in Cairns, I was rung from Canberra and they said 'Can you start in three weeks?' It was a promotion so I went to Canberra and began to work in the very beginnings of automatic data processing.

We started in the Treasury building. There were two sections, one was called ADP that did the actual programming and the other area was called Special Projects and did the systems work. I was in Special Projects, there were about 14 people in the branch and 40 or 50 in ADP and the two areas worked together very closely.

We started off with what was really an automated typing system and it gradually moved forward into doing accounting, which was the most difficult part, and then on to assisting assessing by statistical analysis to find those returns that were three deviations away from the mean, and sending out letters to them all. All that worked extremely well except that if we sent out too many letters we got far too much correspondence so the thing was dying under the weight of its own paper. The professionalism and the quality of the people you worked with was extremely high and you had the ability to do a lot of things because it was all new, so it was very, very interesting work.[311]

By the end of the 1960s the ATO was starting to comprehend some of the possibilities of this new technology including internal accounting, extraction of statistical data from tax information, and computer-assisted assessing. It had 370 tax officers working in automatic data processing, 75 were computer technical staff (all but four were men) and 295 data processors (all women) and ran training courses on data processing and on ADP appreciation and procedures.[312]

The first large scale use of automatic data processing was in issuing income tax refund cheques. In about 1963 the Treasury and the Reserve Bank began developing a standardised cheque for all Commonwealth departments. The ATO did not have a

major role in this because, while it sent out around five million refund cheques a year, this was only 12 per cent of Commonwealth government cheques issued each year and only 40 per cent of cheques issued in the peak income tax processing period. The new cheques would have special symbols printed on them in magnetic ink so they could be read by an electronic sorter to replace the tedious and time consuming process of hand-sorting and recording all returned cheques. The new cheques would be printed on continuous stationery so they could be processed quickly and had to be smaller than previous cheques to reduce the time taken to process them. (The shorter a cheque was the quicker a batch could be printed and the narrower they were the quicker they could be processed by the magnetic sorter.) By 1966, around the time that decimal currency was introduced, the format of the new cheques and what would be printed on them had been agreed upon and the ATO, and other government agencies, started using them.[313]

There were difficulties at first because the Reserve Bank only set up the new cheque-sorting machines in Melbourne and Sydney so cheques for other states either had to be sorted by hand or transported to and from the sorting machines. The ATO soon experimented with other cheque-sorting machines and, in July and August 1965, the Melbourne branch conducted tests that included sorting 116,849 cheques on a privately-owned machine in 13 and a half hours at a cost of £135. The branch estimated that by using the sorter it could save £1,541 on employing casual staff or use them to do other things that would not be done if cheques had to be hand-sorted. Another advantage of the new system was that there

Computer printed cheques. After the cheques were printed at the Bureau of Statistics they returned to the ATO to be fed through another machine that counted and prepared them for postage. Paul Gleeson holds the pile of cheques and John Gay watches as they are processed. (*The Sydney Morning Herald*)[314]

was no delay in sorting cheques so taxpayer queries about possibly lost cheques could be answered more quickly. As a result of these advantages the ATO began using cheque-sorting machines regularly towards the end of September 1965.[315]

The ATO did not have its own computers, it used the computers that had been bought by the Bureau of Statistics and installed in each state on the basis that they would also be used by the ATO. To prepare data for computers, information was keyed from tax returns onto punched cards or paper tape and checked by re-keying them. That data was then transferred to magnetic tape and the tapes and blank continuous feed cheque forms went to the computer facility under strict security where they were printed and then returned to the branch. Although printing cheques by computer was more efficient, preparing them to be posted was still labour intensive and time consuming. The cheques had to be separated, checked to see that the address and amount on assessment notices and cheques matched, run through a cheque-signing machine and then put into envelopes and posted. In reality these first computers were little more than very fast ways of printing refund cheques and they lacked the necessary accounting facilities to check the process, so most of the work was still done manually.[316]

07

The 1970s

SEEKING SOLUTIONS

CHAPTER SEVEN: The 1970s

Seeking solutions

The Long Boom had ended by the early 1970s. Australia's economy stagnated with unemployment and inflation climbing dramatically and, after years of certainty about how to manage the national economy, people sought new answers about how to overcome these old problems. By the end of the decade the result of these pressures also challenged the ATO and became the harbinger of radical change.

After the depression and war governments had placed their faith in Keynesian economics and the belief that they should keep unemployment as low as possible, even if that meant running inflationary budgets. However, things started to go wrong in the late 1960s, and by 1976 unemployment was nearing six per cent and inflation was around 15 per cent.[317]

This crisis emerged at about the same time as the election at the end of 1972 of Australia's first Labor government since the 1940s. The Whitlam government's strong reforming agenda reflected the mood of the times, but the economic crisis and the government's lack of experience soon saw it fall into disarray. It had lost public support by the middle of 1975 and was swept from office in the election at the end of the year. The following Fraser government also struggled to find solutions and by 1980 the annual inflation rate was still over 10 per cent.[318]

The Whitlam era marked a time of significant change in Australian society. It included an emphasis on equality through multiculturalism and equal opportunities, a new emphasis on the environment and a growing sense of Australian identity.

In 1973 the Minister for Immigration, Al Grassby, spoke about how he hoped the Australia of 2000 would be:

> My concept of a society able to sustain growth and change without disintegration is a society based on equal opportunity for all – a goal which no right-thinking person could dispute, but the striving for which has led traditionally to some of the deepest conflicts within society. This means full scope for all to develop their personal potential,

no matter how diverse their origins, beliefs, wealth or ability. All too often in the past, quality of opportunity has been only reluctantly conceded to less privileged sectors of our community, or even withheld. I believe that by the year 2000 we will need to have perfected ways of inducing this equality for all, in fact as well as in law, by far-reaching legislative and ameliorative measures.[319]

Grassby called his vision 'multicultural' because it would embrace the cultures, values and experiences of all the people coming to and living in Australia. This new policy replaced the old policy of assimilation.

Between 1971–72 and 1975–76 migration to Australia fell from 140,000 people a year to 50,000 and the new government put resources into supporting the migrant communities already in Australia and passed the Racial Discrimination Act in 1975. For its part the ATO began issuing explanatory notes for wage and salary earners in five languages other than English and started a translation service.[320]

The aftermath of the Vietnam War brought migrants to Australia from south-east Asia. Before 1975 there were only about 1,000 Vietnamese people living in Australia but by mid 1985 there were 79,000 and another 13,900 people had came from Cambodia and 7,200 from Laos. In 1974 only nine per cent of migrants came from Asia but it had grown to 28 per cent by 1980 and almost half by 1984.[321]

The new inclusive policy of this era extended to other groups. The new government established the Department of Aboriginal Affairs and commenced an inquiry into Aboriginal land rights which led to land rights legislation in 1976. Women became more politically active and started taking on traditionally masculine roles such as radio and television news readers, engineers and airline pilots. Young people were also brought into the political process when the voting age was lowered to 18 years.[322]

This era also saw the blossoming of a new sense of Australian self-awareness and pride through the arts, sport and politics. Traditional links with Britain dissolved as Queen Elizabeth II was titled Queen of Australia in 1973, imperial honours were replaced by an Australian Honours system in 1975 and Britain joined the European Economic Community (later called the European Union). As part of this change the Whitlam government began using the title 'Australian Government' and many government agencies changed their names. One was the ATO, which was formerly properly called the Taxation Branch of the Department of Treasury, and was retitled the Australian Taxation Office in October 1973.[323]

Cyclone Tracy

Tax Officer Bill Glass was at home with his family on Christmas Eve, 1974 when Cyclone Tracy devastated Darwin. At least 50 people were killed and 26,000 were evacuated.

We were at home when the cyclone hit. Our suburb, Tiwi, to the north of the city, was on the edge of the cyclone's path so there was no lull in the storm, only hours of winds battering us.

The top of our elevated house was completely blown away and we were forced to shelter in a storeroom below the house. We lost pretty much everything in the house and my wife was badly bruised after being thrown from the house by the force of the wind.

I visited the ATO a couple of days after the cyclone and found Deputy Commissioner Ron Thomas and Ken McAloon, an investigation officer, using the office as a shelter. The building was located in the city and had sustained some damage to the windows, but was otherwise in reasonable condition.

The majority of the Darwin population was evacuated after the cyclone due to problems with hygiene and lack of accommodation, food and water. The Army, Navy and Air Force came in large numbers to clean up and assist with redevelopment.

Our family was evacuated to Adelaide – our home town before moving to Darwin. While there, my work involved processing refunds for people who had lived in Darwin prior to the cyclone. It was a good six months or more before we were allowed back to Darwin and the ATO office itself was not opened again until late 1975.[324]

The 1970s saw many other changes. Australia began converting to metric measurements with the introduction of Celsius in 1972 and metric road signs appearing in 1974. Public health and safety became an issue with random breath testing of drivers introduced from 1975, tobacco advertising banned from all radio and television from 1976 and the provision of disabled access to government buildings from 1975.[325]

International subscriber dialling began in Sydney in 1976 and soon linked the rest of Australia into the global telecommunications network. This helped dispel the sense of isolation Australians had previously felt as overseas events came to their television

screens every day and the new high capacity airliners brought the cost of travelling overseas within the reach of most Australians. The ATO also began developing its overseas links and the revenue, research and agreements division of Head office was reorganised to become the revenue and international branch in 1972. During the early 1970s the ATO posted tax officers to Australia's embassies in London and Washington and a few tax officers began travelling overseas to take part in tax treaty negotiations and join in the international dialogue of government tax agencies in bodies such as the Organisation for Economic Co-operation and Development (OECD). At first Australian tax officers felt they were far behind the world in many ways but, over time, they learned from what they saw and came to better appreciate their own strengths and values.[326]

ATO revenue collection increased from $4.23 billion at the end of the 1960s to $18.11 billion at the end of the 1970s, although inflation hid the real value of that growth. In the same period Australia's population grew from 12.5 million to 14.6 million and the annual number of income tax returns grew from 6.50 million to 8.04 million. The number of tax officers increased from 10,877 in mid 1970 to 12,323 in mid 1980 but most of that growth occurred in the early years of the decade before the Fraser government imposed strict staff ceilings in an attempt to control inflation.[327]

Even before the pressure of staff ceilings Commissioner Cain faced a conundrum. On the one hand, he was responsible for keeping collection costs as low as possible and on the other he had to protect the national revenue against defaulters and tax avoiders. He said these two goals could only be achieved if the ATO placed a very high priority on 'the search for new ways of improving productivity and maintaining staff motivation' and he looked for ways to improve the ATO's efficiency.[328]

One way was the closure of Central branch at the end of the 1969–70 financial year. It was a relic from the earliest days of the ATO when limited and slow interstate communication had made it necessary to centralise some ATO processes. By the end of the 1960s, however, improvements in those fields and developments in automatic data processing made it more efficient to disperse Central office responsibilities back to the states. When it closed many Central branch staff were transferred to the Victorian branch, which caused some dissatisfaction there because transferred staff reduced the opportunities for advancement.[329]

The main source of increased efficiency was automatic data processing which improved dramatically during the 1970s. Some improvements included data matching, file tracking and indexing, and improved accounting functions that took over much routine arithmetical calculation previously done by staff. An important advance was the introduction of computer-aided assessing that allowed assessors to focus on the tax technical aspects of an income tax return. In the new system assessors used

codes to indicate their decisions and amendments and all the relevant information was keyed onto paper tape, checked and transferred to magnetic tape and processed by a computer. This system was in full operation by the beginning of the 1971–72 financial year and raised nearly $24 million in additional revenue in the first year.[330]

Direct data entry at Adelaide. The data processing operators in the foreground are using keyboards and screens while behind them other operators are using the simpler single character display equipment.

If the assessors were the brains of the ATO, its data processing operators (DPOs) were its eyes and fingers, converting the endless stream of tax information into data. In 1967 there were 225 data preparation officers in the ATO and 532 by the mid 1970s, although the introduction of a direct data entry system had increased their efficiency by about a third. DPOs formed their own social groups and developed their own culture and in Hobart young men were afraid to enter the DPOs' area because of the strong reverse sexual harassment they received. Many DPOs quickly learned the skills of the assessors sent to help them process returns and could have done the work themselves, but they were paid to convert information on the paper in front of them into data, not to think, and treated the same way as most Fourth Division staff by those in senior positions.[331]

Direct data entry was the first step in the introduction of a system called the central taxpayer system. Development began with the installation of a mini-computer in the Adelaide office in 1971 to test the economics and efficiency of the proposed new system. It recorded the keystrokes of data processing officers straight into computer memory where they could be checked, edited and processed. Everything was new and much of the software had to be written from scratch by programmers from Head office who spent weeks at a time in Adelaide working during the night when the mini-computer was not being used by staff. Even though it was a pilot study it freed up 40 positions with a saving of at least $150,000.[332]

Developing software in Adelaide

Graham Rowe was among the Tax Office's earliest programmers.

When we started developing our mini-computer environment the first one went into Adelaide where the Deputy Commissioner and the ADP guy were at the forefront of pushing the new technology and Adelaide was the development centre, so that's where the first mini-computer went. Initially it was in Canberra but then it went over to Adelaide to be used in the production sense with the girls using it during the day for live use, but it was free from five at night until nine in the morning so we went over there for three weeks at a time and used it from midnight until nine writing new programs and testing them. We worked all night every night and on weekends. At the time it was pretty good and exciting, in today's terms the work/life balance was atrocious, there was none. But we were at the forefront of pushing a lot of initiatives, as technology came along Tax embraced it more rapidly than other departments. It was interesting and exciting but it was a pretty hard life and we didn't get paid overtime.[333]

The core of the central taxpayer system was a Dual CDC Cyber 72 computer which, with peripherals and communications facilities, cost about $2.4 million in 1973. The ATO considered it a relatively small price to pay for a system that was expected to meet all its computing needs for the coming 10 years. It was installed in the basement of the Treasury building in Canberra, a big, bulky machine in a room with false floors, air conditioning and water-cooling for the central processors. It was the holy-of-holies, tended by a small team of specialists and never seen by the rest of the ATO.[334]
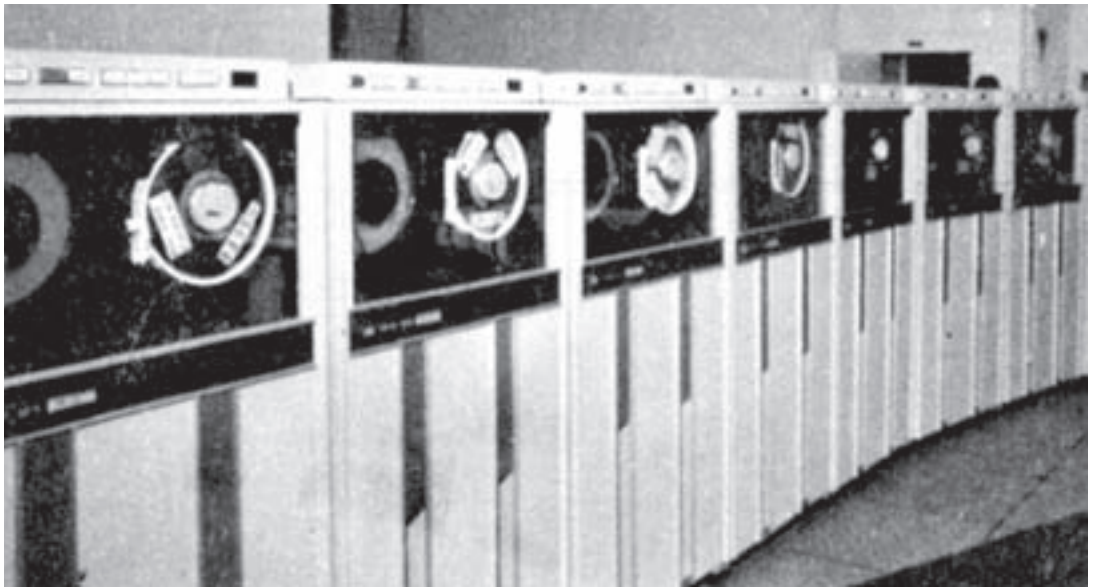
Part of the central computer system in Canberra, 1975.

The new computer was brought into operation during 1974 and the central taxpayer system commenced full operation from 1 July 1975. To begin with, data from the Adelaide mini-computer was sent on magnetic tape by airliner to the Canberra computer where it was processed and returned to Adelaide. In 1976 the system expanded to branches in Canberra and Sydney, and then to the other state branches as direct data entry micro computers were commissioned there. The ATO expected that when the system was fully operational it would save more than 500 staff, who could be diverted to other activities, and reduce processing costs by about $50 million over the coming 10 years.[335]

The central taxpayer system stored the details of all taxpayers in the Canberra computer. The state branches could access it using terminals connected to the central computer by telephone lines but the cost of leasing the lines, and the vast amounts of data to be transferred, made it more practical to use commercial airline services to transport the data on magnetic tapes. Regular schedules were set up for tapes to be flown to Canberra for processing and then back to their states of origin to prepare assessment notices and refund cheques there. More data came from the Reserve Bank, which had begun providing the ATO with computer-generated data about cashed refund cheques by this time. At first the information came on large fanfold computer printouts, which were bulky but better than storing cancelled cheques.

To save space and make the system more efficient the information was presented on microfiche cards from the mid 1970s and, by the end of the decade, staff were accessing tax information from several sources including terminals linked to the central computer, microfiche, microfilm and computer printouts.[336]

The new computer systems changed work in the ATO and involved Head office in routine processing work for the first time. At first the central taxpayer system only processed wage and salary earners but it was gradually extended to include more complex returns. In 1976 a production control system was introduced to follow the passage of income tax returns through the processing system, and in 1977 work commenced on allocating new file numbers to all taxpayers to detect inconsistencies and make it easier to find files in the office. In 1978 direct data entry cash registers were introduced and work also began on developing a computer system to control and monitor the lodgment of returns prepared by tax agents and, by the end of the decade, a new system to detect incorrect returns and deliberate attempts to evade tax was about to begin operation.[337]

As the ATO's use of computers began to grow it also found another form of automatic processing that promised to reduce more of its routine work. It began experimenting with a word processing system in Parramatta branch in 1977 and its efficiency and cost-effectiveness saw the installation of similar systems in other branches by the end of the decade.[338]

Adelaide branch fitted out in modern 1970s-style decor.

Improving staff accommodation was another way in which the ATO aimed to become more efficient. Until the 1970s it tried to concentrate its staff in as few sites as possible to make its processing systems more efficient and this had been achieved in most capital cities by the early 1970s. In Melbourne staff worked in two large office buildings relatively close to each other but Sydney remained a serious problem and around 4,500 staff were accommodated in eight buildings.[339]

Regionalisation continued and there were 20 regional offices by 1975, with more in later years. However, the ATO began to think that very large offices were probably less efficient than smaller ones and a study conducted in late 1972 concluded that the Perth office, with about 1,000 people, was the ideal size for a branch office. Introduction of the central taxpayer system around this time also made it possible to establish smaller but autonomous branches, each with its own mini-computer direct data entry system.[340]

This conclusion coincided with the Whitlam government's decision to establish centres of business and commerce away from capital city centres and in some regional centres. The ATO adopted this policy and began using its ACT branch as a pilot installation to test and perfect the systems it would need in decentralised offices. It decided that the best places for the first of these new offices would be Parramatta in Sydney and Dandenong in Melbourne. They would be completely self-contained and serve their own geographic areas, with the new Parramatta office taking responsibility for a large area of rural New South Wales to the north and west of Sydney and the Dandenong office covering most of eastern Victoria.[341]

The new Parramatta branch was opened on 30 June 1975. It had its own Deputy Commissioner who reported direct to Head office and had all the sections and facilities necessary for it to be a fully self-contained branch of the ATO. Many taxpayers, lawyers and accountants found the new office more convenient than having to travel into central Sydney and it was also more convenient for many staff who lived closer to the new branch, saving them up to two hours a day in travel time.[342]

The new Parramatta branch building opened in 1975.

The official opening of the Parramatta branch. Prime Minister Gough Whitlam talks with Commissioner Sir Edward Cain, Lady Cain, Deputy Commissioner Ron Gray, Mr Shirlaw and H Forbes.

Parramatta's smaller office was more personal than the huge Sydney office so staff got to know people outside their own sections and felt closer to the public they served. Investigators also found they could establish closer relationships with taxpayers in their area. The new office attracted younger people who were, in general, more willing to take risks, accept change and be flexible. The social life of the new office was also more vibrant, partly because people were younger, partly because of the atmosphere in the office, and partly because most people had more time to socialise because they spent less time travelling. As a result the Parramatta office became a much closer community than larger offices and the hierarchy there seemed less overbearing.[343]

Parramatta staff believed that many people in the old Sydney branch considered their branch superior, but they looked at it differently and believed Parramatta would prove itself through hard work and innovation. Turning to the history of the founding of Australia at Sydney Cove they began using the term 'First Fleeters' to identify those who had moved out to the new ATO colony of the Parramatta branch when it opened in 1975.[344]

The Parramatta success made the ATO keen to set up more decentralised offices but they could not be established immediately because of the lack of suitable office accommodation. The best that could be achieved at short notice in Melbourne was to relocate around 100 staff to temporary accommodation in Dandenong to form the nucleus of a branch that would be established when suitable office accommodation became available there. Despite this delay the ATO established three smaller branches in the mid 1970s. The Canberra pilot program was expanded to take responsibility for surrounding regions of New South Wales. A direct data entry mini-computer system was set up in Townsville and that branch took over responsibility for taxation in northern Queensland. A branch was also established in Albury-Wodonga with a staff of about 50, mostly local recruits.[345]

Sir Edward Cain, seventh Commissioner of Taxation

Edward Cain remained the Commissioner of Taxation until his retirement in December 1976. He had been knighted in 1972 and was regarded highly for his strength of character, intelligence and shrewdness. Cain's Second Commissioners were Bill O'Reilly, with responsibility for legislation and policy, and Pat Lanigan, with responsibility for the remaining ATO functions. When Cain retired O'Reilly was appointed the next Commissioner and Lanigan left the ATO a year later to become the Director-General of the Department of Social Security. The new Second Commissioners were Trevor Boucher and Keith Brigden.[346]

The cash economy

A short story demonstrates Commissioner Cain's personality.

The Cain family remembered a story from the early 1970s when a small extension was underway at the back of their Deakin house. A plumber arrived, did his work and when asked how he would like to be paid, replied 'cash please – keeps the tax man off my back!'

Ted of course showed absolutely no expression, paused briefly and then began writing out a cheque. 'Sorry, I'm a little short of cash right now; ah, to whom would you like me to make this cheque out to?' A pragmatic solution to a difficult problem.[347]

During his time in the ATO and as Second Commissioner Pat Lanigan made a remarkable contribution to its development. He championed decentralisation and automatic data processing and the creation of the Parramatta branch, and the development of the central taxpayer system and everything that went with it were the results of his vision and energy. To many in the ATO Lanigan seemed almost a mad genius, obsessed by his work, unable to understand many of the niceties of everyday life and expecting others to work the long intense hours that he did. Everyone who knew him remembered occasions when he'd done or said something unexpected or unintentionally funny, but everyone also remembered him as a tax officer with highly-developed tax technical skills as well as the drive and foresight that was important in preparing the ATO to enter the modern age.[348]

Bill O'Reilly, eighth Commissioner of Taxation

Memories of Pat Lanigan

Brian Power reminisces about Pat Lanigan.

I was working in Canberra at the time and Pat Lanigan asked me to work out a reliable procedure for the computer tapes. So I organised with TAA for them to go in the pilot bag and that gave it priority. Because they had to be utterly secure, you couldn't afford for them to fall into the wrong hands because they had a lot of information on them, I invented an aluminium box that would be locked and I spent a lot of time on this, designing it and getting quotes and that. Pat looked at that and said, 'No, that only highlights that it needs security. A cardboard box'. So that was it, they got transferred in cardboard boxes, and it seemed to work alright.

I got on well with Pat. He was an eccentric, brilliant and quite different. When he came over to Perth he always wanted to go down and see how the girls in ADP were going and I remember him saying 'I don't know why, but you seem to get on with them better than I do'. I remember many times being in his office at 20 to five and the only plane back to Perth was 20 past five. I'd look at my watch and he'd say 'That's alright, they'll hold the plane for you.' I was in a sweat because he just wouldn't let you go. In those days the plane might be held up for him, so he expected they'd do it for everyone else.[349]

Pat Lanigan

The Whitlam government used the Commonwealth Public Service to set benchmarks for working conditions in the rest of Australia. In January 1973 it increased public service annual leave to four weeks a year and in June it introduced maternity leave. It introduced flex time in 1974 which allowed staff to start, take lunch and finish when they liked (within certain parameters), and although the amount of time they worked remained the same, they could take up to a full day off once a fortnight by building up a bank of time.[350]

Further ATO efficiencies were achieved by job enrichment that included early experiments with work teams, also inspired by Pat Lanigan. The first teams were set up in areas with a great deal of repetitive work and data processing operators were organised into small groups and given some say in how they achieved their work targets. Further work enrichment came through a change in how the ATO organised its work. In earlier times it had tried to improve productivity by breaking work down to the smallest possible parts that could be performed quickly and efficiently with little need for training. However, in the 1970s it began to realise that the new generation wanted work that not only paid a wage but was also interesting. Computers took over a lot of the most tedious work and many other tasks were redesigned to be more complex and interesting by combining elements that had previously been separated.[351]

Small group dynamics

The 1975–76 Annual report wrote about the trend to use small groups of workers to improve Tax Office productivity.

The use of the new techniques had been particularly successful in the key-punching area, where nearly five hundred operators with a repetitive task play a vital role in the feeding of data into the Taxation Office computer systems. For some years now, this work has been organised on the basis of each group of eight operators working as an independent unit and accepting a substantial level of responsibility for organising its own work. It has been found that the best results can be achieved if a carefully measured daily allocation of work is made to each group, based on what is fairly achievable. During the current year, the system was brought to its completed form with the introduction of a computer-based system of productivity reporting, under which the computer system measures precisely the amount of work that is performed by each operator, applies a weighting to allow for the relative ease or difficulty of the kind of work being processed, and produces a daily productivity rating for each operator and each group.

It has been found that there has been a healthy tendency for output to increase under the impetus of these new techniques. The rate of output which the staff now achieve in most States is some twenty per cent higher than it was at the time of introduction of the new methods.[352]

Indexing section in Sydney branch. **Left to right:** Sue Crowell, Julie Crawford, Kerry Martine, Leseby LeClerc.

Women did most of this routine ATO work and by the mid 1970s they made up a third of the ATO workforce but still occupied most of its low level positions. There was one woman in an executive position (out of 97) but, although 16 per cent of women were assessors, no men were data processors, typists or accounting machinists. So, although equal pay for equal work was paid from 1972, women still earned less than men. The removal of the marriage bar against women in the 1960s, the introduction of government grants to non-profit child care centres in 1972 and maternity leave for public servants in 1973 made it possible for women to have long-term careers in the ATO. The ages, experiences and expectations of women in the ATO changed as a result and jobs, such as data entry, that might have previously occupied a few years of a woman's life now became long-term occupations.[353]

The fashions and attitudes of the 1970s took some of the formality out of relationships in the ATO. The fashion trends of the 1960s became more florid and widely accepted in the 1970s which became the age of the safari jacket, the velvet suit, floral shirt and wide tie, bushy sideburns and moustache, and platform shoes for men while women's fashions became diverse from micro skirts to flowing dresses and extravagant hair styles. These fashions did not lend themselves to the same sense of authority as the short back and sides haircut and conservative dark suits of the earlier generation. A wide rejection of the old code of manners began to break down the respect for authority that had been so strong in the past, but some things remained the same and the second floor of the Savings Bank building in Sydney, where the

Deputy Commissioner and his executives resided, was still a fearsome place rarely visited by most staff.[354]

The social life of the ATO continued, strongly it seemed. As those who had entered the ATO in the 1960s matured, new recruits came in straight from school every year so there were events on the social calendar for every age, from the parties and dances for the young, the barbecues, picnics and Christmas presents for those with young families and the golf days for the older ones. Sport continued to be a major part of ATO life. The closure of Central office had ended decades of rivalry with the Melbourne branch and the transfer of staff to the Parramatta branch reduced the formidable sporting strength of the Sydney branch that had included another rugby league premiership in 1975. In Sydney the Federated Clerks Union started the Sportsman of the Year Award to bring all the sporting codes together with an annual presentation ceremony. In Canberra softball became the most popular lunchtime sport with games played on nearby grounds while jogging also became popular in the 1970s and a group called 'Tom's Trotters' ran around the lake at lunchtime.[355]

Camaraderie and a sense of family remained a cornerstone of ATO life. Much of the conviviality occurred after work over a few (and sometimes more than a few) drinks that led some in the outside world to give tax officers the reputation for 'hard-drinking and hard-working'. These feelings were more intense in Head office where many tax officers were migrants, brought to Canberra from around Australia because they had come to

In the 1970s women felt free to do things that had previously been frowned upon. Young women from the Sydney file control and records sections played a game of rugby league in 1977 and planned more. Records was the victor.

notice for their potential. However, Canberra was not an easy place for some, young families missed the support of wider families and friends and young singles often left everything they had known to live in government hostels filled with strangers. Established staff did what they could to help new arrivals and there were many rewards including the challenge of the work and the informality in an office of only about 400 people. Head office happy hours in the Treasury building became memorable events that extended out into the car park and late into the evening, with the highly sociable Commissioner O'Reilly prominent amongst the revellers.[356]

Moving to Canberra

Mike Bond talks about his arrival in Canberra.

I came to Canberra in March 73. I drove up with Michael Carmody and we checked into Lawley House and went down to dinner. You were allocated a spot and that's where you sat every night. It was silver service with waitresses but after dinner most people went back to their rooms and very few went to the lounge. But for me the first 12 months was one of the greatest years of my life because I got in with a good group.

We started work in the Treasury building. On the first day we both turned up, we had longish hair, platform shoes and mauve suits, tight body shirts and wide ties. We were introduced around. The organisation made you feel welcome, the bosses were incredible because they had a small number of staff reporting to them. You were invited to people's homes and there were Christmas functions and balls and in those days people mixed. They knew what you were going through in trying to settle in, so they tried to do as much as they could to help you and there was a great deal of camaraderie.[357]

As the decade progressed this vibrant social life started to change, unnoticed at first. There were several reasons that combined to make traditional social activities less attractive and less well-attended. The most obvious was the introduction of random breath testing that discouraged people from having a few drinks after work before driving home. Related to this was the introduction of flex time which meant people arrived and left at different times so the routine of a few drinks after work became more difficult to arrange, and people taking different lunch times made it more difficult to go out together during the lunch hour.[358]

Just as important but more subtle were the changing patters of behaviour in the wider community. With more wives working, men could no longer stay after work so easily to socialise with their workmates, and that kind of behaviour was less tolerated

by a society that had a better understanding of equitable gender relations. The baby boomer generation, which had experienced the family life of the 1950s with its often absent fathers, wanted to create a different environment for their children and they invested more energy into their families and less into their friends in the ATO.[359]

As the older generation reached the most senior positions and had less time to devote to organising social events, and as they retired, organising them fell to the new generation with its different values and attitudes. Events like the Miss Taxation contests became politically incorrect and disappeared while variety shows like the Brisbane branch *Taxation Follies*, which had been an annual institution since the 1940s, died quietly in 1977 under the weight of increasing costs and more sophisticated audience expectations. This decline was also helped by the disappearance of regular social club magazines that had been a continual source of information and inspiration. They lost impetus after their publishers stopped providing the service and the full load of publishing fell on social club members.[360]

A year in enquiries

After some time in assessing Kevin Fitzpatrick spent a year serving in enquiries in the Lonsdale Street office in Melbourne.

There were traditional wood-panelled closed booths on the ground floor. People came in, got their ticket and sat in the chairs waiting for someone to call them. They came in and asked their enquiry, and relatively junior people like me answered them. But the questions were generally rather basic about lodging returns and 'where's my tax refund?'

I also worked on telephone enquiries in a room towards the back of the ground floor. As I recall, there were probably a dozen people handling all the calls for Victoria. There was also a generally older group of people who did tax agent enquiries.

I found it great fun because there was a good social atmosphere and it was less mundane than doing 160 salary and wage returns a day. Part of the job was following up enquiries which allowed me to move around the office. If somebody came in and asked where their tax return was there was no technology to find out, so we took down the details and might have made a phone call to see if there was an immediate answer. If there wasn't we followed it up and then wrote back to the taxpayer, or we could have rung them back after going through the office trying to find out what had happened to it. In my memory that was interesting and enjoyable because you got around and met people and learned a bit more about parts of the Tax Office.[361]

Despite these gradual changes in social relations in the ATO it continued to expand its services to the community and public relations remained a priority. It continued publishing pamphlets and booklets, used the media to promote its messages and continued direct personal service through answering enquiries and making country tours. Telephone enquiries became more common as people in the community gained greater access to telephones and, from early in the decade, some branches offered an after-hours telephone enquiry service in June and July for wage and salary earners.[362]

The quality of ATO services to the community also depended on the quality of its staff and 10,466 officers attended 887 training courses in 1979. Training techniques improved and the growing use of audiovisual aids led to the creation of a permanent production unit in 1977. Training covered the full range of ATO activities with special courses for supervisors and managers introduced from 1972, and the development of training packages for individuals or small groups which were particularly useful in giving staff flexibility and training to meet special demands. The ATO also began appointing valuers-in-training and programmers-in-training and had 95 of them in 1971. It introduced a cadet taxation officer scheme and had forty cadets on full-time studies by 1972.[363]

Ode to a hard hearted assessor

An exchange of letters in 1972 shows the lighter side of the ATO.

To a hard hearted Tax assessor

May your discs slip out one by one
    and the agony continue ad infinitum.
As the doctors 'haw' and the physiotherapists 'hum'
    your brace will drive you crazy in the hot summer's sun.

No more walking, no more running,
    no romancing and no dancing.
End of all activity ....

then

Think of me, think of me
    Walking tall, feeling free,
Completely cured, I've got it made!

I had CHIROPRACTIC aid.

23 August 1972

Dear Miss [name withheld]

We have received your delightful little ode, but are saddened to know that you think so poorly of us for not allowing your claim for fees paid to your chiropractor, more especially as it seems to have been money well spent.

The sobering fact is that, gentle people as we are, our heart beats are strictly regulated by the words of the law of the land it is our task in life to faithfully administer. These words say, in the clearest terms, that we may allow deductions only for payments to a legally qualified medical practitioner, or for therapeutic treatment administered under the direction of such a practitioner. Alas, your money was spent outside this compass and we could only pass it by.

If we have to seem hard hearted, it does help us to see the sunshine a little better when the warmth of good humour occasionally filters through from our flock and we will put your ode amongst our treasures.

Yours faithfully
R R Gray
DEPUTY COMMISSIONER OF TAXATION

Hundreds of tax officers enrolled in the assessing courses each year in the hope of achieving rapid advancement and more interesting work out of the processing stream. Annual assessing schools were necessary because the ATO always needed new assessors. Some who enrolled did not prove to be assessing material and found their ways back to the sections they had come from. More were needed to replace qualified and experienced assessors who were attracted by the salaries and possibilities of tax work in the private sector. Many of them stayed with the ATO for 10 years, which gave them an excellent grounding in tax work and was when their long service leave became due.[364]

Company assessing in Sydney in 1975, the rows of desks have gone.
The assessors are Reg Bernsten, Len Kennison, Bev Butler, George Watts, Nick McIntyre.

For those who remained and reached the highest levels of assessing there were two main career paths; investigations and appeals. Investigation officers were typically qualified accountants with many years of practical experience who knew their way around complex accounting processes and knew how to handle difficult situations. Their main tool was the 'asset betterment statement' which was built up through many hours of painstaking investigation to construct a detailed record of a suspect taxpayer's financial affairs going back for a decade to detect discrepancies in income and expenditure. The ATO estimated that each investigation officer increased the annual revenue by $115,000 and in 1971–72 investigators completed 5,672 investigations and an additional $34.68 million was collected as a result. However, the imposition of staff ceilings in the middle of the decade forced the ATO to cut back on investigation so it could carry out more pressing work such as processing income tax returns.[365]

Investigators on the road

Robert Deuchar talks about investigation visits to rural areas.

Investigations was quite often team-based work. In other areas you tended to be by yourself, in appeals for example, it was very rare for two people to do a case together but in investigations it was not uncommon for two or three people to work on a case. Going out to the field was fun because it was getting out of the office and that was pretty rare. We'd hire two or three cars, or take Commonwealth cars if we had them, and a team of usually six or eight people would go and do the business in a town like Geraldton. We'd rock up there in our cars, often with the Commonwealth number plates, and everybody in the town knew we'd arrived so there was a lot of flurry going on below the surface. Our first approach was usually to visit the accountants of the clients you wanted to talk to. People were very fearful of the Tax Office in those days, even the accountants.[366]

This problem led the ATO to look for new ways of ensuring that the lawfully required revenue was collected and it adopted a new technique, similar to those used in the United States and Canada, of on-the-spot reviews of recent income tax returns that it called taxpayer audits that were much quicker and did not involve the detailed work of asset betterment statements. However, staff shortages and new problems that began to emerge from the mid 1970s meant the new system did not start nationally until the beginning of the 1978–79 financial year. During that year the tax affairs of 10,333 taxpayers were audited and 7,279 cases of incorrect returns were detected, resulting in increased income tax revenue of $32 million and penalties of $5.2 million.[367]

Handing appeals

Kevin Fitzpatrick worked in the appeals section during the 1970s.

In the appeals branch I was involved in preparing cases to take to the court. My first case before the Taxation Board of Review was in Melbourne in 1978, you took the occasional case before the Board to represent the Commissioner. You had a 'bag man' who carried your bag, but was a more experienced appeals officer there to help you and hold your hand in presenting the case.

The Board was like a court, with a three member bench, like a court system but less formal. There was the taxpayer, sometimes represented by a solicitor or accountant, and the tax officer and his bag man. I cross-examined the taxpayers and gave my summing up to the bench. It was my first case and I was extremely nervous, but it seemed to go alright. The 'bag man' was there to assist me and if I said anything not right, he'd tap on the arm and say 'No, no'.

I then went on to more complex cases where we used the Australian Government Solicitor and dealt directly with counsel. As part of appeals we also settled cases without going to court or the Board through discussion with the taxpayer or their representative, and most cases were resolved without going to a hearing.[368]

Appeals was the other highly tax technical area of the ATO. If an assessor did not agree with a claim for a deduction they simply disallowed it and sent out the assessment notice accordingly. If the taxpayer disagreed with the assessor's decision they lodged an objection which then went through a process that could have many stages and take a very long time to resolve. In the first instance the assessor handled the objection and, if they found they had made a mistake, they simply amended the assessment. In many cases, however, the validity of an objection depended on the technicalities of tax law so they were considered in the appeals section of the branch. The officer reviewing the case might decide to allow the taxpayer's claim but, if that did not happen, the case was then written up in detail and sent to Head office for further consideration, a process that had been started by Commissioner Ewing in the 1920s. There appeals could also be given away or sent to be heard by a Board of Review or a court or, as frequently happened, negotiated with the taxpayer to reach an agreement. The ATO had to carefully consider which cases it contested because

when a Board or a court handed down a decision it became a precedent for all following cases so the way in which tax law would be applied in the future was shaped by those decisions. If a decision went against the ATO, the future operation of tax law became more difficult and the fair collection of the revenue was jeopardised. As the 1970s progressed more taxpayers began objecting to assessments and, between 1970 and 1974, the number of objections increased from 8,182 to 18,633, which began to seriously overload the appeals system.[369]

If the ATO believed a court or Board decision meant the tax law was no longer fair or proper it could ask the government to change the law. That, however, was the government's prerogative and might have political repercussions that were not the ATO's responsibility. In fact, politics dominated many decisions about tax and the ATO worked on a number of proposed amendments or new taxes that never made it to or through the parliament.[370]

Eulogy for a tax bill

The Tax Office worked hard preparing legislation that would enable it to collect receipts duties for the states, but it was cancelled. Peter Simpson recalls.

The Receipts Duty bill kept me busy for a year or two, but it died and was never enacted. One morning I went down to take delivery of a parcel from the parliamentary counsel who had drafted this and it was wrapped in black paper addressed to Trevor Boucher. Sitting inside it were the tax bills and a bereavement card from the First Parliamentary Counsel, who had written on it:

> Here the remains of five tax bills,
> conceived to cure state budget ills.
> Gestation was long, labour protracted,
> but only stillbirth was enacted.[371]

The only significant changes to the tax system in the 1970s were the transfer of payroll tax to the states from 1 September 1971, transfer of the stevedoring industry charge to another government department in 1977 and the abolition of estate and gift duties from 1 July 1979. The ATO also collected the Health Insurance Levy while it was government policy, from 1 October 1976 to 1 November 1978.[372]

There were two government appointed enquiries into taxation during the 1970s, the Taxation Review Committee (Asprey Committee) that was appointed in early 1972 to review the entire taxation system, and the Matthews Committee, appointed in November 1974, to report on ways of overcoming the effects of inflation on taxation. Only a few of the Asprey Committee recommendations were adopted immediately, though some of the most far-reaching were adopted much later, while the Matthews Committee's main recommendations were short-lived.[373]

The most profound effect on the ATO during this period came from the decay of the existing economic orthodoxy and a changing sense of morality in a growing number of taxpayers. A major problem was that the income tax system had remained virtually unchanged since the early 1950s and the rapid inflation of the 1970s had pushed a very large number of taxpayers into higher tax brackets through the old arrangement of stepped increments in the percentage of tax payable according to the level of income. This encouraged some taxpayers to think about how much tax they were paying and, while most PAYE taxpayers could do little about it, it proved a fertile ground for accountants and lawyers who profited from devising and selling schemes designed to relieve taxpayers of at least part of their tax obligations.[374]

These people and their clients had always existed and the Ligertwood Committee of the late 1950s had made recommendations to defeat some schemes that were developing at that time. However, government policies such as the introduction of investment incentives in the 1960s to encourage national development and the trading stock valuation adjustment scheme, introduced in 1976 to help business cope with inflation, opened new doors to tax avoidance. At the same time, new communications technologies and computers made it much easier to move money and hide transactions from the ATO.[375]

The flood of tax avoidance schemes that were hatched during this period defies description here. They were devised by a relatively small group of people but were snapped up by thousands of taxpayers who had both the means to buy them and the level of income tax that made them attractive. Over a few years the enormity of these schemes became generally known and the public was outraged, with much of the vehemence directed at the ATO.[376]

A major criticism was that the ATO was too slow in detecting and reacting to the schemes. It was an easy criticism to make but showed little understanding of ATO responsibilities in which it had to strike a balance between attempting to detect unusual schemes and carrying out its day-to-day responsibilities. The simple fact was

that the ATO was not equipped to detect widespread tax avoidance schemes and it would have been considered a serious waste of public money to allocate resources to a problem before it existed.[377]

It took the ATO time to detect schemes because their promoters hid them skilfully and worked in secrecy, usually not even telling their clients how their schemes worked. Consequently the only information the ATO received about them at first was hidden in the income tax returns of the individuals and companies using them. Assessors, faced with their daily quotas, could not see the details of what was going on from the return in front of them and detection was made more difficult because individual and company returns were handled by different assessors and, in many cases, returns were lodged at different times and sometimes at different branches. Investigation officers might detect something but there were not enough of them and there was no communication between investigation officers in the different branches that would allow them to compare cases. Information about schemes might become apparent from the reports sent to the appeals branch in Head office, but they only became apparent after they had wound their way through the ATO's bureaucratic process.[378]

However, as the ATO became aware of the schemes assessors, investigators and appeals officers began to know what to look for and they also received the occasional tip-off so that, by the mid 1970s, the ATO began to understand the full extent of what it faced. Tax officers learned how to work out the details of new schemes and devise ways of stopping them, sometimes feeling that as soon as they blocked one scheme another half dozen sprang up to replace it.[379]

The ATO had only two weapons to fight this enormous problem; the tax law and a well resourced staff. At the beginning of the schemes era it was deficient in both.

For many years the ATO's defence against contrived avoidance schemes was the generally worded section 260 of the Income Tax Assessment Act. Until the early 1970s most avoidance had been countered using this section but the High Court, led by Chief Justice Barwick, began to take a much more literal attitude to tax law and began handing down judgements favouring literal interpretations of the words in the law rather than the law's intended purpose. This ended the usefulness of section 260 and left the ATO no alternative but to ask government for changes to the tax law to block schemes as they emerged.[380]

However, the 1970s were turbulent political times. In 1974 the Treasurer announced proposals to amend the tax law to block some early schemes but the decline of the Labor Party meant nothing happened. The incoming Fraser government was similarly distracted and it was not until the appointment of John Howard as Treasurer in December 1977 that the situation improved. Howard and tax officials developed a system in which he announced proposed legislation to block certain types of schemes from the day of the announcement, and legislation was then prepared to be passed by parliament. This had reduced the flood of schemes to a torrent by the end of the decade.[381]

The ATO also needed an organisation to tackle avoidance schemes more directly but it was hampered by the government's staff ceilings. Initially a small tax avoidance branch was established within the appeals area, staffed by a mixture of experienced investigation officers and enthusiastic and bright legal graduates. In 1978 approval was given to establish the compliance division in Head office to plan and coordinate all ATO investigation, audit and inspection activities with a focus on targeting the tax avoidance schemes. Over 300 positions were allocated to the new division by redeploying staff from other areas including assessing and investigation.[382]

With these tools the ATO was equipped to seek out and respond to tax avoidance schemes. However the legacy of the schemes era would have a profound effect on the ATO.

08

The 1980s

MANAGEMENT, SERVICE AND COMPLIANCE

CHAPTER EIGHT: The 1980s

Management, service and compliance

The schemes era taught the ATO a harsh lesson. It had been unprepared for the schemes and the way in which it was organised made it difficult to meet their challenge. This deficiency could only be overcome by a radical reconsideration of how the ATO did its work, leading to a period of rapid and far-reaching change.

The ATO overcame the schemes with a two-pronged response. One was new legislation prepared to counter schemes as they were detected and 322 pages of complex legislation were added to the Income Tax Assessment Act between 1975 and 1980. A further 126 pages were added in 1980 and, by the beginning of 1985–86, the *Income Tax Assessment Act 1936*, that had begun at 81 pages, had grown to 1,475 pages. One of the most important pieces of new anti-avoidance legislation was the *Crimes (Taxation Offences) Act 1980* that made it a criminal offence to operate many company asset stripping schemes. Two special prosecutors were appointed by the government in 1982 to investigate tax fraud and 28 people had been charged by July 1984. A Director of Public Prosecutions was appointed in March 1984 to handle taxation prosecutions and a National Crime Authority was also established in that year.[383]

A turnaround in court decisions also helped to reverse the tide. It began after the retirement of Chief Justice Barwick in January 1981 and the ATO was again successful in using section 260 in a case before the High Court in 1989.[384]

The second ATO weapon against the schemes was an increase in staff, by 400 in 1979–80 and another 180 in early 1983. Not all worked directly on avoidance schemes but they strengthened the ATO's overall compliance activities. As a result, in 1983–84 the revenue and penalties collected through this work amounted to $292.8 million and Commissioner O'Reilly said the results would have been even better had he had more staff.[385]

Exhilaration

Trevor Boucher recalls the feeling in the office in the early 1980s.

It was exhilarating, we were on the comeback trail. By 1982, not only did we have our Crimes Act, but also section 260, the big anti-avoidances thing had been stopped. One last thing John Howard had to do on 11 May 1982, because we hadn't stopped trust stripping. In the end he lost patience with them and said, 'You haven't stopped, we know you're doing it. Effective today I'm going to bring in legislation to make you stop what you're doing, and if you do it again by any sort of means, I'll bring in retrospective legislation, back to today.' And that stopped it.[386]

By mid-1984 Commissioner O'Reilly was confident that the schemes era was over and the ATO was now better equipped to deal with future outbreaks. However, it had brought tax and the ATO into the public spotlight. Since the 1950s the ATO had methodically collected the revenue with little public interest, but that changed during the schemes era and was compounded by other developments. In 1980 the Fraser government established a Royal Commission to investigate the Federated Ship Painters and Dockers Union (Costigan Royal Commission). As it unfolded it discovered a world of tax avoidance and evasion that led it to question the ATO's responses to the schemes. Around the same time the Victorian Government launched an enquiry into what had happened to over 900 companies that had been formed and then disappeared, and that enquiry also raised questions about the ATO's response to the schemes.[387]

This put the ATO on the defensive. It believed it had done the best it could under the circumstances and compiled a document the size of a telephone book comprising copies of memos and letters it had sent, showing that it had acted positively during the period. But what counted was not what the ATO had said or done but what the taxpaying public thought about it. One of the most important aspects of the taxation system, public confidence and almost automatic compliance, had been seriously eroded and the ATO had to restore it.[388]

Part of its response was two changes made in the early 1980s. One was extending the charter of the internal audit branch in 1982 that went beyond the traditional review of accountancy to examination of ATO operational efficiency. The other was widespread reorganisation that included establishing a second appeals branch and a third legislation branch in Head office. Greater effort also went into creating closer links between branches and involving branch staff in national initiatives to develop and standardise office procedures and management among the branches.[389]

A growing association with overseas tax authorities also gave the ATO greater ability to counter international tax evasion. The ATO negotiated an increasing number of taxation treaties and participated in international organisations such as the Committee on Fiscal Affairs of the OECD, the Commonwealth Association of Tax Administrators (CATA), the Study Group on Asian Tax Administration and Research (SGATAR), and the Pacific Association of Tax Administrators (PATA).

It also cooperated with and exchanged tax officers with New Zealand tax authorities. However, government restraints led the ATO to withdraw its Australian taxation representatives from London and Washington in 1981 which only meant more overseas travel for tax officers working on international issues.[390]

Overseas perspectives

Peter Simpson became involved in ATO international activities in the 1970s and recalls how it grew.

Around this time Australia joined the OECD so we had to get involved. Bill O'Reilly was a Second Commissioner then, he had a certain love for flying to Europe in the winter and he went a couple of times and I got to be the bag carrier. I'd go over there and see the absolute top policy-makers and administrators sitting in forums, and listening to those people, and their intelligence and learning, was just phenomenal. I knew we needed to get as many people involved in this as possible, and gradually we moved to that.

Coming out of that, we met some Belgian people and they proposed having a treaty with us and they came down here for a couple of weeks. Within a couple of months we had two European countries out here and we negotiated with them. And suddenly we had a couple of new treaties in the pipeline and we started re-negotiating the United States treaty. At this stage we'd started talking to the British, so suddenly things were moving a little. Other things started to happen where areas of our law that dealt with international issues were suddenly found to be very deficient, things like transfer pricing and international avoidance, so the whole international thing started to take off.[391]

A prescribed payment system was introduced from 1 September 1983 to stop cash payments, initially in the building industry, and was one of the last pieces of legislation related to this schemes era. It required the processing of vast amounts of data and was the ATO's first experience in developing a computer-based taxation system. However, the ATO's existing computer systems were beginning to suffer under the strains of an ever-increasing workload so more powerful computers and peripherals

were obtained, the old computer installation upgraded and a new computer installed in Canberra. Local area networks were installed in branch and regional offices to link the large number of terminals needed for the new system with the central computers to provide data entry, online enquiry and processing facilities. It was a great leap forward in computing for the ATO but setting it up and resolving early problems took so much effort that little other computer development took place for some time. The Auditor-General was critical of these problems and suggested that the ATO adopt proper project management techniques, which opened a new era in ATO project implementation.[392]

Through all this the ATO continued to collect the revenue, which totalled $24.68 billion in 1980–81 and $77.47 billion in 1990–91. The increase was partly due to the Australian population that grew from 14.8 million in 1980 to 16.93 million by 1989 and partly due to inflation that averaged around eight per cent during the decade. The number of tax officers grew from 12,311 to 18,875 during this period but the cost of collection remained constant at around one per cent.[393]

Commissioner O'Reilly reached retirement age in June 1984. He was highly respected for his integrity and staunch defence of the ATO and its staff through difficult times, and was remembered fondly by those who mixed with him socially and as a perfectionist by those who worked with him closely. He had the highest regard of ATO staff.[394]

Trevor Boucher was appointed the next Commissioner of Taxation. Like Commissioners before him, he had come up through the tax technical stream, and he had dealt with the policy and legislation side of the schemes era as Second Commissioner. He was of a new generation, having been born after O'Reilly joined the ATO in 1935, and he saw the ATO in a new light. Unlike previous Commissioners, Boucher made it a point to walk around offices, to see the conditions his people worked under and say hello to them. This earned him the reputation for being a friendly Commissioner who knew and cared about his people.[395]

Trevor Boucher, ninth Commissioner of Taxation.

Boucher faced a new economic, social and political environment. The Fraser government had struggled unsuccessfully with the legacy of the 1970s economic crisis and by 1983 both inflation and unemployment were over 10 per cent. The Hawke Labor government that came to power after the 1983 election had plans to remake the Australian economy by embracing a new theory that became known as 'economic rationalism' in Australia. It had been promoted by Milton Friedman who argued that the economy was best served by freeing markets from government regulation and in Australia, and many other developed economies, governments began to remove regulatory controls and expose their economies to greater competition. These policies created a new, vigorous and avaricious business environment that dominated Australia for the rest of the 1980s. This new economic environment, combined with social justice and open government policies, such as the Freedom of Information Act in 1982 and the Sex Discrimination Act and the Equal Employment Opportunities Act of 1984, all created a new world for the ATO.[396]

The Australia of the 1980s had become culturally diverse and the separation between men and women had been much reduced. The ATO reflected this and by the end of the 1980s more than half of tax officers were women and they now made up 10 per cent of the executive ranks. Between 15 and 20 per cent of tax officers were from non-English speaking backgrounds and people with disabilities made up four to five per cent of the workforce. However, Indigenous Australians made up less than half of one per cent of the ATO workforce.[397]

The new perspective

Before he became Commissioner, Trevor Boucher travelled overseas to see tax administration there.

Once I was nominated and I started preparing I got agreement to go around the world for four weeks visiting the UK, US and Canada, visiting their administrations. I had this idea that something was wrong on the management side of the place. Previous Commissioners sat there at the top and every minute that went to the Treasurer was signed by the Commissioner, that had happened since year one, and there was a fair bit of that. Management had been left to one of the Second Commissioners and the other did legislation and policy. There was the sense that there was something wrong in the management area so I decided to carve up the office differently. As Commissioner, I'll take direct responsibility for the management area, Des Black, who followed me, took over Policy and Legislation and McDermot had the rest of the technical area. I had the sense that was where I had to put my energies, and did, and I think that that was a sign for the rest of the organisation.[398]

Commissioner Boucher knew it was time for change. Two weeks after he was appointed he convened a conference of Deputy Commissioners and other senior staff and mapped out the new direction the ATO would take in his opening address. Boucher talked of the outside factors that would affect the ATO; greater public scrutiny and accountability, political and community consciousness about tax matters and coming reforms to the Commonwealth Public Service. He set the ATO's immediate goals as obtaining more human and material resources, greater emphasis on training, development of a corporate plan and the expansion of computing to the entire ATO. He said special attention would be paid to the sales tax area which was experiencing serious work overloads and whose staff felt they were the 'forgotten race'. The three main areas to be developed would be improved compliance activities, improved public relations and improved management.[399]

During the conference Boucher made another change in the ATO, away from its traditional emphasis on deference to and respect for hierarchy. On the first day he sat at the head of the conference table with his Second Commissioners on either hand, with the Deputy Commissioners and other officers arranged down the table in order of preference. At the beginning of the second day he took a seat halfway down the table, causing consternation and confusion among the other men there.[400]

The events of the past decade had shown that more resources had to be put into compliance with more and better-trained staff and that had to be matched by creating a better relationship with the taxation industry. Since taxpayers could easily feel they had become ATO targets as it moved to increased compliance, the ATO also had to make itself more friendly. Community education, a new emphasis on public relations and the simplification of return forms would all help to present the ATO's human face.[401]

The other major change would be new ways of managing and an emphasis on communication and coordination. The ATO had to develop a national approach to matters of wide economic and social importance and better understanding had to be created between the branches and Head office. There should also be greater staff involvement in running the office because industrial democracy was government policy and would be necessary to bring staff along with the changes that had to take place.[402]

These three focuses – management, compliance and community relations – directed the development of the ATO for the rest of the decade. However, when the Commissioner and Deputy Commissioners met again a year later the new government's proposals for taxation reform were also on the agenda.[403]

After the national Tax Summit in July 1985 the government announced a package of tax reforms that included a capital gains tax, a fringe benefits tax, increases in company taxation rates and other lesser changes. These reforms placed great demands on the ATO because the new taxes were announced in September 1985, the legislation was introduced into parliament in May 1986 and the reform package came into effect from 1 July that year. In that time 750 pages were added to the tax legislation, new administrative arrangements and procedures were developed, almost 500 staff were recruited and trained and extensive public education campaigns were launched. Tax officers addressed countless business and professional seminars, inspectors called on 32,688 employees to provide assistance and over 141,000 enquiries were answered.[404]

The ATO's experience in introducing the prescribed payment system and later advances in computer technology helped it prepare for the tax reform package. By 1986 all ATO computers had been upgraded, were linked in a high speed communications network and around 600 mini-computers had been installed for work outside the central taxpayer system, now called the national taxpayer system. As a result, introduction of the tax reform package went relatively smoothly, but only because of the vast amount of work the ATO had put in behind the scenes.[405]

The central computer room, Canberra, 1985.

A year later two more changes were introduced to the taxation system, the imputation of tax on company dividends and the introduction of quarterly payments of provisional tax. The ATO had learned from experience in implementing previous computer-based taxation systems and the first provisional tax notices were issued in October 1987. However, there were some problems in introducing these systems, due mainly to the age of the ATO computer equipment by then, which emphasised the need to thoroughly revise its computer systems.[406]

Although Commissioner Boucher was the ATO's leading tax technical officer he came to believe that something was not quite right in the way the office operated and that the management of the ATO had to take his immediate attention. Because previous Commissioners had given priority to tax technical matters they had signed every document that went to the Treasurer but Boucher gave this responsibility to division heads (although he always saw a copy of what they sent). Many tax technical officers took this to mean he was turning his back on them and considered him a traitor to the old ways while they should perhaps have seen this change as an expression of Boucher's confidence in them. Although the new Commissioner regretted their attitude it was clear to him that management was the area that needed his most immediate attention if the ATO was to survive the 1980s.[407]

Commissioner Boucher had told the Deputy Commissioners that the ATO would experience outside pressure. He was right and a major source was the Auditor-General. In earlier times Auditors-General had only conducted financial audits but, more recently, they had gained responsibility for auditing the efficiency of government agencies. Commissioner Boucher found this particularly galling because the Auditor-General was Keith Brigden, who had previously been a Second Commissioner in the ATO and had an intimate knowledge of the organisation, so had no trouble in finding problem areas to examine. In 1984 Auditor-General Brigden published several reports criticising the ATO on its handling of the tax avoidance schemes and its administration of sales tax, and in later years, some more critical reports including one on the prescribed payment system. The ATO was not happy with these reports because of the resources required to service the Auditor-General's enquiries and because the reports did not acknowledge the resource problems the ATO had faced in the areas that were criticised.[408]

One outcome of the Auditor-General's reports was an inquiry into the ATO by the House of Representatives Committee on Expenditure in 1986, and a major review of the ATO, announced by the Treasurer in February 1987. Both absorbed a great deal of ATO resources and caused a lot of stress. They found that the ATO could have performed better in some areas, that it was making good progress in improving but still had a long way to go.[409]

Despite questions about its efficiency the government gave the ATO two new roles during the late 1980s. In June 1988 the Child Support Agency was established as part of the ATO when the Commissioner was also appointed as the Child Support Registrar. The agency had responsibility for collecting child or spouse support maintenance payments due under the Child Support Scheme and registered some 21,000 cases involving 15,000 children in the first year of operation. When the government introduced the Higher Education Contribution Scheme (HECS) in January 1989 the Commissioner was given responsibility for collecting contributions through the taxation system. A reduction in his responsibilities was the transfer of its valuation functions to the newly-created Department of Administrative Services in July 1987.[410]

Poster introducing the child support system, 1989.

Commissioner Boucher's vision for the ATO had included closer links between Head office and the branches and an early step in achieving this was renaming Head office as 'National office'. The new name was chosen to remove the perception that it was superior to the other branches and created a sense of a national coordination rather than just issuing orders.

Another innovation was the introduction of an Australian Taxation Office logo, decided in a competition among staff in 1987 and won by Helen Lee. It incorporated the initials ATO into a map of Australia and remained in prominent use for many years.[411]

The ATO logo, designed by Helen Lee in 1987.

ATO change was given direction by a corporate plan which was adopted from 1 August 1985. The ATO was no stranger to planning but this was the first plan that pulled together everything the ATO did and coordinated it to focus on areas of priority. National office was reorganised to give it a more effective structure and the position of a third Second Commissioner was created to help cope with the workload on senior executives and Michael Carmody, another tax technical specialist, was appointed to it.[412]

Tough work

Mike Bond talks about assessing in the 1980s.

Assessing was getting out of hand, you couldn't keep up, you'd have to find an army to do it. They moved to a process called scrutineering when you had to do 2,000 returns a day, but that didn't last long. It was a very quick glance and all you were looking for was something untoward and you'd discard things with attachments for later scrutiny. They'd only allow you to do that for three or four days a week because it was tough work, the concentration was huge. The discipline was there, you'd have competitions with your mates to have 5,000 done before morning tea and that sort of stuff. It was the only way to survive.[413]

By far the biggest change of the 1980s was the introduction of self-assessment in 1986, revolutionising the ATO. Assessing was at the heart of the ATO and everything including its training, advancement, social structure and culture had been built around it. However, assessing had become unsustainable by the mid 1980s, in 1984–85 the ATO received 9.03 million income tax returns and assessors were doing little more than giving each return a cursory examination in order to keep up. A working group was convened to examine the problem and presented a report in April 1985 that said existing assessing methods were not generally cost-effective, assessing had little deterrence to tax avoidance and evasion and that the majority of assessors got little job satisfaction. As a result, the report recommended that the ATO adopt a system of taxpayer self-assessment and that assessors be redeployed to other high priority tax technical work. The ATO adopted the report, the Treasurer announced the introduction of self-assessment in the 1985–86 budget speech, and the new system commenced from 1 July 1986.[414]

The introduction of self-assessment

Trevor Boucher discusses the change to self-assessment while he
was Commissioner.

I had spent time as an assessor and I knew from experience how ineffectual
that was. There had been previous studies and Keith Brigden had inquired into
it during an overseas trip because the organisation was debating whether this
was the right way to do it.

I credit John McDermot with pushing this and seeing where we had to go. We
discussed it at a conference and agreed to pull somebody aside to look into it,
and Les Hutchinson in Melbourne was given the job. He came back with a report
that said we're actually going backwards because, with having to push all that
stuff through, assessors were making arbitrary judgements, so after the appeals
and adjustments we were going backwards. We had staff who were trained
accountants and, increasingly, trained lawyers, sitting down with this pretence
that they were determining liability. So the notion was that we would just take
the returns at face value and take these technically qualified people and put
them in audit and investigation.

The organisation took to the change pretty well. At the human level there were
people who had been in the office their whole life, cloistered behind a desk, and
they were a bit frightened about going out into the big wide world, and we had
to help them a bit.[415]

At first only salary and wage earner returns were self-assessed but it had been
extended to all taxpayers by the end of the decade. The only significant change in
the processing chain was replacing assessors with clerks who quickly scanned returns
to ensure they were ready for data processing operators and this brought a significant
reduction in processing cost of about $100 million a year. However, taking assessors
out of the income tax return processing production line only relieved some of the
workload that had increased to 11.38 million income tax returns in 1989–90. Each
return still had to be keyed into the national taxpayer system by data processing
operators before anything else could be done with them, a huge task made even more
monumental by all the other data that had to be processed from other sources such

The end of assessing

John McCarthy recalls the event to mark the end of assessing in Brisbane.

We had an end of assessing function on the assessing floor and a bagpiper got his bagpipes and Scottish gear and played the dirge that is played at funerals, and piped in half a dozen people carrying a cardboard box representing a coffin. They'd hidden it in one of the interview rooms and just before this there was a bomb scare and we evacuated the building. The cops came in to search the building and asked 'What's this box'. An hour or so later we got back into the building and the piper was able to do his job, and we had a few cakes. And that was the end of assessing.[416]

as the sales tax, the Child Support Agency and HECS. Data processing operators, almost exclusively women, became the processing centre of the taxation system and they were driven hard to keep up by making an expected 180 keystrokes a minute, three every second.[417]

By the beginning of the 1980s this was beginning to affect data processing operators detrimentally and the phrase 'Repetitive Strain Injury' (RSI) came into use. In 1985, when the ATO employed 1,245 keyboard operators, RSI accounted for over 80 per cent of compensation claims from women workers across Australia and there were over 4,000 reported cases in the Commonwealth Public Service. In order to understand and overcome this problem the ATO contributed to a RSI task force established by the Public Service Board and engaged its own consultants and occupational physiotherapists to help. As a result the situation began to improve and, while subsequent developments reduced its incidence significantly, it remained a serious problem.[418]

Smoking and asbestos also became major occupational health and safety issues in the 1980s. Asbestos had been used so widely by the building industry that it was almost impossible to tell where it would turn up, so evacuation plans were prepared and air quality monitors installed in government buildings. The health dangers of smoking had become well known by the 1980s so a policy to control it at work began. Training programs to help staff stop smoking commenced in 1985 and smoking was prohibited at work stations in 1989.[419]

Data processing operators in the Canberra branch, 1986.

More than tokenism

Jill Jenkins recalls being the female representative on selection committees.

I often sat on selection committees because they had to have a female on them and there were not that many females at the level they needed. I used to think it was tokenism, 'Why am I doing this?', because it took up a lot of time.

But I vividly recall one selection committee I was on was in audit. The girl who had applied for the job, a very attractive lady who I knew well, was asked 'Why would an attractive person like you want to work in this audit environment?' I was stunned. He was a lovely man, I spoke to him afterwards and he could see absolutely nothing wrong with the question. He said 'I wouldn't want my daughter working there', he was being fatherly to her. And that's when I thought 'No, I'm not here as a token, I need to be here'.[420]

The ATO introduced an equal employment opportunity policy from October 1985 to encourage women, migrants and people with disabilities as ATO employees. The plan included staff training, placing women on staff selection committees and embedding equal opportunities in the organisation's wider policies and culture.

A change expected to encourage women to stay in the ATO was the introduction of permanent part-time employment in 1986–87 and there were 168 staff working under the new arrangements by June 1987. The most prominent woman in the ATO was Jan Brady, who had begun her career in the ATO in 1957, been one of the first women to enter assessing after the war, become an Assistant Deputy Commissioner and the first woman to be appointed to the position of Deputy Commissioner. She became a role model to other women in the ATO.[421]

Jan Brady, the ATO's first female Deputy Commissioner.

The changes taking place in the ATO made training even more important. In 1986–87 it held 4,301 staff development and training courses for 53,406 participants, three for every tax officer at that time. In line with Commissioner Boucher's aim of bringing the branches closer together all its major training programs were developed nationally from 1985.[422]

The uncertainty and inflation of the economic crisis that began in the 1970s made ATO staff more militant and this came to a peak in the early 1980s, leading to extensive industrial action. The ATO was highly unionised and striking was immediately effective because it starved the government of revenue and industrial action during tax time gained publicity by stopping the issue of income tax refunds. It was a highly charged time in the ATO as union members went on strike and management responded with stand downs but, in the end the unions were beaten and achieved nothing. Even so, an industrial relations section formed in Head office in 1982 smoothed relations with the unions and a number of cases were resolved by negotiation and arbitration including the reduction of keystroke rates for data processing operators.[423]

Industrial action

Gidge Rotunno and Greg Wheeler recall industrial action in the 1980s.

Gidge Rotunno: It was a fantastic campaign with a disastrous result. It was about a pay rise and it was a fantastic campaign in terms of people understanding the issues and being engaged. We had massive strikes, we pulled everyone out in Dandenong. We walked around the floors and told everyone 'Walk out' and people walked out. Dandenong was a very strong office and we trusted each other. We ended up striking for quite a few days, not consecutively, but it ended up going back to the IRC [Industrial Relations Commission] and we got nothing. That was a disastrous outcome but it was also a watershed moment when the Tax Office realised the unions were fair dinkum.[424]

Greg Wheeler: In King Street the area that processed all the refunds and the money coming in, they locked the floor in a union strike, they barricaded themselves in. Once the computer room decided not to process the incoming money, managers were locked out and it became more of a battle zone. At that stage you had managers going around giving directions to work. They'd read your duty statement to you and said if you didn't follow the duty statement you'll be removed from the floor, and automatically from that point you don't get paid. There was a lot of that happening. We felt we had the government on their knees but, being delegates, we only got the good news. The union caved in as far as I remember.

There was fairly talented people in charge of the union in those days and they had the following, they had young people who weren't reliant on money to bring up families. When you get married and have a family, you can't strike with the threat of losing pay, because we used to lose pay when we went on strike. If they tried it these days you'd hardly get anyone going out, and with agency agreements we're not badly treated.[425]

Improved industrial relations came with a new government and a new Commissioner. In December 1983 the Hawke government announced that all public service agencies, including the ATO, would have to establish industrial democracy plans, and the ATO had its plan ready by September 1985. At the same time, Commissioner Boucher established a Joint Consultative Committee comprising representatives from ATO management and the three major staff unions to promote industrial harmony through consultation and negotiation, and it began regular meetings in June 1985.[426]

The industrial relations landscape changed again when the Public Service Board was abolished in 1987. The Board had played a major role in regulating and overseeing many ATO staffing arrangements such as the negotiation of staff salaries, wages and conditions. After its abolition many of its powers were transferred to individual agencies which then negotiated directly with staff unions over wages and conditions.[427]

Around this time the old structures of the public service were changed and the Third and Fourth Divisions were merged in a process called 'broadbanding' in which over 100 separate public service classifications were combined into a handful. This radical change resulted from the Public Service Board's taskforce into RSI that found a relationship between the old public service structure and the incidence of the condition. The Fourth Division comprised largely women who did repetitive work such as data processing and the Third Division comprised mainly men who did a variety of work so that RSI was rare. Broadbanding meant that women would no longer be confined to such duties as data processing with little opportunity for advancement. This would reduce the incidence of the problem and give women in the public service much greater opportunities to develop their abilities and build careers. This led to very significant changes in the way the ATO operated and opened up opportunities for staff to grow in a way that had not previously been possible.[428]

Staff at the level of what had previously been the Second Division became members of the Senior Executive Service, and were the leaders of the public service in the ATO. The end of the Public Service Board also saw the end of its role in providing the ATO with an annual stream of school leavers that had continually reinvigorated it and made a strong contribution to its social life.

The 1980s also saw amalgamations in staff unions. Amalgamations suited the union movement and the government's wages and prices accord, and promised to make life simpler for the ATO that had to negotiate with three unions – the Administrative and Clerical Officers Association (ACOA), the Australian Public Service Association (APSA) and the Federated Clerks Union (ATO Branch) (FCU (TOB)). The ACOA and APSA merged with another small union to form the Public Sector Union in 1989 and most members of the FCU (TOB), including the leadership, resigned to join the new union. Through a series of following amalgamations it had become the Community and Public Service Union (CPSU) by 1994. Despite the creation of this large union several hundred members of the FCU (TOB) did not join the new union and the Federated Clerks Union became part of the Australian Services Union in 1993. As a result, the ATO still had to deal with two unions although the CPSU was the major one.[429]

In the mid 1980s the ATO was losing staff at the rate of 10–15 per cent a year, 2,000 in 1985 and 2,400 in 1986, perhaps as a result of the rapid changes taking place in the ATO or the general economic situation. This, and increasing staff ceilings, meant the ATO had to recruit over 3,000 new staff a year with a particular emphasis on good tax technical people. It launched special recruiting campaigns to attract accounting and law graduates through the universities and became successful in recruiting more of the highest quality graduates, winning the Graduate Careers Council of Australia Award for the best recruiting package in 1989. However graduate programs stopped that year due to funding issues and were not re-established until 1998, causing a hiatus in young talent that took a long time to catch up.[430]

The growing workforce put greater pressure on accommodation, particularly in the big branches. Some 3,500 staff were dispersed across seven buildings in Melbourne, 4,000 people in Sydney were spread across six buildings and there were similar problems in some other capital cities. To reduce this pressure the ATO revived its decentralisation policy and planned to make its regional offices in Townsville, Newcastle and Albury-Wodonga fully autonomous, bring its Dandenong office up to full branch status and establish a Sydney South branch and a Victoria North branch. Each branch would take responsibility for a geographic area with, for example, the Victoria North branch taking responsibility for taxpayers in the northern and western suburbs of Melbourne and a broad wedge of north-western country Victoria. The most difficult problem to be overcome in setting up these new branches was finding office accommodation for about 800 staff and therefore many new branches opened with some staff in temporary accommodation. Finally, the autonomous Newcastle branch opened on 1 July 1985, the Victoria North branch on 1 July 1986 and the Townsville and Albury/Wodonga branches on 1 July 1987, but the Dandenong branch did not move into a new building until December 1988 and the Sydney South office at Chatswood was not opened until 1 July 1989.[431]

The new branches created more opportunities for staff and new positions for senior staff who joked that Commissioner Boucher moved people around like pieces on a chess board. If he did, the moves were made to give senior staff wider experience of the ATO and the opportunity to develop their experiences and abilities. Younger tax officers also found that the new branches gave them more opportunities to live and work in different parts of Australia while remaining in the ATO.[432]

Townsville branch, 1986.

Albury-Wodonga branch. Most new ATO branch buildings were new but
this branch was located in a restored wool store in central Albury.

Big Bruce on Tropical Friday

Bruce Quigley recalls his time as Deputy Commissioner in Townsville.

I got a telephone call from Trevor Boucher in October 1991 and in January 1992 we were in Townsville. Greg Farr was the Deputy Commissioner before me and Boucher said 'Take your wife up' and Greg had the barbeque and introduced us to the neighbours and that sort of stuff. It was a fairly small street, a corporate street, as streets in Townsville often are. The bloke next to us was the manager of the major Westpac bank up there, there were two army officers, another was the head of Suncorp Metway, so the people there had not always lived in Townsville.

Sometimes I felt I was in a fish bowl. Friday in Townsville was called 'Tropical Friday' and people wore tropical shirts. I didn't always do that, I wore a tie all the time so I stood out a bit and if I had meetings I wore a proper shirt. So I was driving to work this Friday and I was stopped at the lights, one of the few lights in Townsville, and here's Steve Price, the morning radio guy, saying 'Big Bruce from the Tax Office is not in the spirit of things because he hasn't got his tropical shirt on today'. A few weeks later I did have it on because I didn't have any meetings with outside people and I heard 'Big Bruce from the Tax Office is doing the right thing today, he's got his tropical shirt on.'[433]

All these management changes improved the ATO's ability to administer the tax laws, with special emphasis on compliance. In particular, the introduction of self-assessment changed the relationship between the taxpayer and the ATO because it encouraged taxpayers to meet their tax obligations honestly rather than hoping to deceive an assessor. This approach was successful and the ATO estimated that about $700 million of the total collectable income collected during 1986–87 was due to increased voluntary compliance after self-assessment was introduced.[434]

The end of assessing was a wrench for many tax officers who had built their lives around its routines. They had become assessors when they were young, planned to spend their entire working lives as assessors and expected to be assessors when they retired. Now they had to take on new roles and most became auditors. Auditing was a key part of the strategy of encouraging voluntary compliance by showing people that tax evaders were being caught by publicising the audit program and the results it was achieving. Auditing ranged from relative simple desk audits, usually of individual taxpayers, to complex audits of large companies and the ATO had 100 large company audit teams in the field by 1987–88.[435]

Self-assessment also led to a dramatic reduction in the number of objections lodged by taxpayers. However, the ATO still had around 100,000 outstanding appeals to deal with by 1985 and it put a great deal of effort into clearing the backlog over the rest of the decade. In 1988 it changed its appeals structure to make better decisions the first time and explain them better, helping to reduce the number of appeals going to hearings. As a result, there were only about 32,000 outstanding cases by June 1989.[436]

A different compliance problem was the number of people who did not lodge income tax returns. The tax file number system was devised to deal with this problem and, to bring people into the income tax system, the ATO began by announcing an amnesty period from 30 May to 31 October 1988 during which people could lodge returns without prosecution or penalties. During the amnesty over a million people or organisations lodged returns or arranged to do so. Introduction began with a widespread information campaign and allocation of the new numbers started with new taxpayers and salary and wage earners in the first half of 1989.[437]

A big effort

Bruce Quigley talks about some of the effort that went into the tax file number.

It was a compliance measure. We were doing all the dividend and interest checks against a person and there could be lots of them, so we weren't getting good matches. To prepare the legislation we prepared very detailed drafting instructions, setting out the broad policy and broad design and saying what the interactions were. Draftsmen then put those instructions into a draft, sent it back to us and we looked at it and said 'No, no, that's not quite right'. Then it was an iterative process of draft and redraft. Sometimes a draft would raise new issues so we'd have to issue supplementary drafting instructions, 'this had come up and now we want this and this done'.

It was a big thing. We tended to have very small core teams but you could get input from other people on various things. A lot of people put together a compliance strategy and processing systems, so there was a big team to implement the whole thing. Working out how, for example, audits would be done. I'd say to them 'This is what I think. Will it achieve what you want from your compliance objectives?' And they'd say 'There are these other things we want it to cover as well'.[438]

Service went with compliance because the ATO had to develop a better public image when it increased its compliance activities. Commissioner Boucher wrote that 'If the public regards us as being helpful, efficient and impartial, they are more likely to willingly comply with their tax responsibilities. Good service improved the public's perception of the ATO'.[439]

One of Commissioner Boucher's first acts was to create a public information unit to improve ATO communication with the community and when self-assessment was introduced it prepared and distributed booklets explaining the change and translated them into 13 languages for distribution through migrant resource centres. By the end of the decade it was issuing press releases and information packages, conducting surveys of public attitudes and preparing an extensive range of publications in a number of languages, as well as billboards, posters and displays at trade fairs.[440]

Brisbane branch enquiries counter in 1980. The enquiries counter remained a strong focus of the ATO's service tradition.

The ATO also continued its traditional services and answered 2.6 million telephone calls and 736,000 enquiries in person in 1985–86. It set up a problem resolution program in 1987–88 to handle difficult taxpayer problems and act as a taxpayer advocate when all other efforts to resolve a problem had failed. A taxpayer service group was also established in National office in 1986–87 to help taxpayers understand the tax law and the services the ATO provided. The ATO also opened two

Answering telephone enquiries in Victoria North branch, 1986. As the community increased its use of telephones to conduct personal business, the ATO responded by setting up telephone enquiries sections that were usually staffed on rotation by tax technical specialists.

new avenues of communication with the community, the tax liaison group that was formed in 1984 to discuss administrative and practical aspects of taxation with the tax industry and the Commissioner's advisory panel that was established in 1989 to represent the wider community.[441]

By the mid 1980s there were about 26,000 tax agents in Australia who handled two-thirds of all income tax returns. The ATO set up tax agent liaison centres in the branches to liaise directly with tax agents, identify and resolve problems and advise agents of changes to tax legislation and ATO procedures. Tax agent liaison committees were also formed in most states to discuss matters of mutual concern with Deputy Commissioners.[442]

The biggest change for tax agents was the introduction of electronic lodgment of returns, beginning with a small pilot program in Adelaide in 1987 and going national in 1989. By the late 1980s most tax agents used computers to prepare the returns they sent to the ATO, where they were then keyed again by data processing operators into the national taxpayer system. This process duplicated effort and introduced mistakes, but electronic lodgment solved both problems. It also cut the delay in sending out refunds from an average of 10 weeks to two, and tax agents used this to attract new customers. Very significantly for the ATO, electronic lodgment also

reduced the amount of keying that data processing operators had to do and so reduced the incidence of RSI.[443]

Research showed that most taxpayers who filled in their own returns did not read the explanatory notes that were available with the return forms and made obvious mistakes. The ATO hoped that revised forms with explanatory notes written in plain English would solve that problem and it devised new forms that were tested in Western Australia in 1985 and, following some improvements, were introduced nationally from 1 July 1986. Taxpayers found the new form clearer and easier to follow but market research suggested that a more fundamental change would be even more helpful. The result, *Tax Pack*, was launched on 13 June 1989. It contained all the information most taxpayers needed to complete their returns in a simple, step-by-step format, and was delivered to every household in Australia with extra copies available at newsagents.[444]

The ATO called 1989 the 'Year of Service' to highlight the changes it had made, and was making, in its relationship with the community and ATO executives took turns at enquiries counters to show their commitment to it and meet the community they served face-to-face. A curriculum package called *The Insiders* was launched for use by high school students and the Tax Help volunteer scheme was introduced to help people in need to prepare their salary and wage income tax returns. Tax Help was trialled in Newcastle in 1987–88 and then introduced nationally in 1988–89, with each volunteer receiving 16 hours of training and the support of ATO staff through a telephone hotline.[445]

Commissioner Boucher takes his turn at the enquiries counter as part of the Year of Service.

Year of Service in Perth

Perth office wrote about the Year of Service.

Brian [Power, the Deputy Commissioner] saw a definite change in the attitude of the public this year. Some taxpayers even wrote to thank officers for the help they got at the Enquiry Counter or through the Problem Resolution Program. Brian made a point of publishing these letters in the staff newsletter 'because', he says, 'it helps staff morale to see that members of the public appreciate our efforts to help them'.

Tax agents, accountants and people running small businesses, once seen as the natural enemies of the Tax Office, also benefited from the Year of Service. As well as the Tax Agent's Liaison Groups which were set up in all Tax Offices, Brian now sits as a member of the Divisional Council of The Australian Society of Accountants. The Office also set up close links with The Small Business Development Corporation.

A number of new initiatives added to the work of the Office during the year. The Higher Education Contribution Scheme (HECS) and the Child Support Agency added extra areas of revenue collection.

HECS didn't add too much of a load for the Perth Office although it was the cause of a minor demonstration when about thirty students lined up at the cashier to pay one dollar each. Concerned that the protest shouldn't be allowed to delay other taxpayers, Brian arranged for an extra cashier to go online to cope with the protesters.[446]

By the end of the 1980s the ATO was almost completely dependent on computers but many of its systems were obsolete and on the verge of collapse. The PAYE system was based on programs designed in the mid 1960s and the national taxpayer system had become costly and difficult to maintain and update. The central computers were two generations out of date, the extended memory devices were unreliable, the online enquiry terminals and direct data entry equipment was nearing complete failure, the cash receipting equipment was obsolete, the printers were also badly worn and nearly all the equipment was ergonomically poor.[447]

The ATO adopted a new computer strategy in November 1985 to give it a new computer environment. Planning continued through 1986 and the government gave in-principle approval for the new strategy in February 1987. It comprised three parts: redevelopment to replace all existing computer applications, re-equipment to replace all computer hardware and software to accommodate those applications, and conversion of all applications and data from the old systems to the new ones.[448]

This was one of the most significant decisions made in the history of the ATO. It would not only revitalise its computing capacity, it would integrate computing into many new ATO activities and enable it to achieve new levels of compliance and service. Within a decade it would result in a new kind of ATO.

Unloading tender documents for the ATO re-equipment program.

The overall project would comprise 100 separate projects that all had to be coordinated and scheduled, including redesigning about three quarters of all ATO jobs. To fund it the ATO entered an agreement with the government, in February 1987, to receive $1.24 billion over nine years and deliver staff savings equivalent to 3,000 full-time positions in return. To ensure the program's smooth introduction the ATO and the CPSU signed a modernisation agreement in March 1990 which improved working conditions, accommodation standards and launched several projects to take the ATO and its staff into the future. A management advisory committee, chaired by Commissioner Boucher and comprising union representatives and other senior tax officers, oversaw the project and Second Commissioner Carmody had day-to-day responsibility for it. He launched a competition to find it a name for this all embracing project and the simple word 'modernisation' won its inventor a good bottle of wine.[449]

The ATO's first venture into modernisation was the electronic lodgment system for tax agents that became known simply as ELS. It was part of the modernisation plan, tax agents were keen to have it and it would show that the ATO was committed to service. However, new hardware capable of running the electronic lodgment system was still far from delivery so Boucher and Carmody decided to take a risk and launch

it using equipment that was soon to be replaced as part of modernisation. The gamble paid off, the system was recognised as an important achievement around the world, won the Gold Award of the Government Technology and Productivity Awards, and opened the door to modernisation.[450]

Cultural change

Chris Mobbs talks about the change that came with modernisation.

A cultural change went with modernisation. Some of the projects that were set under modernisation needed new ways of thinking, project teams with people with different skills assembled quite deliberately because it was recognised that to run the project you needed people with different personalities and skill sets. Trevor was always sending signals to say we needed new thinking and new ways of doing things. Sometimes things went off at a tangent and didn't deliver what was expected, 'a thousand flowers blossoming' philosophy, but some of them succeeded very well.[451]

09

The 1990s

CONTINUING CHANGE

CHAPTER NINE: The 1990s

Continuing change

Changes in the ATO during the 1980s prepared it for even greater change in the 1990s. As the promises of 'modernisation' were realised they opened the doors to further change that transformed the ATO from a group of associated branches into one national organisation providing taxation services to the community.

Modernisation was described by one academic as 'unquestionably the most far-reaching, most visionary and most exciting project of organisational change ever undertaken in Australia'. By 1994 it was more than halfway to completion, with two-thirds of the targeted savings made and 64 per cent of the funding spent. The major expense was computer hardware including a new computer centre in Canberra, over 15,000 networked personal computers and all the necessary peripheral equipment to automate many ATO processes. Most of the new systems were bundled together in the ATO integrated system and a tax technical database that included a suite of tools that was also loaded onto portable computers for field audits. However, modernisation did not achieve everything. The national taxpayer system was transferred to the new computer system almost untouched and attempts to scan return forms to reduce keying by data processing officers proved unsuccessful. The benefits to the community included extending electronic lodgment to companies, superannuation funds and taxpayers who prepared their own returns by 1994. Electronic funds transfer was introduced for payments by large taxpayers and 10,000 payments worth $5.9 billion were received that way in 1993–94, while agents, companies and people who lodged their returns electronically could also receive refunds that way.[452]

Most ATO staff embraced modernisation although there were some with long histories in the organisation who resisted the change. The CPSU and the ATO entered a modernisation agreement which brought staff on board with the changes that modernisation would bring and ensured that their working conditions and opportunities would improve as a result of the changes to come. Union representatives were invited into most of the decision-making groups in the ATO, their contribution to

the planning was welcomed and, although there was some friction, the agreement and the spirit of cooperation between ATO management and staff made this a period of peaceful industrial relations.[453]

A computer on every desk

Chris Mobbs talks about one aspect of modernisation.

Some personal computers had been spread around the place but they were only to be used by a small sub-set of people. We began modernisation in 1989 to refresh the computing infrastructure including delivery of computers to desktops, although we couldn't afford one for everybody. They quickly became seen as a major productivity aid with all the additional things you could do, such as spreadsheets. There was a senior committee trying to decide who would get computers, but it was like trying to hold back the tide. It was a productivity issue and a status issue. After four or five years the organisation realised it had to provide everyone with a computer, productivity soared and communication became very much easier because you could communicate with everyone in the office who had a computer.[454]

Modernisation gave tax officers new tools that changed how they worked. Work processes were redesigned in a program called office structure implementation (OSI) in which staff met to examine, discuss and redesign the work they did. A computer on every desk also meant a keyboard on every desk so staff were multiskilled and taught to type and use word processing programs. Typing pools were closed and typists learned new skills for new careers and, around the same time, tea ladies began to disappear and many were also trained for new jobs by the early 1990s.[455]

People were the key to modernisation's success and in 1991 Commissioner Boucher wrote; 'The simple message is that investment in people does matter, that it does pay handsome dividends.' He went on to talk about the changes that modernisation was bringing to the ATO and its people and concluded:

A different management style is called for, with both staff and managers changing their ways to accommodate devolution of authority. We've moved a long way from a traditional, hierarchical structure towards a more participative style where individuals, in teams, carry greater responsibility for their own work, where managers act as leaders, coaches and mentors. The journey from a 'yes sir, no sir' world has required that at all levels of the organisation there be increasing understanding of guiding ideas: our mission, our vision and our values. It requires effort, nothing great is achieved without it.[456]

This change was achieved through the reorganisation of the public service, combined with new ideas about management far removed from traditional ATO structures, leading to a new, more participative working culture which was created by a program called Managing in the Nineties. It was designed to educate leaders at all levels in modern management ideas and methods to create a new ATO working environment. Staff were taken away from the office for a few days to places with the necessary facilities and atmosphere, usually established places such as the Wrest Point Casino where some of the Hobart branch courses were held or an old abandoned building where some courses were held in Sydney. The courses were run by experienced facilitators who took participants through a broad range of classes, workshops and team-building exercises to introduce them to the new ideas and techniques. Some participants thought the course was a waste of time and irrelevant but a great many, including baby boomers who were starting to reach senior levels in the ATO, felt the course gave them the tools and understanding they needed to help them reshape the ATO from the place of discipline and hierarchies they had known to a more humane organisation.[457]

Western Australian tax officers take part in a Managing in the Nineties team-building exercise.

The ATO had three other major training programs in the early 1990s; the Australian Taxation Studies Program (ATAX), the Taxation Officer Development Program (TOD) and continuing professional development, all designed to equip tax officers with the knowledge and experience they needed in the modernised ATO. ATAX was necessary

because introduction of self-assessment had ended assessing as a source of on-the-job training of tax specialists, so the ATO, in association with staff unions through the modernisation agreement, selected the University of New South Wales to establish the program which was launched in 1991. It offered academic taxation courses at degree and postgraduate level through distance education across Australia and 135 ATO staff enrolled in its courses in the first year.[458]

The problems and cost of fitting out ATO accommodation with so much new computer equipment often made it more efficient to move to new buildings, most purpose-built to meet the needs of modernisation and standards set out in the modernisation agreement. Two new ATOs were constructed in both Adelaide and Perth and staff in the existing single offices in those cities divided between them. At Parramatta the ATO moved into a new building fitted for modernisation and a new branch that was destined to be located further out from Sydney at Penrith was co-located in the Parramatta building until a suitable building was ready at Penrith. By June 1996 the ATO had 25 branch offices, 17 regional offices and National office in Canberra.[459]

Moonee Ponds office under construction.

Penrith office.

Casselden Place office.

National office, 2 Constitution Avenue, Canberra.

Hobart office.

Hurstville office.

Newcastle office.

Wollongong office.

Establishing these new branches created many problems because, although they created new opportunities and were more convenient for staff living close to them, some people had to move to them whether they liked it or not. The process of creating new branches also affected the staff left behind in the old capital city branches such as Sydney where the Deputy Commissioner came to believe that a source of the poor staff morale was grief they felt over what had been taken away from them.[460]

Modernisation led to improved working conditions for most tax officers. Office furniture was redesigned to replace the traditional tables and chairs in straight lines with 'workpoints' which changed how offices looked and felt. They provided space for a computer and keyboard, a telephone and other equipment and a clerical area to give tax officers new efficient working environments that they could also make more personal. In addition, the modernisation agreement specified a minimum distance between workpoints and sources of natural light so that many of the newly-designed ATO buildings such as those at Moonee Ponds, Hurstville, Hobart and Wollongong had large indoor atrium spaces.[461]

A staff barbeque was an informal part of the opening of the Chermside office in Brisbane.

All these changes were featured in the *ATO Newsletter* which began publication in December 1987. Copies went to every tax officer to tell them about these developments as they took place, some of the key people involved and also about tax officers and their lives. Every issue carried articles about these changes and helped tax officers understand their place in them. The success of modernisation in putting a computer on every desk was so complete that in 1998 this magazine was replaced by a weekly online magazine, *ATOextra*, that staff read on their computer screens.[462]

A leader in Managing in the Nineties and office structure implementation was Moira Scollay. She had come to Commissioner Boucher's notice while working on the RSI Task Force for the Public Service Board and he asked her to come to the ATO to play a major role in implementing cultural change there. When the Board was abolished she selected other people who also came to the ATO to contribute to the enterprise. She was a person of great energy, enthusiasm and intelligence and she believed, like Boucher, in leading by example. Later in the 1990s she became the ATO's first female Second Commissioner before leaving to take up an appointment as the Commonwealth's Privacy Commissioner.[463]

The ATO's responsibilities continued to grow into areas outside collecting revenue. The Child Support Agency had been launched as part of the ATO in June 1988 with offices in each state capital and had three new offices by 1991. It provided support for around 300,000 children by 1994. The agency's work was complex and stressful because of the charged emotions that surrounded broken relationships so some staff found the work almost unbearable while others drew strength from the value of their achievements.[464]

Moira Scollay, the ATO's first female Second Commissioner.

The agency was among the first of its kind in the world so setting it up was difficult and challenging. Agency staff had to learn quickly and then revise their plans and procedures as they gained experience. A parliamentary Joint Select Committee inquiry into its operation and effectiveness in 1993 also identified further areas for improvement. By 1998 the agency had 494,144 cases and was trialling new ways of delivering its services but, in an administrative rearrangement in October 1998, responsibility for the Child Support Agency was moved to the Department of Family and Community Services, taking about 2,750 staff with it.[465]

Other new ATO responsibilities included the return of the Australian Valuation Office in October 1997. Only a small portion of its work was done for the ATO and it provided valuation services and advice across the Commonwealth and, with a staff of 143, delivering 89,345 valuations in 1997–98. Unlike all other parts of the ATO, it had adopted commercial operating principles during its time with the Department of Administrative Services, which gave it a different emphasis to the rest of the ATO. The excise collection function of the Australian Customs Service was transferred to the ATO in February 1999, bringing a staff of about 300, an annual revenue collection of around $19 billion and responsibility for the diesel fuel rebate scheme worth about $1.5 billion a year. Its staff had their own long history and traditions but their role in collecting revenue meant they were absorbed into the ATO with relative ease.[466]

The ATO was also given responsibility for the Development Allowance Authority in December 1987 to encourage international competitiveness in the Australian economy through investment incentive schemes, and the superannuation levy that was introduced in July 1992 and expanded in 1995. A small project team was set up at the beginning of 1992 and began developing systems and a public education campaign to inform people and businesses of their obligations and entitlements under the new superannuation system. The regulation of self-managed funds was transferred to the ATO in 1999. The Superannuation Guarantee brought significant change to Australia's financial and retirement planning industries and again extended the ATO into areas of community life beyond simple revenue collection.[467]

After abolition of the Public Service Board the ATO began negotiating wages and conditions directly with the staff unions. Government policy dictated that wage increases had to be offset against productivity increases so the first Agency Agreement between the ATO and its staff, approved in June 1994, traded an organisational restructure that allowed staff to be relocated into higher priority

The Superannuation Guarantee team led by Michael Monaghan.

work areas, and a review and refinement of work processes, for improved wages and conditions. The 1996 Agency Agreement agreed to the introduction of flexible working patterns and accommodation in return for carer's leave, purchased leave and payments to staff relocated between offices within metropolitan areas. In 1998 the ATO negotiated two Agency Agreements, one with Executive Level 2 staff and another agreement for general staff and in June 1999 it reached a separate agreement with Australian Valuation Office staff that took into account their special conditions.[468]

The ATO prided itself on being a good employer. It developed strong equal employment opportunities and diversity policies and won the Prime Minister's Employer of the Year Award in 1993 in the Commonwealth Government category for its initiatives in employing people with disabilities. It also supported staff with families by giving them some work flexibility and several branches set up childcare facilities in conjunction with other government departments. The ATO also encouraged equality and diversity through policies to protect the rights and dignity of all its staff.

A workplace harassment manual was launched in 1994 and a harassment contact officer network, ATO Concern, established in 1998 to give tax officers a confidential service through which they could air their concerns and complaints. ATO Concern differed from the usual staff complaint systems in providing a mediating and counselling service to resolve problems rather than just passing them back to the areas to be resolved locally.[469]

By the end of the 1990s women made up about half the ATO staff and about 20 per cent of the executive ranks. About a quarter of the staff were from non-English speaking backgrounds and between five and eight per cent of staff had disabilities. People from migrant backgrounds brought a diversity and vibrancy to the ATO and many also helped the ATO to provide a better service. Some multilingual tax officers talked about tax on community and SBS radio programs and, by 1998, the ATO had prepared information packages in English and 18 priority languages, trained staff in client contact skills, the use of language interpreters and developed a diversity awareness course.[470]

The growing diversity of the Australian nation was reflected in the ATO and each branch developed its own characteristics, formed partly by the people who worked there, partly by the communities around them and also by the culture created by the staff when the branch was established. The Box Hill branch in Melbourne was located in the middle of a 'dry' area so the only place to get a drink was in the local RSL club so there was little drinking culture there. The rich national diversity of the Box Hill area and of other branches in the suburbs of Melbourne and Sydney resulted in many nationalities working in the ATO and the development of a strong tradition of diversity. In Perth, where the two new branches were opened in 1990, each soon developed quite different characteristics although all the staff had come from the one office in the city. The Northbridge branch was in the middle of Perth's nightlife area so there were plenty of coffee shops, restaurants and bars for staff to patronise but the Cannington branch was in the suburbs far from those facilities so the social life was more concentrated and active within the branch. The relatively remote location of branches like Cannington and Upper Mount Gravatt encouraged local businesses to foster tax officer patronage by providing a shuttle bus to carry people to a major shopping centre or a nearby hotel in the hope of keeping people in the bar for another drink or two before returning to the office.[471]

Cannington office in suburban Perth.

These differences, along with the diversity in ages and backgrounds, eroded much of the ATO's earlier social cohesion. The old 'hard-drinking and hard-working' tax officers had retired by the 1990s and taken a lot of that culture with them. The baby boomer generation entered middle age and had largely traded their partying youth for family-raising and other priorities, while many tax officers from migrant backgrounds had no experience of old Australian social customs that had been commonplace in the old ATO. The school leavers who had come in through the Public Service Board had formed new friendships in the ATO because that had been their introduction to the adult world, but recruits like graduates already had an established circle of friends, and a HECS debt to curb their spending.[472]

These changes brought an end to many established ATO institutions and its intense social life. Many social clubs still held happy hours, but they were no longer the raucous events they had once been. Sport suffered badly and almost all of the venerable clubs, such as the Sydney branch swimming club or the Brisbane branch water skiing club, with histories going back decades, closed. Only the Interstate Sporting Carnival remained popular and an ATO institution. It was a reminder of how the ATO had once been, more attended by those who remembered older times and renewed old friendships at them than by new tax officers.[473]

The Taxation RSL sub-branch.

The RSL sub-branch in the Sydney Branch of the ATO had existed since the 1920s but its members always marched with their service units. In 1995 when Australia celebrated 50 years since the end of World War Two, tax officers raised funds through the sale of Australia Remembers badges. With the money they bought a Taxation RSL Sub-branch banner which returned tax officers marched behind in the special parade. The banner shows two hands squeezing blood out of a stone.

At the beginning of the 1990s the ATO reviewed the self-assessment process because there was a legacy of several problems remaining from the introduction of the change in 1986. They included severe penalties that had been relevant under the old system but not the new, and a lack of certainty of some ATO decisions relating to claims. These problems had led to tax professionals raising many concerns with the ATO. Improvements to the self-assessment program were introduced in 1992 that reduced most penalties and increased the certainty of the process for those who had done their best in their dealings with the ATO. These legislative changes also satisfied many of the concerns that had been raised by the tax professionals.

Competition during the Interstate
Sporting Carnival in Perth, 1992.

The changes were welcomed by the community and in the press as 'equal to world-best practice' and 'the most important change in 20 years'. The *Australian Financial Review* wrote that self-assessment had been a 'catalyst for a tremendous change in culture at the ATO' and that the ATO had changed 'from people being bogged down in the office processing paper, to people getting involved in audit, getting out into the field among taxpayers, understanding what people do, why and how they are doing it.' However, not everyone agreed with the positive appraisal and outside scrutiny of the ATO continued with regular visits from and reports by the Australian National Audit Office. The most intense scrutiny came from a review conducted by the parliamentary Joint Committee of Public Accounts, announced in February 1992. This major inquiry lasted two years, accepted 125 public submissions, held 15 public hearings and took some 6,600 pages of evidence. The ATO's major contribution to it was a detailed report of its organisation, operation, functions and plans which took most of 1992 to complete.[474]

The Committee's 462 page report was tabled in November 1993. While it was critical in places it also recognised and commended the ATO for its many innovations and achievements and its authors hoped their report would be seen as a blueprint for the future. They made well over 100 recommendations that included significant innovations such as a Taxpayer Charters', appointment of a Taxation Ombudsman and simplification of the income tax rulings process. The ATO response was prepared by a team chaired by Deputy Chief Tax Counsel, Michael D'Ascenzo.[475]

Like previous large scale enquiries into the ATO and its operations this one had some impact and resulted in some long term changes. However, the sustained political attacks on the ATO that led to it had a much more immediate and serious effect. Criticisms over matters such as an alleged waste of public money on change

projects such as modernisation, office structure implementation and Managing in the Nineties forced the ATO to limit the cost of implementing its future training and cultural change activities, which reduced their effectiveness. Commissioner Boucher had said that the investment in people paid off, and the combined change programs of the late 1980s and early 1990s had taken the ATO a very long way very quickly, but the sustained criticisms had taken most of the fire out of this phase of ATO development by the time the report was tabled.[476]

The inquiry

Trevor Boucher talks about the events surrounding the inquiry by the Joint Committee on Public Accounts.

Hewson was leader of the opposition and had the 'Fightback' policy. As I see it, part of the overall strategy was to show that the tax system was broke and that his GST was going to fix it. As part of that they wanted to bring the tax system down and that included bringing down the ATO. Bronwyn Bishop set out to show that we were politically partisan and if she could have sustained that it would have been very damaging to us. So I spent pretty well all of 1992 working on our report to the Committee, I wasn't doing much else. We presented it as our statement of where we had come from, where we were and where we were going. It was intended to be an all-encompassing statement and at that time it was meant to say everything.[477]

Trevor Boucher had resigned as Commissioner of Taxation by the time the Committee report was tabled in November 1993. His reappointment for a second term was announced in February 1991 but he was exhausted by the demands of leading the ATO through a period of unparalleled change while the demands of the Public Accounts Committee had left him with the 'wish to do some different things, at a less hectic pace'.[478]

Trevor Boucher chatting with tax officers in 1989.

After his retirement in January 1993 Boucher spent two years as Australian Ambassador to the OECD in Paris. His achievements in the ATO had been recognised in 1991 when he was admitted as an Officer of the Order of Australia, and in 2001 he was awarded the Centenary of Australian Public Service medal for his contribution to the ATO. He left the ATO with many admirers and friends and a long-lasting reputation for setting a new direction for Commissioners, not only as the ATO's leading tax officer but also its leader.[479]

Tax officers meet the Commissioner

John Lawrie and Brent Kerr remember meeting Commissioner Boucher.

John Lawrie: I was at the enquiries counter and I remember when we had the Commissioner of Taxation come in first thing in the morning and just stand in line with all the other taxpayers. He was wearing either his green or his purple safari suit and waited until he got to the front of the line and I thought 'What am I going to get here?' But all he wanted was, he asked me to call the Deputy Commissioner's secretary because he had a meeting that morning. I don't know too many bosses who'd do that. He just stood in line and waited his turn. I was very impressed, my attitude to Trevor Boucher and the top totally changed after that.[480]

Brent Kerr: I was manager of output control in Melbourne for a while. People were bored senseless with the work, stuffing envelopes is a diabolically sad business to do, it was hard to get on and there was a bit of union trouble.

Trevor Boucher came to visit us at one stage when we were stuffing envelopes and we had the Commissioner and some of the executives stuffing envelopes instead of the staff. His comment was 'Why do we still have people doing this?' Which was a great question, and I think that led to the more automated systems we have today.[481]

Michael Carmody became the next Commissioner of Taxation. Like previous Commissioners, he had come up through the tax technical ranks. He went to Canberra in 1973, served as First Assistant Deputy Commissioner in Sydney and Deputy Commissioner in Parramatta before returning to Canberra in 1986 where he contributed to some of the biggest changes then taking place. He was another generational change for the ATO and the youngest ever Commissioner at 42 years of age.[482]

In his first public address Commissioner Carmody shared some of his thoughts about what faced the ATO in coming years. His major theme was that taxes (and other payments the ATO collected)
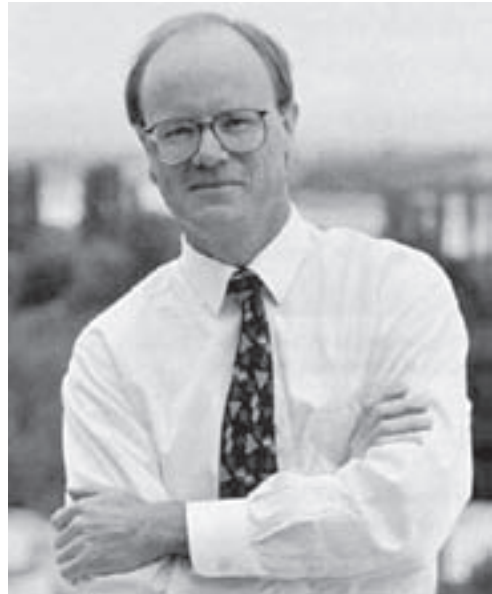
Michael Carmody, tenth Commissioner of Taxation.

were 'really just the means by which the community contributes to providing community services. It follows that we must be an open organisation working with the community'. He said the broad directions established under Trevor Boucher's leadership were soundly based and that the real challenge facing the ATO was to make them real, so that its actions matched its words. In addition, three areas of particular focus would be enhancing the ATO's tax technical skills, strengthening its client focus and using technology to enhance that, and meeting the often difficult challenges associated with the Child Support Scheme.[483]

Enhancing the ATO's tax technical skills had become a priority, because one of the consequences of decentralisation was that senior people were needed to manage the new offices, and most new senior positions placed an emphasis on managerial capabilities. This meant that some technical people turned their hands to management roles, and there was virtually no career path for technical people, while recruitment also favoured generalists. This was addressed in various ways under Commissioner Carmody including expansion of tax counsel network that offered a senior career post for ATO's best technical people (and which also attracted talent from the private sector), greater emphasis on quality, and consolidation of sites.

There was less emphasis on industrial relations than in the previous decade because of a negative legacy from that relations industrial model. The internal consultation process, including union representatives in each of the vast array of management committees that had proliferated in the ATO, had created a sense of organisational paralysis. A change in management structures, some office shut-downs, and relegation of unions from decision-making processes (reflective of new government) made Commissioner Carmody relatively unpopular with unions and some of their members. However the ATO needed to move out of this bind of organisational paralysis.

Courage at the planning conference

Peter Simpson talks about a memorable ATO planning conference.

We had a planning conference every year and the Division heads came along with their plans for the coming year and made bids for funds allocations. We were out at Hill Station, Carmody was Commissioner and I was one of the Second Commissioners, and we went through their plans. They'd done a lot of work and become quite good at it.

At the end of the day Carmody said they'd made excellent presentations so, 'tonight we want you to get together and come back tomorrow and tell us what you won't do if we reduce your funds by five per cent, and what you're not doing now that you would do if we decided to invest some of that pool of savings in you'. There was a lot of grumbling and they came back the next day. This Division head got up and said 'Thank you Mr Commissioner. We did a lot of work last night but, on behalf of my senior staff, I must say we're not too impressed by having to put in all that extra work after what we've been doing'.

Later on one of the observers, the Auditor-General, said to me 'You have some very courageous people here. That was a very career limiting move.'[484]

Commissioner Carmody began his term when Australia was leaving behind the economic uncertainty of the previous two decades, and the strong recession of the early 1990s when unemployment had reached 11.4 per cent, the highest level since the Great Depression. Australian society was also being changed by transport and communications that had become cheap and readily accessible. A deregulated airline industry offered cheap and frequent flights around the country and a competitive telecommunications industry provided instant and relatively cheap communications across the nation. Personal computers became affordable and were made more

popular by the growth of the internet from around 1995, so that nearly half of all Australian adults and 40 per cent of Australian households had access to computers and were online by 2000.[485]

ATO leaders – members of the Senior Executive Service at a conference in 1992.

It was the beginning of a long period of prosperity when economic growth averaged 3.7 per cent a year and unemployment and inflation remained relatively low. Australia's population grew by almost two million to 19.03 million by 1999, over 790,000 of them migrants. The revenue collected by the ATO grew from $77.40 billion in 1990–91 to $153.22 billion in 1999–2000, the number of tax officers fell from 18,875 to 17,506 and the cost of collection fell from around 1.25 per cent to about 0.85 per cent.[486]

The election of the Howard Liberal government in March 1996 brought changes in government policy to areas including industrial relations, economic and financial management, and restraint on government spending that also affected the ATO. An example of the new government's change was its intent on outsourcing government services to private enterprise and, as a result, the ATO issued a tender request for outsourcing its information technology infrastructure in mid 1998. It was not a happy

experience for the tax officers who had spent three decades building up the ATO's computing capacity but, from June 1999, a private contractor took over the provision and operation of the infrastructure although the ATO retained control of the systems that ran on it. Of the tax officers who were affected by the change 383 left the ATO, and 130 joined the contractor.[487]

Government financial restraints in the 1990s forced the ATO to reconsider its accommodation policies, which was also made possible because earlier policies designed to put the ATO closer to the community had been overtaken by new technologies and other developments. A number of sites were closed or relocated, including closure of the Sydney South site in Chatswood and amalgamation of the two Perth sites. The ATO also planned to close the Dandenong site but it remained open with the strong support of the local member of parliament, and another branch was closed instead.[488]

In 1994 the ATO went through the most significant change since the state income tax branches rejoined it in the 1940s. For decades the branches had remained largely autonomous, their separation staunchly defended by their Deputy Commissioners. However, by the 1990s the branches had become an anachronism and were no longer in step with the rest of Australian national development or with the changes taking place in the ATO.[489]

The trend was towards unity rather than separation. In 1989 sales tax had been reorganised nationally and the trend continued in 1990 with the creation of specialist cells that brought together tax officers nationally to provide expert technical advice on a range of subjects. Market research into the composition of the taxpaying community in 1991 identified distinct groups such as tax agents and small business which led to pilot projects to provide them with contact points such as the small business advisory units set up in the Adelaide and Penrith branches. Early evaluations of these projects suggested that those groups were happy with these specialised services and that they created a better relationship with the ATO. This development was also financially sensible because, despite the original intention of creating fully autonomous branches, it became more efficient for some branches to specialise in particular functions so, by 1994, one branch in each state became the mail payment processing centre while Tasmanian mail payments were processed at the Box Hill office in Melbourne. The ATO also began setting up regional structures for many of its services so that functions were controlled from one branch office. In Brisbane, for example, some functions were undertaken by one of the three branches and other work managed from another branch while, in Victoria and Tasmania, many functions were managed from one of the Melbourne branches or the Hobart branch.[490]

The old order

Trevor Boucher and Peter Simpson give perspective to the end of the power of the Deputy Commissioners.

Trevor Boucher: In the early days, if I went out to one of the branches the Deputy Commissioner would meet me at the airport because that was the way things were done. The Deputy Commissioners in charge of the branches were powerful people in the organisation. In Sydney, for example, the Deputy was still regarded by many people as the Commissioner. People had a strong affinity with their local branch and powerful Deputy Commissioners looked askance at anybody coming in from Head office, wanting to know if people were coming into their territory – 'I'm in charge here.' But I don't know that that was holding the organisation back, it was more that here in Canberra, and the organisation as a whole, we were not moving with the times. It wasn't their responsibility, it was ours.[491]

Peter Simpson: A lot of the history was in the state tax offices because that's where it all started. They jealously guarded that history and they had organisations where they had social activities, they were a unit in themselves that didn't involve Head office. I went down to Melbourne one day and the Deputy Commissioner said to me, 'If you think you've come down here to tell us how to spend this new money we've got, you can get in a plane and go home because we run the office and that's all there is to it'.

I remember some years before, a guy called Keith Brigden who rose to Second Commissioner and became the Auditor-General. When we set up the compliance division in Head office he said to me one day 'Do you know why we've got compliance?' I said, 'Yes, to get better compliance.' 'No,' he said, 'it's to get those state branches to comply with Head office'.[492]

Despite this change there were some advantages to the branch organisations which Commissioner Boucher had considered most important, particularly the close contact they provided with the communities they served including state and local governments, businesses, the media and local tax agents. On the other hand, it was well known that each branch had its own opinions and ways of doing things so there were many tax matters on which the advice a taxpayer received depended on which branch they contacted and tax agents tended to shop around the branches until they got the advice they wanted. This was unacceptable in a country where most nationwide organisations now spoke with a single voice.[493]

The decision to change

Michael Carmody recounts the event that made up his mind to change from branches to business lines.

I had a telephone call about company lodgment programs and, for some reason, they used to be able to calculate all the tax they had to pay without doing all the paperwork, so many companies used to pay the tax on the day it was due but the return would come in later. The late lodgment fee they were charged was a percentage of the tax due and so there was the question of 'You're charging me the tax that was due as a penalty, but I actually paid you the tax on the due date'. This was raised with me by industry and so I said 'What's our policy?' And the answer was 'It depends on which branch you lodge with'. There were three or four different policies. That just cemented it in my mind, you can't operate a national tax system on that basis. For all the other thinking I'd done and all the consultants' advice, it was that that made up my mind.[494]

The ATO's organisation was reviewed in 1992–93 and a new customer-focused organisation was created to replace the traditional geographic organisation. It was put in place during 1993–94 and commenced operation from 1 July 1994. The new organisation was built around business and service 'lines', using modern communication and transport technologies to link all ATO sites around Australia into one unified office. The first business lines were Large Business Income, Small Business Income, Individual Non Business, Withholding and Indirect Taxes and the Child Support Agency. Tax technical support was provided by a Tax Law Service line and technical expertise in management was provided by Corporate Services, Financial Services and Information Technology Services lines.[495]

This radical restructuring did not go unchallenged. A deputation of Deputy Commissioners went to defend the old organisation in a meeting with Commissioner Carmody, but was unsuccessful. Their strongest argument was that the tax legislation specifically mentioned Deputy Commissioners, but there was nothing there linking the title to the old branch structure, so positions in the new structure were given that title to overcome that objection. The branches ceased to exist and the buildings that had been the branches became sites without individual structures. The old executive areas were dismantled and the structures of command, communication and control in the new ATO were distributed across the nation. As one sign of that change the large and impressive reception counter from the Deputy Commissioner's executive area of the Northbridge site was taken down to the social club area where it became the bar for happy hours.[496]

The enquiry counter from the executive area of the Northbridge branch
in its new role as the bar in the amenities area of the site.

Business and service lines were organised similarly to the old branches with senior
tax officers in charge and functions like audit and enforcement spread across the lines
as need dictated. However, a line usually had staff located in many sites who were
managed and communicated with each other using modern technologies including
email, telephone and frequent flights between sites to attend meetings.[497]

The new structure gave the ATO much greater flexibility to meet the demands of the
rapidly changing world of the 1990s. As needs changed, teams in one business or
service line could be given new roles, expanded or contracted, and lines could be
created or merged to meet changing circumstances without the need to physically
accommodate the change. The national business and service line structure also
allowed the ATO to move people between the processing, compliance and service
lines to respond to changes and the demands of the annual tax time peak period.
It also made it easy for the ATO to incorporate new responsibilities so when the
Australian Valuation Office and excise collection came to the ATO they became new
business lines.[498]

The business and service lines also made it possible, and necessary, to plan all
ATO activities nationally. Previously branches had competed over resources but now
everything was seen from the national perspective and ATO resources were allocated
to meet national goals. This was achieved through the ATO Plan that was reviewed

every year to meet the ATO's changing business and political environment, helping it to identify risks and respond to them with detailed plans.[499]

The new structure also allowed the ATO to participate more effectively in other nationwide government initiatives with a single, coordinated voice on things like the government's demands for greater activity reporting, new accounting procedures and pricing agreement on outputs and outcomes. It was also able to participate in initiatives the government wished to introduce across the public sector such as data centre consolidation and human resource, information and record management systems. It also made the ATO more open and accountable through nationwide freedom of information, privacy and ombudsman processes and its own internal review and audit processes.[500]

In 1997 the Ombudsman wrote on the ATO's role in the Australian community:

> The ATO administers an enormously complex body of law and it invests considerable resources in trying to make its operations as effective as possible within the constraints of the law.
>
> The ATO generally makes an honest attempt to balance the interests of revenue collection against the interests of citizens. That balance can be difficult, given the nature of revenue collection and the passions it can excite in individuals. The ATO has a variety of internal guidelines which are designed to minimise the possibility of individual officers taking inappropriate action.[501]

Perhaps the major internal guideline that supported this new approach was the Taxpayers' Charter that was launched in July 1997. It was developed, along with the Child Support Client's Charter, after extensive internal discussion and external consultation to define the ATO's relationship with the community. It did three main things: it explained taxpayer's legal rights and obligations, explained the principles the ATO observed in dealings with taxpayers, and set standards of performance such as the time it took to answer telephone calls or letters. The charter was not a fixed document and could be changed to comply with new tax legislation and government policy on service provision or community expectations, but what remained constant in it was the ATO commitment to providing the highest possible level of service to the community. This service was enhanced by conducting regular surveys of community attitudes to the ATO and tax system, continuing its liaison and advisory groups and establishing a Small Business Consultative Committee in 1994. The ATO also established links with other special interest and community groups that included tax forums held jointly with the Federation of Ethnic Community Councils of Australia in all the capital cities and major regional cities over three months in 1994 to raise the awareness of senior tax officers to problems facing people from non-English speaking backgrounds.[502]

By the mid 1990s the ATO was publishing information in many languages, using radio, television and other media to reach the widest possible range of people, preparing special material to reach Aboriginal and Torres Strait Islanders and extending the Tax Help volunteer program. It set up kiosks in shopping malls during tax time and bought two Bicentennial Exhibition trailers to use in spreading its message to outback Western Australia and New South Wales. It developed a short, four hour course on tax for small business jointly with Technical and Further Education in Sydney in 1991 and made the course available across Australia from 1992. It continued to develop the Tax Pack and an electronic version was trialled in 1999 so taxpayers could prepare and lodge their own returns over the internet.[503]

Electronic commerce and the internet became new vehicles to improve ATO service. In 1991 it began using Australia Post's BillPay system to collect tax payments and in the mid 1990s it improved many electronic and telephone services including telephone registrations, banking and account management and electronic funds transfers. The most far-reaching innovation was the launch of the ATO website in April 1997 to give taxpayers access to some ATO information. It was upgraded several times and in January 1999 was improved to give access to tax technical information including tax laws, rulings and determinations.[504]

The largest single community the ATO provided services for was the tax profession which was a vital link between it and the wider community – by 1994 there were over 27,000 registered tax agents in Australia. One of the most important services the ATO provided was tax rulings which became necessary after the introduction of self-assessment. Previously the ATO had used internal rulings to bring some uniformity to assessment across the branches, but after self-assessment was introduced taxpayers needed certainty about the tax decisions they made so the ATO introduced a system of external rulings in response to taxpayer questions on how they should arrange their affairs. There were two kinds of rulings, private rulings for individual taxpayers that were only relevant to them, and public rulings that were the ATO view on a contentious area of the law, but not the law itself. Because of their importance in giving tax practitioners firm guidance, public rulings had to be clear and correct and a system to receive feedback from the tax profession was introduced to ensure that. A tax ruling panel, comprising tax officers and knowledgeable tax professionals, was established to review rulings before they were published and became binding.[505]

A further attempt to improve the clarity of tax laws began when a three year Tax Law Improvement Project was set up in 1994 to rewrite income tax law to make it easier to understand and reduce compliance costs. The proposed legislation was released for comment in 1995 and became law on 1 July 1997 as the *Income Tax Assessment Act 1997*.

It did not immediately replace the existing *Income Tax Assessment Act 1936*, but would eventually through a process of continuing amendments.[506]

This large investment in improving services to the community was matched by development of new compliance processes designed to detect evasion and avoidance through increased audit, investigation and enforcement activities. In September 1992 the government endorsed and supported the ATO compliance enforcement strategy that included enhanced compliance activities in four areas of high non compliance risk: a new outbreak of tax avoidance schemes, high wealth individuals, persistent debtors and the use of offshore tax havens.[507]

Around 1997 the ATO became aware that tax avoidance schemes were emerging again, this time in the form of mass-marketed schemes that were often associated with activities such as afforestation, horticulture and film-making. In the eastern goldfields of Western Australia, for example, whole shifts of miners were sold these schemes by aggressive promoters. They were sold well away from the eyes of the ATO so it took some time for them to become apparent, with the result that many people thought they were legal because their first claims for deductions using them had been allowed.[508]

The ATO started responding to the schemes in June 1998 by writing to 8,115 participants in one scheme and 876 in another, telling them their claimed deductions related to schemes had been disallowed. This slow response caused great animosity with the result that tax officers visiting places like Kalgoorlie were not keen to say who they worked for. By June 1999 the ATO had decided against a further 135 mass-marketed schemes, with deductions exceeding $1.5 billion claimed by more than 22,000 taxpayers, and expected to move on a further 120 schemes with more than 36,000 participants. To help mitigate the effect of its decisions on scheme participants, the ATO deferred issuing amendments in some cases until its rulings were tested in the courts. It also invited participants in a range of schemes to come forward voluntarily and receive reduced penalties and it issued 92 rulings in 1998–99 to give potential investors some certainty about the validity of various schemes on offer.[509]

As another part of its enforcement strategy the ATO set up a High Wealth Individuals Task Force in 1996. It received additional government funding and had examined around 300 high wealth individuals by 1998 and increased the tax of 179 of them by an average of 62 per cent. The following year a further 41 cases had their tax increased by $191 million. The task force also identified various tax planning techniques and arrangements that exploited deficiencies in the tax law and, in August 1998, the government announced it would introduced tax reforms to overcome these problems.[510]

The enforcement strategy also concentrated on the problem of persistent tax debtors, often wealthy individuals from respected professions who had tax debts nearly 10 times above the national average. An investigation into the legal profession was launched in December 1997, and later extended to other professions with strategies including a stronger focus on outstanding returns and overdue accounts, and increased audit activities.[511]

The increasing ease with which money could be moved around the globe led to new ways of avoiding tax that included sending money to low income tax collecting countries and transfer pricing that moved the profits made in Australia to other countries. These transactions were very sophisticated and involved very large amounts of money so, although they required highly detailed investigation, they were necessary to ensure the integrity of Australia's taxation system. Much potential avoidance was countered by the taxation treaties that Australia established with many overseas countries and the relationships the ATO built up with tax collection agencies in other countries through involvement in organisations such as the OECD.[512]

The biggest challenge the ATO faced during the late 1990s was the introduction of a new tax system. Prime Minister Howard announced his government's plan to reform and modernise Australia's taxation system in August 1997 and details of the new tax system were set out in the government's 208 page book, *Tax reform, not a new tax, a new tax system,* published at the beginning of August 1998.[513]

The most significant aspects of the new system were the abolition of sales tax, the introduction of a goods and services tax that would involve more than a million businesses, an Australian Business Number that would be a single business identification number for all government activities, a quarterly business activity statement and a pay as you go instalment system to replace several existing taxes including pay as you earn, the prescribed payment system, provisional tax, company tax instalments and withholding tax. The new tax system would strengthen compliance through the various provisions in the pay as you go system, the Australian Business Register would allow better data matching and business activity statements would also aid greater data matching.[514]

A key task was preparation of the legislation for the new tax system. Three hundred pages of complex legislation were written to very tight deadlines by staff working intensely over long hours. About 50 public rulings related to the new goods and services tax were also prepared in advance to help the tax industry understand how the ATO intended to interpret the new legislation. In normal years the parliament might consider 20 or 30 pieces of legislation to amend tax laws but in 1998–99 there were 67 bills on the government's taxation legislation program. In a normal year

amendments to tax legislation might result in about 500 program changes to ATO computer systems but over 4,000 program changes involving more than 17 million lines of computer code had to be made in preparation for the new tax system. At the same time a large body of tax officers went out into the community to educate and help anyone with problems in adjusting to the new tax system. And while all this was taking place the ATO still had to keep all its old systems running.[515]

The ATO concentrated a great deal of effort on the business sector because the scope of the new tax system meant virtually every business transaction that occurred in Australia would have to be recorded. Many small businesses faced the daunting challenge of introducing or updating their business systems because, as the ATO discovered, many kept very poor records that were barely adequate for their own needs, let alone ATO requirements. To help them it distributed around one million copies of its free record-keeping software package called e-Record.[516]

The Commissioner's guarantee

Michael Carmody speaks about his guarantee to taxpayers during the education phase of introducing the new tax system.

My lasting impression of this time was the number of people from the Tax Office who just went out on the road and sat down with small businesses. One of the issues that I think helped make it work was that, when we announced all these programs to help educate people, we included the option of having a tax officer come to your business. We were laughed down by the cynics who said 'What business person is going to invite a tax officer into their business on the supposed notion that they're going to help educate me. If I open my books they'll see something and slap a penalty on me'. So I took the decision to give a guarantee that our people were coming purely for education and anything else they saw was off the agenda.

That was as difficult an issue for people inside the organisation as well as those outside. It was probably even more difficult inside the Tax Office because there's the strong commitment to getting the right amount of tax and, for them, the thought of seeing something and not being allowed to do anything: 'How can I not do that, the law requires it.' But we did that, and against so many cynics. It also helped get the Tax Office closer to understanding the rest of the community. And, as much as having a new tax system, it changed, in some small way, the course of the ATO.[517]

Commissioner Carmody promised that the ATO would help the community with the implementation of the new tax system by supporting those who made inadvertent mistakes and helping to correct errors rather than penalising them. People with telephone and personal skills were recruited and trained for the task and they talked to virtually every sector of society to answer the thousands of questions and dispel the concerns people had. A common response to this help was 'I didn't know the ATO could behave like that'. This had a lasting impact on the community, building up goodwill that began to change the image of the ATO in the community and stand it in good stead for the future.[518]

10

The 2000s

SERVING THE COMMUNITY

CHAPTER TEN: The 2000s

Serving the community

When the ATO conducted a Listening to the Community program in 2002 it learned that what people wanted from it was ease of compliance and reduced compliance costs. This was not surprising after the introduction of the new tax system that had brought new complexities to the taxation system and increased compliance costs for business. Providing what the community wanted was a challenge for the ATO because meeting their needs to make the taxation system simpler meant greater complexity inside the office.[519]

The new tax system was immensely complex and the launch date of 1 July 2000 pushed the ATO almost to its limits. It was one of the busiest, most difficult and testing periods in the ATO's history and many tax officers considered it the highlight of their working lives, while Commissioner Carmody, whose seven year term expired during this period, was granted a second term because the challenge was too great to leave it uncompleted.[520]

Meeting the demands of the new tax system led the ATO to restructure many of its business lines and create new ones, develop and test completely new systems to administer the new taxes, build new call centres to handle public enquiries, embark on extensive national public education campaigns, retrain existing staff and recruit and train thousands of new staff. All this was done under the bright glare of public scrutiny because this was the biggest change to the taxation system in decades and affected everyone through the goods and services tax and the business activity statement. The ATO poured huge effort into ensuring the entire community was informed about the new system and its new call centres, the first located in Melbourne, played a leading role. Tax officers also visited 232,000 people and businesses, conducted around 27,000 interviews, spoke to 1,500 groups, and answered 4.1 million telephone calls and more than 68,000 written requests for tax technical advice.[521]

The first call centre

Dawn Lane recalls her role in one of the biggest changes to take place in the Tax Office as the result of the new tax system.

I joined the Tax Office in May 1999 as part of the massive recruitment for the GST. I was in the first intake for the call centre in Melbourne. I got offered two jobs on the same day, one with Centrelink and the other with Tax, so I rang my father and asked his opinion. He said 'People will always pay tax so it will always be there', so I took the Tax job.

There were 42 of us in the first intake, we all started in Queen Street in Melbourne and we formed a close bond. The training was off site because the call centre wasn't ready. We got a lot of training in the full environment of the Tax Office and we did a lot of product training on what we would be taking calls on, and we started taking calls in June 1999. Before we started people calling the Tax Office were put through to different offices around the states and people there were rostered on for a while, but this was the first Tax Office call centre so everything was more professional. The clients actually picked up the difference. Clients would ring up and they'd say 'Is this the Tax Office?' in an incredulous voice. 'You're just so different'.[522]

The second ATO call centre was created by refurbishing the fourth floor of the Upper Mount Gravatt site in Brisbane.

Introducing the new tax system was a 'cannot fail' project because the reputation of the ATO and the government depended on its success. Commissioner Carmody thought there would inevitably be early problems with the new tax system because it was a very big job that had been set up very quickly, so it would take some time for the new system to settle in. One major problem was that many people waited until the last minute before they did anything and there was a rush of applications for ABNs. Serious community complaint arose as people began filling out their first business activity statements, so the ATO simplified the form, which involved major systems changes, forms redesign and another extensive public education campaign.[523]

The new tax system brought the end of sales tax. To mark the occasion about 140 current and retired tax officers attended a lunchtime function. At one table were Stan Hynes, Don Taylor, Ted Laurendet, John Hynes, Bill Farmer, Bill Brown, George Honey, Jack Stevens and Jack Edwards.

For several years the new tax system was a source of great public controversy and views differed about whether it was a good thing for the Australian community and whether its implementation had been well handled. Soon, however, it became an accepted part of Australian life, as previous taxes introduced by the ATO had become. Criticism also declined as the ATO refined its processes and the new tax system became just one of the ATO's many complex processes. The ATO workforce reached over 21,000 during the implementation of the new tax system but was then reduced and 952 staff left with voluntary redundancies.[524]

In addition to the new tax system the government continued to increase the ATO's responsibilities, including making some government payments, administering and regulating major aspects of Australia's superannuation system and custodianship of the Australian Business Register. As a result the Commissioner of Taxation had responsibilities under 39 separate Acts of Parliament by the end of the decade.[525]

The ATO's position as a branch of Treasury put it at arm's length from policy-making and this was reinforced in 2002 when the ATO policy and legislation branch was transferred to Treasury. The branch had attracted some of the ATO's most brilliant intellects and many Commissioners had come up through it, but the transfer was in part a political reaction to the criticisms from those involved in the mass marketed schemes of the late 1990s. In addition, its existence made many people in the community think the ATO was the origin of taxation policies. Despite this change, the ATO still advised Treasury and government on administrative aspects of tax legislation, as it had always done.[526]

The Sydney Olympic Games in 2000 heralded in the new century and set a tone of optimism and prosperity for the decade. It was a period of almost unparalleled growth when the gross domestic product doubled, unemployment and inflation remained at very low levels and Australia's population grew to over 22 million.[527]

The ATO's central role in Australian life also took it to the Olympic Games where a team of tax officers was based in the Olympic Village. They advised visiting athletes, administrators and members of the media of their tax obligations while in Australia and helped them with claiming GST reimbursements for their expenditure while in the country. They were kept so busy that they barely had time to attend any of the events.[528]

Reaching Australia's diverse cultural communities had also become a special ATO focus. From the beginnings of multiculturalism in the 1970s it had published information about taxation in a number of languages, provided interpreter services and conducted radio broadcasting in various languages through SBS at tax time. The widening of ATO responsibilities to include superannuation and GST meant it had to communicate these issues to Australia's multicultural community. Tax officers became even more active in spreading the message about the importance of the taxation system to the Australian way of life and its complexities through monthly talkback radio sessions in a number of languages, conducting tax seminars and giving the ATO a presence at community festivals distributing material in many languages on a full range of taxation and superannuation issues.[529]

The launch in August 2009 of an ATO DVD/online product called *Tax in Australia – what you need to know* containing information in English and nine other languages. The group includes the ATO language staff.

Australia's prosperity resulted in the growth of the ATO's total revenue collection, from $151.7 billion in 1999–2000 (before the introduction of the new tax system) to $264.5 billion in 2008–09. As well as collecting the government's revenue the ATO also began making government transfers that increased from around $3.4 billion in 2003–04 to $9.3 billion in 2006–07 and $17 billion in 2008–09 (under exceptional circumstances). By 2008–09 the ATO processed 41.34 million forms, received 3.97 million items of correspondence and answered 12.54 million telephone calls, but the cost of revenue collection remained stable at around 0.85 per cent during the decade.[530]

Change continued at all levels of the ATO during the decade but the word came to have a special meaning in the minds of tax officers. After the Listening to the Community program the ATO developed two key objectives; improved compliance and making people's experience of the revenue and superannuation systems 'easier, cheaper and more personalised'. This meant improving services to the community even more, and that could only be done by improving ATO systems. It would have to update its computing capacity and communications technology and find ways of

Activity statement processing at Penrith in 2000. Modern scanning equipment and software allows the ATO to process vast amounts of paper quickly and efficiently.

integrating many of its existing computer-based systems to improve the taxpayer experience. Commissioner Carmody regarded this work as the completion of modernisation, to do the things that had not been possible earlier because of the constraints of time and money, and the limitation of the technology of the time. This large scale program quickly became known simply as the Change Program and it became the biggest driver of ATO change during the decade.[531]

The Change Program reached into every corner of the ATO just as modernisation had. Change took place largely behind the scenes in the systems the ATO used to provide its services, not in new services or ways of delivering them for the most part. The government was unlikely to provide the money for the project so it had to be funded internally. This, and the complexity of the program, made it what the ATO called 'risky' and the Australian National Audit Office called 'optimistic'. However, the program was necessary to make the whole taxation process seamless for the community and for the long term efficiency of ATO systems.[532]

Commissioner Carmody cuts a cake to celebrate the launch of the business portal in December 2004.

To make the Change Program manageable its implementation was divided into a series of 'releases' spread over a number of years. The first release provided an improved service to tax agents, just as electronic lodgment had launched modernisation. The tax agents portal was launched in February 2003 and a business portal in 2004 and both were well received. The tax agent portal in particular became very popular and by 2005–06 it had achieved 11.6 million logins and supported three million transactions.[533]

The second Change Program release was implemented in 2006. It improved the ATO's case

The celebration at Wollongong in October 2006 to mark the second release of the Change Program.

and workflow management by rationalising core management systems from around 100 into one. It was the largest rollout of its kind ever undertaken in the southern hemisphere and also required training, re-skilling ATO staff and re-engineering its processes.[534]

Implementation of the Change Program had to be extended to incorporate new government measures including legislative reforms to the superannuation system. As these measures were spliced into the Change Program, its scope, time frame and costs changed. Since it was originally a self funded program, the necessary extension of the time frame meant that legacy systems had to be maintained for longer, adding substantial costs and pushing back the anticipated efficiency gains, so the Change Program was over time and over budget by 2009. Release 3 was the long anticipated replacement of the national taxpayer system, which was so old that nobody still working in the ATO understood its fundamentals. By 2010 the system had become so antiquated that it was almost impossible to maintain and needed complete replacement, which made the third release so important to the future of ATO operations. The change took place over the Australia Day weekend of 2010 and went remarkably smoothly. After a few months early problems with the new release made the ATO headline news for a short while. Although the problems were no more that could reasonably have been expected, the noise was loud until things settled down, obscuring the overall success of the introduction of the new system. Despite the problems and setbacks, the Change Program had been a real success and a significant milestone in the ATO's achievements. The independent assurers of the Change Program noted that 'in terms of scale, size and time frame, the Change Program is unique in the world. The ATO is positioning itself for organisational capability that other administrations can only aspire to'.[535]

Michael Carmody retired as Commissioner of Taxation at the end of 2005. During his time in the ATO he had seen its transformation from an old-fashioned organisation barely able to keep up with the times to a world class tax administration, and he had been directly involved in many of its most significant changes. He was, as some of his colleagues put it, one of the best policy brains in Australia and one of the most brilliant people ever to work in the ATO, with a terrific work ethic. However, after thirteen years as Commissioner he needed a change of pace and felt the ATO would benefit from new leadership, so he left to take up appointment as the head of the Australian Customs Service.[536]

Michael D'Ascenzo, eleventh Commissioner of Taxation

The new Commissioner, Michael D'Ascenzo, took up his appointment on 1 January 2006. He had joined the ATO in December 1977 as a graduate in law and economics and soon found himself in the middle of the schemes era. He then moved through a number of positions that gave him very broad experience of the ATO, leading to his appointment as a Second Commissioner in 1998.[537]

Like Trevor Boucher and Michael Carmody before him, Commissioner D'Ascenzo soon set out his thoughts about the direction the ATO would now take, but while Boucher had signalled a complete revision in what the ATO was and did, D'Ascenzo was heir to those changes and the long letter he circulated to senior staff in mid January 2006 signalled a refocusing rather than radical change. He summarised:

> While the fundamentals are sound, we need to ensure that we continue to be a learning organisation, responsive to a changing environment and thirsty for opportunities for improvement. This requires a questioning mind about the way things are done, or could be done. We should continually look at our policies, processes and procedures from the taxpayer's perspective (or from the perspective of the taxpayers' agents).[538]

Commissioner D'Ascenzo's letter showed how complex the ATO had become by 2006, examining in detail over 14 pages many problems facing it and suggesting new ways of thinking about solutions. An important part of his new focus was the development of personal empathy between tax officers and taxpayers to dissolve the barriers that separated the ATO and the community, as much as possible. This was easy to say but much more difficult to put into practice.[539]

Thinking differently

Michael D'Ascenzo talks about how he set out his ideas for the ATO's future.

While, in a sense, I inherited the position of Commissioner, I hope I played a role as Second Commissioner in trying to build some of those processes, so it wasn't handed to me without my involvement.

In January of 2006 I sat down and wrote a letter, initially for myself and then I passed it out to other people, about things we could do differently, or think differently, that picked up some of the directions we're following now. Things like emphasising the concept of corporate values and trying to treat people as you wanted to be treated yourself, and moving away from 'we're here to collect the revenue'. The community asks people to make a contribution to the well-being of society which they do through taxation, so our role is to make the system work well. Most of it isn't collected because we're out there collecting it, it's collected because people pay as you go. We really work at the margins and the majority of our work at year's end is to give people their refunds.[540]

The new Commissioner had inherited one of the most complex organisations in Australia with a staff of 22,429 dispersed in 70 sites across Australia by mid 2009. The ATO had developed a range of complex processes that gave those who wanted to pay their fair share of tax the help they needed and forced compliance from those who did not.[541]

It had never been simpler for people to get in touch with the ATO or get information and help from it, but this was only made possible by the concentrated effort of thousands of tax officers developing and using complex processes and systems behind the scenes. Prime examples were the ATO web site which guided taxpayers through a maze of information, the tax agent portal that provided agents with a broad range of information and services, and the network of call centres staffed by trained tax officers equipped with the information most taxpayers needed. At the same time ATO systems collected the pay-as-you-go and GST instalments in a way that was seamless and hidden from the vast majority of taxpayers.

The complexity of the ATO's processes and responsibilities was made easier to understand and manage in several ways including key documents and organisational structures. The Taxpayers' Charter explained the rights and obligations of the ATO

and taxpayers and the statement of intent summarised its role, which read, in 2009, 'To optimise voluntary compliance and make payments under the law in a way that builds community confidence'. Other key documents were the strategic statement that set the overall direction of future action over a number of years, the corporate plan that was developed from it to give key corporate priorities for the coming year, the sub-plans that gave direction to the activities of a number of related business and service lines and the statement of ATO values. These documents were all regularly revised to ensure the ATO remained in touch with the needs of the times. The work of the business and service lines was overseen by the ATO Executive which comprised the Commissioner, the three Second Commissioners and several other senior executives. They were supported by committees that also oversaw the development and operation of the ATO's corporate plan and sub-plans.[542]

Internal fraud prevention and control messages were reinforced by a mouse pad.

Internal integrity was ensured by the ATO's integrity framework that won a global award for governance in 2007, and by an internal investigation unit supported by a fraud and ethics team that had long existed to detect and deal with staff dishonesty. In one case, an Assistant Commissioner was found to have breached the ATO code of conduct and taxpayer charter and dismissed. The case then resulted in him being convicted of corrupt conduct and sentenced in 2008 to at least two years in jail. However, honesty and integrity had long been ingrained in the ATO, supported by a fraud and ethics consciousness program introduced in the late 1990s, so these cases represented only a minute fraction of ATO staff.[543]

The efficiency of ATO processes and systems was assured by the internal audit branch that operated independently and had direct access to the highest levels of ATO management. It prepared 66 reports containing 241 recommendations during 2008–09 that suggested improvements to ATO operations. The ATO also monitored its efficiency with performance indicators that helped it set benchmarks for many processes including the time taken to pay refunds and resolve objections. By 2009 these indicators had been gathered into four groups to measure ATO performance

in deliveries to the government, maintaining community confidence, improving the ease of compliance, and its effectiveness as an ethical and adaptive organisation.[544]

ATO operations were also overseen by outside organisations. Indeed the level of external scrutiny and media attention was unparalleled across the public service, and when compared to other public or private organisations.

Open and accountable

Michael D'Ascenzo encouraged staff to follow corporate values.

In 2006 I was reviewing our independent survey results. I asked staff 'do we publish these on the internet?' They looked at me horrified: 'No, the media will only highlight the bad things about the ATO. They'll pick over the worst comments and ignore the rest'.

I responded 'What part of our corporate value of being open and accountable do we not understand?

We published our surveys and sure enough, headlines usually focused on the worst, but slowly, the stories that followed began to balance that with all the many positives.

The Board of Taxation was appointed in 2000 to contribute a business and broader community perspective to improving the design of taxation laws and their operation. An Inspector-General of Taxation was appointed in 2003 to examine the conduct of the ATO in administering tax laws. Other scrutiny came from the ombudsman, the Australian National Audit Office and the parliamentary Joint Committee of Public Accounts and Audit (JCPAA) and the Senate Estimates Committee which regularly examined ATO affairs. Beginning in December 2005 the JCPAA conducted an extensive and thorough three-year review of the ATO which reflected on the significant changes it had gone through in recent decades and said it was 'reasonably successful in balancing fairness and efficiency'. It also noted the ATO's improved performance and considered that the ATO was 'responsive to the challenges of its difficult but important work'.[545]

Well established overseas links also helped the ATO keep up-to-date with overseas developments. As well as its existing international relationships with other taxation agencies through organisations such as the OECD, it participated in the Joint International Tax Shelter Information Centre that shared information on global tax planning techniques, schemes and promoters. The ATO also collaborated

with some overseas government tax agencies on more detailed international tax reform projects and, by 2009, more than 40 tax treaties had been negotiated with other countries to counter avoidance and evasion. The ATO participated in many activities designed to help the development of better taxation administration globally by sharing its experiences and knowledge with a number of other national tax agencies through hosting overseas delegations, facilitating international secondments and overseas technical assistance, and giving direct assistance to countries in the Asia-Pacific region. It also began developing benchmarks through the OECD so it could measure its performance against international standards.[546]

The ATO's ideas about compliance and service had become more sophisticated since the 1980s with a wide range of processes. Despite the complexity of its systems the ATO explained the fundamental idea that drove them in the aphorism 'prevention is better than cure' and used what it called the '3Cs' – consultation, collaboration and co-design – to bring the taxpaying public into developing the taxation system.[547]

By 2009 the ATO's consultation with the community was very strong through 50 consultative forums with clients including business, community groups, professional associations and other government agencies. Collaboration was the partnerships the ATO forged with some of its most important client groups, in particular the large business sector and tax agents, to help in reaching mutual agreement between them and the ATO about application of the tax law without the cost of detailed investigations and litigation. The ATO began reaching collaborative agreements with some large corporations in 2007 to reduce tax compliance costs and promote better practices to help them manage their tax. Through co-design the ATO invited sectors of the community to help in designing the administrative systems that would affect them, including invitation of relevant groups to help design systems to implement new government policies such as the baby bonus and the home buyer's grant.[548]

One area in which the 3Cs were most important was relations with tax practitioners because around 95 per cent of business and 75 per cent of individuals used tax agents. As a result the ATO invested heavily in the services it provided for tax agents including web-based resources and priority access to ATO staff. Tax agents had been regulated by state-based Tax Agents' Boards since the 1940s but that arrangement had become an anachronism. Just as the ATO had become a national organisation, the tax industry also needed national organisation so the government introduced new legislation in the form of the *Tax Agent Services Act 2009* that established a new National Tax Practitioners Board that began operation in March 2010. Surveys showed

that the majority of tax agents were satisfied with their current relationship with the ATO, with the satisfaction rate rising from 39% in 2003 following the introduction of GST, to 91% in 2008–09.[549]

In 2009 the ATO began updating its networked services, moving to the wizardry of voice over internet protocol as part of the shift to online services. It also sought to refresh its end user computing and centralised computing capabilities to keep pace with the increased expectations of a modern Australia. As part of its role as custodian of the Australian Business Register, the ATO championed ways of making Australia more efficient through, for example, its support of initiatives such as standard business reporting across the entire government.[550]

New technologies transformed the way in which the ATO offered services to taxpayers. They included online access to information such as rulings and publications, online registration for an ABN, the introduction of Google to the ATO website to improve its search capabilities and social media such as Facebook. Electronic lodgment, called e-tax, was extended to individual taxpayers from 1999 and upgraded several times to include pre-filling of many details from the ATO's data bases. In 2007 around 1.6 million people used e-tax, surpassing the number of paper returns for the first time. To increase use of e-tax the ATO undertook a major communications campaign in 2009 to nearly 1.27 million taxpayers through emails, text messages and personalised postcards. These new services led to the decline in public use of old services. The age-old enquiries counters were replaced by shopfronts, beginning with a pilot in Canberra in 1998–99, and joined-up services within Centrelink piloted in 2009–10, while its cashiers windows, first opened in 1911, were finally closed at the end of 1999.[551]

However, many traditional ATO services continued and were improved with telephone call centres, shopfronts, seminars, public speakers and the provision of basic tax information through Centrelink offices. The Tax Help volunteer program continued and had served almost half a million people in its first 15 years, while at the big end of town ATO's key client managers provided Australia's top 130 large companies with personalised services that built collaborative lines of communication. Release 2 of the Change Program gave the ATO a new screen-based client relationship management system to give contact staff a complete picture of a client's dealings with the ATO so that they could offer quicker and more personalised service.[552]

The quality of customer service offered by the Melbourne small business call centre
was applauded at a reward and recognition ceremony in 2004.

The taxpayer experience of the ATO in service and compliance began to seem to
merge in things like reminder letters sent before lodgment, making telephone calls and
making visits to remind people of their tax obligations and 42,667 of these activities in
2008–09 raised $308 million in tax liabilities and penalties. The ATO began publishing
an annual compliance program in 2002 that identified areas of compliance risk on
which it would concentrate in the coming year, demonstrating its transparency and
also encouraging compliance.[553]

Where service and gentle reminders failed the ATO moved to more forceful measures
and the serious non-compliance business line was created in 2004 to concentrate
on problem areas. The ATO categorised these as persistent outstanding debt, tax
havens, mass-marketed avoidance schemes, high wealth individuals, the unreported
cash economy and the illicit sale of tobacco.[554]

At the extreme end of non-compliance was Project Wickenby, a joint task force of Commonwealth government agencies including the ATO, Australian Crime Commission, the Australian Federal Police, Commonwealth Director of Public Prosecutions and the Australian Securities and Investment Commission (with support from AUSTRAC, Australian Government Solicitor and the Attorney-General's Department). It was created in 2006 to investigate revenue fraud involving abusive use of secrecy havens and assure the community that people who did not pay their fair share of tax would be investigated and brought to account. By 30 June 2010, Project Wickenby had raised $854 million in liabilities, collected more than $501 million and restrained $76 million from the proceeds of criminal activities, with 57 people charged on indictable offences, 10 people convicted of serious offences and custodial sentences imposed by the courts.[556]

The compliance model: the ATO view of community compliance with taxation obligations is explained in this diagram. The vast majority of taxpayers at the bottom of the pyramid comply readily, it is those at the peak of the pyramid that cause the ATO the most effort. The JCPAA endorsed the compliance model and ATO approach to compliance planning.[555]

Superannuation had grown from its beginnings as the superannuation guarantee in the 1990s to become a major source of wealth in the Australian community and a cornerstone of its financial organisation. The ATO's role in administering it was a mixture of functions; enforcement, regulation, collection and ensuring professional standards in the superannuation industry. This required the ATO to develop new skills while still using many of its existing ones including system design, administration, public education, service provision and compliance enforcement. In 2009 it reviewed the compliance of more than 20,000 employers and raised $277 million in superannuation entitlements for around 147,000 employees but, as with tax, the vast majority of people tried to do the right thing and this was a very small percentage of the entire superannuation industry.[557]

This diversity of activities and processes was made possible by over 24,000 individuals, each with a role and a place in the ATO organisation. Each tax officer was linked into the office and their part in it through their computer screens, keyboards and telephones so directions and ideas could be transmitted through its coordinated systems. Office accommodation across the ATO was fairly standardised with all but the most senior staff situated at workpoints lined up geometrically across open plan offices equipped with standardised equipment. The networked computer system and nationwide internal telephone network meant it was no more difficult to communicate with a colleague on the other side of Australia than on the other side of the same floor. Standardised security passes meant tax officers could enter most ATO sites and do their work at a vacant workpoint almost as effectively as they could from their usual workpoint. Teleconferencing and later, videoconferencing, made it possible to conduct meetings spanning the country without having to travel, although many senior officers spent a lot of time at airports and in planes and had offices in more than one city.[558]

All these innovations lifted the ATO to new levels of efficiency but the personal element seemed to have been lost. Tax officers could spent days at a time communicating with team members all over Australia but become isolated from the people around them, creating a sense of isolation and disengagement. Of course, this was becoming a common problem in the wider community where individuals could live their lives over the internet in isolation from family, neighbours and friends, but this was unacceptable in the ATO.[559]

Before the business and service lines had replaced the branches, people's identities in the ATO were tied up with the social cultures of their branches which provided everyone with pastoral care and sense of identity. The business and service lines had made the ATO more efficient in many ways but left a vacuum where those social structures and pastoral care had once been. To many it seemed that replacing the branches with business and service lines had replaced one problem with another. Previously the branches had been largely self-contained and tax officers tended to give their loyalty to their branch and its leaders. Under the new arrangement tax officers transferred their allegiance to the leader of their line and their daily work was carried out almost exclusively within that line. This led to what became known as silos which had the advantage of focusing tax officers on the objectives of that line, but also put up barriers between tax officers in different lines.[560]

These problems led to a pilot program in Western Australia around 2002, where one senior officer dedicated about half his time to the kinds of things that had previously been done in the branches to help break down the barriers between tax officers in the lines in the site. It was a fruitful exercise that improved the local working environment but there were fears that reintroducing site-based structures would disrupt the national business and service lines, so the idea was not developed immediately. It was revived in late 2005 and site leaders and coordinators were appointed in sites to encourage the sense of a local ATO community through activities such as charity fund-raising and displays that highlighted local achievements and history. They began to bring a greater sense of community to ATO by creating opportunities for tax officers in the same site to develop friendships with other people outside their business and service lines.[561]

An experiment in site leadership

Robert Deuchar led the pilot project in site leadership in Perth.

The life of the office disappeared in many ways. In my view too many senior positions were moved out of Perth and people were trying to govern teams of individuals living in Perth from afar. We were new to it and it wasn't well done so there was a lot of concern around it. The Perth office had prided itself on being one of the most efficient in the country and that disappeared very quickly, and the community spirit of working together and being efficient. That natural environment disappeared because people couldn't relate to a local environment because the work they did was governed nationally and what you did in Perth became unseeable.

I got the Assistant Commissioner role in Perth and Michael Monaghan worked with Michael Carmody to also make it a local director role over the office to bring the community back together, and we did that successfully. One part was to give Perth people as a whole a voice they could go to in the office if there was a matter of concern, and I was also a voice the union could go to. Then I could contact the relevant people in the eastern states to sort it out and, by and large, I got tremendous support when people realised we weren't trying to go back to the old branch structure.[562]

A site leadership meeting in Melbourne in 2005.
Left to right: Wendy Cavanagh, Kaye King, Rob Deuchar, Timothy Dyce, Adrian Morgan, Anne Ellison, Chris Wood, Paul Gibb, Leanne Ansell-McBride, David Diment, Adhir Singh, Matthew Mitchell, Andrew Millet, Veronica Williams.

ATO people were encouraged to improve their proficiency and by 2009 around 700 staff were studying more than 1,400 subjects with full financial assistance, more than 2,100 staff received paid leave to study and 7,551 were registered for tax technical seminars. Internal courses and communities of practice also helped tax officers to learn from each other, talk about their experiences and create networks across business and service lines.[563]

The ATO recruited few school leavers by the end of the 1990s and most new recruits were graduates or call centre staff. It was an attractive employer because of the range of employment categories, the opportunities for advancement and the pay levels so it was popular with university graduates and 4,500 graduates applied for employment in the ATO in 1999 but only 165 of the best were selected. In 2008 the ATO was named the nation's fourth most popular organisation for job-seeking university graduates.[564]

A group of tax officers gathers to celebrate the tenth anniversary of the graduate program.

By 2010 call centres had become the major contact point between the community and the ATO and call centre staff made up a significant part of its workforce. They were a diverse group including mothers returning to paid employment, university graduates and middle-aged people looking for a new career or a change of pace. They were trained in call centre procedures, ATO values and operations and the tax technical information customers wanted to know. By 2010 these call centres had amassed an enviable collection of best in class awards at both state and national levels.[565]

Graduate and call centre recruits became the two main ways of entering the ATO. Graduates were carefully selected and trained to be the leaders of the future with ongoing training, rotation programs that exposed them to a wide variety of ATO work and encouragement to undertake further professional development. Call centre staff became the ATO's face with the community with sufficient training to perform their duties under strict supervision, but for those with the interest and ambition it was also possible to build worthwhile careers in the ATO.[566]

Graduates and call centre staff brought generational change and greater diversity to the ATO. They were less accepting of existing structures and processes than earlier generations had been and more positive in promoting themselves and their ideas. However, ATO values remained constant and second nature and almost all tax officers worked hard and were enthusiastic, skilful and committed to ATO goals. By 2010 more than half of all tax officers were women, many from migrant backgrounds and multilingual. About a third of tax officers were under the age of 40, there were people with disabilities and the ATO offered a range of employment and retention measures for Indigenous Australians. The ATO's Reconciliation Action Plan launched in 2007 was recognised by Reconciliation Australia as best practice.[567]

The diversity of ages, nationalities and cultures among tax officers was a source of potential problems as well as a great strength for the ATO. ATO Concern, established in the 1990s, provided an avenue through which many relationship problems could be identified and resolved. A harassment contact officer network was also set up to provide advice, counselling and assertiveness training and handled 294 approaches, almost half for alleged bullying, in 2008–09, although some of these complaints were linked to a greater focus on performance management by the ATO.[568]

The ATO was just as concerned with the physical welfare of its staff and promoted health and well-being, an extension of the older occupational health and safety programs that had begun in the 1970s. Perhaps the most important aspect of this program was on preventing occupational overuse syndrome, an extension of the RSI problems to include a range of conditions resulting in discomfort and pain from repetitive activities which became a significant proportion of the ATO's recorded accidents and incidents. Although the incidence of these kinds of injuries had declined significantly since the 1980s the increased use of computers by all tax officers created the potential for continuing problems so a program of staff awareness and assistance in them meant the ATO had reduced their incidence considerably by 2010. Mental health also became recognised as an issue in the workplace and a 'Mind the Mind' program was launched in 2007 to help tax officers understand psychological illness in the workplace.[569]

A lot of the cohesion and loyalty in the ATO now came from the teams people worked in. Since teams had first been introduced in the 1970s they had become the basic unit of ATO management and the fundamental source of morale. Teams developed their own personalities and social lives to match the inclinations and time commitments of their members and the personalities of their leaders. Many social clubs continued to hold regular happy hours and there were still functions for special occasions such as Christmas. Perhaps the most important social event for most

Penrith site Tsunami Appeal morning tea in 2005. Morning teas became a feature of ATO social life and a way of raising money for charity.

people in the ATO became morning tea which was usually the only time when everyone in a team could get together. Teams celebrated events such as birthdays and promotions with morning teas but they also became regular social rituals in themselves in many teams. Food became a source of common interest in many areas of the ATO where diversity was celebrated by sharing the food of many nationalities, it helped to build bridges between people and one of the most popular segments of the weekly *News Extra* became the recipe section.[570]

Other social activities promoted by the ATO, that grew in strength and popularity with Commissioner D'Ascenzo's emphasis on ATO community and values, were the celebration of special days that highlighted the changes that had taken place in ATO culture. International Women's Day became an annual event celebrated across the organisation with displays, speeches and morning teas and lunches. Another important event was Harmony Day which celebrated the contribution that migrants had made to Australia and promoted respect, tolerance and understanding among the ATO's diverse workforce.[571]

To celebrate Harmony Day in National office in March 2006 a large mural was created about diversity in the ATO and displayed in the foyer for the rest of the year. The team behind the display, left to right: Sonia Casey, Georgina Cotton, Margaret McKenna, Commissioner D'Ascenzo, Sharmini Lingam.

The ATO also strengthened its culture by calling upon its rich heritage and history to give emphasis to its values and sense of community. In 2002 a program called ATO Story was launched which collected ATO memorabilia, photographs and documents and contributed regular articles to *News Extra* telling the story of the organisation's development and growth decade by decade from its foundation to the present day. In its centenary year the ATO reviewed and began expanding the ATO Story collection as an investment in its future.[572]

In mid 2006 a postcard from an old colleague encouraged Commissioner D'Ascenzo to set up the ATO Alumni Program to re-establish contact between the ATO and retired tax officers. Retired Tax Officer Associations had previously been formed in some states but they had been separate groups that depended on the enthusiasm and energy of members while the Alumni was organised by the ATO, guaranteeing its continued existence, making it possible for retired tax officers to continue their relationship with the organisation and old friends and colleagues, in turn enriching the office.[573]

A display from the ATO Story collection in the National office foyer in 2010, created by Denise Webb and Laura Morrissey.

The ATO had been transformed from feeling like a family to feeling like a community of people bound together by the shared knowledge that they were doing important work for the Australian community and a sense of shared professionalism. This was expressed vividly in early 2003 when a bushfire destroyed more than 500 homes in Canberra and messages of condolence and support flowed in to National office from tax officers around the country.[574]

Morale in the ATO was fairly high and 75 per cent of staff responded to a voluntary staff survey conducted in late 2009, demonstrating a high level of staff engagement. They were positive about ATO pay and performance management, its corporate values, immediate managers and some aspects of innovation but said the ATO needed to improve its training and career development, some aspects of its leadership of major change management. These results were encouraging and showed the way for future development.[575]

One aspect of management developed during this period was the progressive introduction of performance management analysis that was essential to the efficient operation of a large organisation like the ATO and became an essential element of the role of team leaders and managers. It included an assessment of staff performance

The first performance of the ACT ATO Choir in December 2001, bringing together staff from across Canberra.

against professional standards, coaching, feedback from a wide range of associated staff members, and comparison with qualitative and quantitative data from the rest of the organisation. A survey of ATO staff showed that they rated well by these criteria and this significantly improved the tone, standards and productivity of ATO people.

The ATO was an integral part of the Australian community and the issues that affected the community also affected it. One of these issues was the environment and global climate change. The ATO had already introduced conservation measures that included reduced use of water, energy and paper and a complete ATO environmental policy that was endorsed in 2008. The ATO also began moving into 'greener' buildings when the opportunity arose, and in 2009 it launched an ambitious program of upgrading its accommodation for the coming 20 years.

The ATO also administered some environmental conservation measures including grants for the use of some alternative fuels and cleaner fuels and administered tax concessions including deductions for expenditure on a wide variety of conservation activities and in coordinating the tax consequences of climate and environmental

initiatives such as carbon sinks, water tax credits and water desalination plants. It also established a small team that worked closely with other government agencies on the taxation implications of a proposed carbon pollution reduction scheme.[576]

In late 2008 the world's attention focused on the global financial crisis that seemed likely to become as severe as the 1930s depression. The Australian government's response contrasted to that of the 1930s and included a series of financial packages to stimulate spending to prevent the economy from stalling. The ATO became responsible for the major component of the second financial stimulus package, announced in February 2009, in which eligible taxpayers were given up to $900 to spend. The project was implemented very quickly and included designing and building the administrative systems to deliver the payments, making arrangements with Australia Post to handle the mail and the Reserve Bank to provide the cash, and close liaison with tax agents who handled many of the payments. The first payments were made on 6 April 2009 and by the end of June the ATO had distributed 8.43 million payments worth $7.4 billion, the biggest single payment ever made through the taxation system.[577]

After the payments had been made the Treasurer congratulated the ATO on its achievement; for the hard work under very difficult conditions which had kept tens of thousands of Australians in work, for successfully completing a project that many said could not be done which showed 'something about the nature of your organisation, your capacity to adapt, capacity to get people to work together, your capacity to use technology'.[578]

The feared economic depression did not eventuate but it still had a serious effect on the taxpaying community and the year 2008–09 was one of empathy and vigilance for the ATO. As income fell many businesses had difficulty in managing their tax obligations so collectable debt grew by 11.6 per cent and the ATO made special arrangements with many taxpayers to manage their

The interior of the new ATO Latitude East site in Sydney in 2007. The building contains the latest in environmentally sound design and operation.

outstanding debt. The ATO was concerned that people would take greater risks in attempting to avoid their tax obligations so it stepped up its efforts in deterring, detecting and dealing with abuses of the tax and superannuation systems, but gave people and viable businesses the latitude and support they needed to get through. This was applauded by the International Monetary Fund as global best practice.[579]

Natural disasters struck Australia in early 2009. In Victoria major bushfires killed 173 people, injured many more, destroyed thousands of buildings and affected many small communities. At the same time severe flooding in Queensland caused over $20 million worth of damage. In response the ATO set up a project team to help the people affected by relieving them of the need to think about tax for a while. This service looked simple but involved a great deal of activity including turning off some automatic computer systems, changing others and training staff to sympathetically help people suffering from the effects of these disasters. Community response to the ATO's actions during these disasters was very positive, independent surveys showed people thought the ATO was 'doing a good job' with a high level of professionalism.[580]

The year 2010 was the ATO's centenary year and also the year of another general election in which tax became an important issue. Another review of Australia's taxation system (The Henry Report) was released. However, the government's announcement of a new tax on mining profits, not unlike the 1939 gold tax, became headline news and an important factor in the election.

In 100 years Australia had changed beyond the imagining of the politicians who fought the 1910 election over issues including the land tax. They had used the media of their time, personal appearance and the press, but the 2010 election was called by Australia's first woman prime minister, and was fought using all the media of the early 21st century. The almost ubiquitous internet took the election campaign to websites, blogs, Facebook and YouTube and the rapid growth of mobile technologies took it to text messages and Twitter. These new technologies have also woven Australia into the global economy, culture and environment in a way unimaginable a century earlier.

It was an entirely different world from the one into which the ATO had been born. It had begun as a tool of social change in a world of hierarchies, controls and parochialism and survived and grown over 100 years as the result of decades of hard work and the dedication and values of its people. As a result, most Australians no longer saw the ATO as a large, alien and authoritative organisation, but as a friendly, firm but fair and necessary part of Australian life that existed to serve the

community. This close relationship with the community was the view of its role that the ATO unveiled in June 2010 as its Strategic Statement for the years ahead, marking the beginning of the ATO's second century of working for all Australians.

Disaster relief

Katie Welsh led the ATO team that coordinated the response to the natural disasters.

From a public perspective our message has been, 'Don't worry about tax, you've got other things to worry about, core things like accommodation and ensuring your family is safe'.

What we do in the initial stages is to say 'We're here when you're ready. Don't worry, we'll make sure you've got deferrals, we'll fix everything up behind the scenes'. And then we go to work making sure anything that's due is extended and they've got deferrals lodged. If we're doing audits on people we stop and all of that activity is suspended. We stopped correspondence because Australia Post wasn't functioning for a couple of days in those areas and we just thought people didn't need to be bothered by tax correspondence.

We had a small team and everyone was focused on the people who were affected by the floods and fires. It involved changing processes, establishing networks and showing people what we were trying to do. It also made me realise the importance of the Change Program, we still have so many systems that doing something like turning correspondence off requires multiple people to do multiple changes. If you had one system that would be far easier.

Our people were behind us 100 per cent and did whatever they could to get what we had to get done. The feedback – we've been pleasantly surprised by the response. They really appreciated being given the space to deal with that they needed to deal with.[581]

11
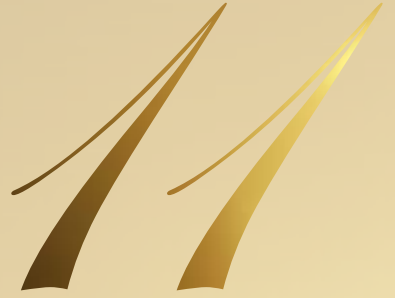
Conclusion

Conclusion

When I talked to present day and retired tax officers while researching this history I often asked what they liked and remembered best about the ATO. Some remembered the interesting work they had done, some reflected on the importance of their work to the Australian community and reflected on the wide variety of careers they have been able to have in the one organisation, but almost all said that what they remembered best was the colleagues they had worked with and the friends they had made in the ATO.

As well as other roles such as superannuation, the ATO provides the Australian government and community with a wide range of revenue services, but the most important thing to understand about the ATO is that it is made up of people. You can imagine the ATO as a huge organism that has grown, changed and adapted in response to the changes taking place in the community of which it is a part and which it serves. Like even the simplest organism, the ATO is made up of thousands of cells, the people who have spent their working lives making their contribution to its activities and achievements, each in their turn, one generation after the other. As taxes have come and gone some parts of it have disappeared and new parts grown and as technologies have improved it has incorporated them into the way it works. Wars and depressions have forced it to change and grow to meet new challenges, during long periods of stability it has perhaps stagnated, and when there have been major changes to the taxation system, such as the introduction of income tax or the new tax system, it has struggled through a period of severe and difficult growth and readjustment. And when the organism that is the ATO had gone through these changes, so have the tax officers who make it up.

Every tax officer I talked to had different experiences of the ATO. From current and past Commissioners to people who did the humblest of jobs, each one had different experiences, knew different people, lived in different places and worked in different sites. So there is no one story of the ATO, there are thousands upon thousands of them, each from the perspective of a particular tax officer in a particular time and place. All that this history has been able to do is gather together as many of the

shared experiences of generations of tax officers as possible to tell a story that is common to as many of them as possible. It has been a humbling task and all I can hope is that tax officers who read this will recognise at least some of their own experiences in this story.

There are many questions and conundrums that come to mind as I think about this history and what it might mean. Most are particular to a time and place, but I think there is one question that encompasses a great deal of what the ATO did and does, and which might help explain the broad sweep of ATO history and what lies ahead. It is the relationship between the ATO and the community it serves.

In July 2010, the ATO launched its new strategic plan which has, as a key element, its close relationship with the whole Australian community. This is not something that could have been said about the ATO over the long span of its history, for most of that time the relationship has been distant, adversarial and antagonistic. The question is therefore; what has changed, in society and in the ATO that makes this most important change possible?

In thinking about this, remember that the British novelist LP Hartley wrote that 'The past is a foreign country; they do things differently there'.[582] While we can know about what happened in the past it is much more difficult to understand what motivated people to do those things and even harder to imagine what those people were thinking about and feeling at the time. But if we want to understand how the past became the present, and what it might come in the future, we must try.

At the time the ATO was created in 1910 our society was much more hierarchical, authoritarian and regimented than it is now. What we now think of as bigotry and discrimination were commonplace and their rationales were widely understood and agreed. Corporal punishment was commonplace and strict discipline was enforced in almost every sphere of society. There was a strong sense of formality and the importance of status, first names were much less used than now, a person's title, qualifications or rank gave them the right to status and the respect and obedience of those in society below them. Even in Australia there was a strong divide between the wealthy landowners and the poor and the ATO's first taxes were political policies intended to redress that imbalance.

The early ATO was little different and the organisation of the public service into Third and Fourth Divisions and classes in them created hierarchies and status in the everyday ATO life. Tax officers worked long hours in crowded, unhealthy conditions under strictly controlled and regimented conditions. Most of the work they did was endlessly repetitive and dull, often done under high pressure to meet tight deadlines and high quotas. It was also as hierarchical and authoritarian as the rest of society. Senior staff expected and received the same deference and rarely saw or spoke to

general staff who were usually supervised and controlled by domineering managers. Early tax officers learned to treat taxpayers in the same way they were treated and it would have been unusual for them to do anything else. These values continued for decades and Commissioner McGovern's annual Christmas rituals of shaking the hands of all his staff in the 1950s and the raised dais on which the Commissioner and Second Commissioners sat above Deputy Commissioners in the 1960s demonstrated this hierarchical system in action.

Tax officers also learned other values, including honesty, integrity and secrecy, from early leaders including Commissioner McKay who urged his staff to be careful in what they said in the 1910s. This, however, was a fundamental tenant of ATO work and enforced and reinforced as part of the work tax officers did rather than as a broad social undercurrent.

Discrimination against women and non-whites was commonplace in the wider community, and in the ATO. Only in the 1950s were women allowed to enter the Third Division and not until the 1960s were they allowed to keep their job when they married. Immigration bars against 'non-whites' remained until the 1960s so almost all tax officers were from British or Irish backgrounds. The result was an ATO dominated by white men in which sexism, discrimination and 'hard-drinking and hard-working' was the dominant and accepted.

The adversarial nature of the relationship between tax officers and taxpayers probably has its roots in the earliest days of the ATO. It was created to administer the land tax, a political act aimed at large landholders. A couple of years later it was also given administration of death duties which was aimed at the wealthiest in society. The wealthy and landowners resented these taxes but it is much easier to blame the messenger, especially when much more ATO business than now was conducted fact-to-face. It is only natural to meet hostility with hostility or with bland bureaucratic indifference and a tendency to apply the letter of the law. As a result, that was the culture the ATO first developed.

This adversarial environment was strengthened by the nature of the tax laws and ATO processes. The system of assessing taxpayer returns tended to create a contest between the taxpayer with their return and the tax officer's assessment of it. This was compounded if the taxpayer objected and ended up before a Board or court arguing against the ATO. The intensive nature of ATO investigations and the fear they generated also built up the barrier between tax officers and taxpayers over the decades.

Another factor that tended to create antagonism was the relationship between the ATO, tax agents and tax payers. In this period many tax agents had learned their trade in the ATO and left to enter private practice. Some had not left on happy terms, which did not help relations, and often did not share the values and ethos of the ATO and its

bureaucratic ways. For its part, many in the ATO saw the tax agents as intermediaries who charged a fee for what the ATO did freely. Tax agents also relied for their livelihood on their clients so when a dispute with the ATO arose, tax agents naturally took the side of their clients, creating further antagonism.

These trends continued into the 1940s when the pressure of war forced the introduction of income tax to encompass most workers. The pay as you earn system took much of the personal involvement and animosity out of the taxation process but, by then, the ATO had behind it decades of tradition and work practice which sustained that barrier.

Another factor that helped create the temperament of the early ATO was its branch structure, necessary because of the political power of the states and the distance separating them. These factors created a divided ATO in which each state branch developed its own processes and this was severely aggravated by the transfer of income tax to the states in the 1920s and 1930s. The result was a national disunity in the ATO that lasted for decades and ATO staff who owed their loyalty to their branches, not the ATO.

A final factor was the nature of work in the ATO. With the exception of the few who made it into the high levels of tax technical work, the work of most tax officers was endlessly repetitive and often intensely boring work. Almost everything was done by hand in poor working conditions under strict discipline. These working conditions, the adversarial nature of tax officer relations with taxpayers and their agents, the necessity for secrecy in tax matters and the masculine culture turned the ATO in upon itself, creating an entire and self contained community

By the 1950s the ATO had evolved into a national organisation with state loyalties focused on the branches and Deputy Commissioners. Only the flow of tax technical information, the Deputy Commissioners conferences and the Interstate Sporting Carnivals brought them all together. The branches, particularly those in the larger states, provided tax officers with everything they needed; intellectual, physical and emotional. Within the branch they gained an income, formed friendships, had the opportunity of a wide range of sporting and social activities, and many also found marriage partners.

We should remember that at this time the same things could be said for many large organisations such as other government departments that ATO branch teams played against in sporting competitions. However, the internal life of the ATO was more intense because of the barrier that separated tax officers from the rest of society and which seemed almost the natural state of affairs by then. This did not matter for the many tax officers who embraced the social and sporting life of the branches with their balls, cabarets, sports, picnics, variety shows and circles of friends. Taxpayers were the people they dealt with when they were working, and some tax officers had more empathy with them than others.

The Welcome Stranger

Lionel Jones was well known in the ATO for his poetry that expressed the spirit and culture of the day.

So, you're standing in a bar
In a town remote and far
From all you know, and
All who know
And love you
And you've heard the deathless hush
As you push in through the crush
And you feel Damocles' sword
Up there above you

For you know, and they know too
On their grapevine strong and true
No matter how anonymous
You've played it,
That you're the bloke
Who's up from Tax
And they cannot quite relax
With their beer – while you are there
Until you've laid it

And you know you're doing George
He's the Chairman of the Board
Local Member and best mate
Of all around you
He's a solid local man
And the faces that you scan
Drop their eyes
To the empty boards
That now surround you

Till the Publican takes pity
On his guest up from the city
And he calls to 'Charlie – Joe'
And they say 'How d'ye'
But you know
As sure as Hell
Old Joe's in your bag as well
And you meant to start him
Next week – after Charlie

So you buy the two a drink
While you're trying hard to think
How to rearrange your schedule
After Sundee
'Cause now you find it
Hard to tell, 'I'll be doing you
As well, come and see me
With your records
First thing Mondee........'

And you sometimes rather fancy
That you'd like to change with Clancey
Th' th' the accountant
Not-not the drover -
May I stammer -
And advise them what to do, when
They're caught by blokes like you
And let some other poor coot take
The James Bond glamour

But he has his problems too,
As we all have, that is true,
He depends upon them
For his bread and butter -
While you don't care how it looks
to the crook who cooks the books
Or the amateur
Who keeps his books
A-clutter.

In many ways this was a golden age in the ATO and those who lived during its peak years remember it with great fondness. Did the golden age have to end? Perhaps not, if the rest of Australia had stayed the same way too. Everyone understood the barrier that separated tax officer and taxpayer while the complexities of the tax law and ATO processes were still relatively simple so it was not difficult for people to understand each other across the divide. But Australia began to change so the ATO also had to.

It is difficult to pinpoint the time at which Australian society began to change sometime in the 1960s. You could point to many small changes and innovations such as the transistor radio which played the music of the baby boomer generation and television that brought the impact of the Vietnam war to Australian lounge rooms with the nightly news. By the mid 1960s the conservativeness and drabness of earlier times was being washed away and that led to wider changes and questioning of the status quo. It is useful to identify the Whitlam era (1972–1975) as a time when these changes began, but they started before then and continued with later governments. Waves of migration brought fundamental change to many facets of the old Australian culture and many forms of discrimination were made illegal while other reforms brought greater levels of equality to the community. As a result Australians were more able to 'develop their personal potential, no matter how diverse their origins, beliefs, wealth or ability', as Al Grassby had said in 1973. The Whitlam government and those that followed also changed the relationship between government and the public service and the community. The ombudsman and freedom of information opened up the processes of government decision-making and public service activities to public scrutiny, and began to make agencies like the ATO more open to public scrutiny.

There were new technologies that changed the way people related to each other and the world. Direct dialling and the reducing cost of telephone calls made it easier for people to contact each other, international telecommunications brought the world to Australia's television screens and jet airliners made it easy and quick for Australians to travel. Information technology began with bulky mainframe computers and developed to the networked computers of the modernised ATO, and beyond to email and the internet.

The ATO was swift to adopt the new technologies, where they could improve its efficiency. The introduction of the national taxpayer system in the early 1970s was a bold innovation that used the new computers, planes and telephone networks to improve its functions with advances such as automated preparation of income tax refunds and computer-assisted assessing. But these things were only tools that helped the ATO keep on doing what it had been doing for decades, with the result that many work processes continued much as before.

Where the ATO hesitated was in remaining bound by the traditions and problems of the past. Its leadership was comfortable with those traditions so inertia kept it from change. This was compounded by the recruitment of most ATO staff straight from school because they had little experience of working life and took the practices and processes of the ATO for granted. As a result there was no reason for the ATO to change unless something challenged it.

Generational change began having an effect on the ATO by the late 1970s as long-serving tax officers retired and younger people with fresh minds took their place. Perhaps more important was the financial crisis of the 1970s and the pressure it put on Australia's fundamental financial and economic structures. The resulting schemes era was the turning point for the ATO because it showed the weaknesses in the way it had operated since World War Two. Its processes had been developed in the 1940s but were no longer efficient or viable in the modern world and it took the perspective of a new Commissioner from a new generation with new ideas, Trevor Boucher, to cut through the Gordian knot of the past. Boucher gave the ATO a new emphasis on management, compliance and service to the community. The introduction of self-assessment while he was Commissioner also took the ATO from the belief that taxpayers naturally tried to avoid their tax obligations and that physically assessing their returns determined their tax liability, to a risk-based analysis of who was likely to attempt to avoid tax, and the recognition that most people tried to do the right thing. The achievements of the Boucher era began to break down the old barriers between the ATO and the community.

The new technologies made these changes possible by automating many of the processes that had occupied the working lives of most tax officers. Modernisation gave the ATO the freedom to focus on developing its compliance activities and its services to the community in a way not previously possible. Modernisation also broke down the separation of the branches when regionalisation and decentralisation dispersed the ATO across Australia, from a few crowded office buildings in city centres where the social life was strong, to scores of offices in suburbs and regional centres where the tax officers working there were closer to their homes and families. The new technologies including the internet and call centres also meant that most taxpayers never visited an ATO site or saw a tax officer, so that while the ATO became more accessible to the growing population, it also had less direct contact with it.

What Commissioner Boucher started Commissioner Carmody continued. He oversaw the introduction of the new tax system that also changed the culture of the ATO to bring it closer to the community and he replaced the old branch structure with business and service lines that increased the ATO's focus on service and compliance.

Another key change took place in the relationships between the ATO, tax agents and tax payers, with the emphasis on service that had begun with Commissioner Boucher and continued with Commissioners Carmody and D'Ascenzo. Improvements in service had included electronic lodgment, priority access to ATO staff and, later, the Tax Agents Portal. The introduction of ATAX also brought a new level of professionalism shared by tax officers and tax agents. These changes forged new links between the ATO and tax agents that improved the services agents could offer their clients, helping to close the divide between the ATO and the community, and reducing the antagonism that had previously existed.

While these changes were taking place the kinds of people who became tax officers also changed. More women, many of them with families; migrants and their children; and a new generation of men with new cultural values, replaced the old generation so the ATO became a mirror that reflected Australian society more closely. By the end of the twentieth century the vibrant social life of the ATO had almost disappeared, hastened, so many tax officers believe, by the dissolution of the branches and the creation of the business and service lines. This brought to an end the ATO social structures that had been such an important part of it but had preserved and reinforced the old cultural values, including how tax officers thought about and treated the taxpaying community. Basic ATO values including honesty, integrity and secrecy remained unaffected by the other changes that were taking place because they had been a fundamental part of ATO philosophy from the very beginning, untouched by social or technological changes.

The ATO that emerged from these changes was able to engage more closely with the community. The end of its old culture was a great loss in many ways, but in return the ATO gained a greater acceptance in the community. The old culture in which people had considered themselves tax officers first and members of the wider community second was replaced by a more community-minded ATO, equipped with the tools that allows a mere 23,000 people to provide a level of revenue services to the Australian population of 22 million that would have been unimaginable even a few years earlier. The result was an ATO that had become world class and a world leader in many ways, that the Treasurer said, in 2010, was 'probably better than anywhere else in the world'. Not only that, the changes the ATO had undergone since the 1980s and in more recent years had given it a strong foundation upon which to build for the future.[583]

Making the change from the old ATO to the new has been difficult. Change is usually painful but it is often necessary. In the ATO now all these influences have come together so it and its people can see themselves and their relationship with the community in this new light, and in this new light to link enduring values with new thinking.

Many of the tax officers I talked to said the most important factor in their experience of the ATO is their immediate supervisor or manager. This was highlighted in the recent staff engagement survey when many staff commented positively on their immediate managers. Since Managing in the Nineties, the ATO has invested heavily in training its leaders and this had been an important factor in how the ATO has come through major changes and improved its activities and services to the community. In 1991 Commissioner Boucher wrote 'investment in people does matter … it does pay handsome dividends'. It is just as true today and Commissioner D'Ascenzo's investment in developing personal empathy between tax officers and taxpayers puts it in a new context. The relationship between tax officers and the community depends on the ATO maintaining that focus and the community making that investment in the ATO and its tax officers. In that way the ATO, its people and the community they serve can continue into the future together.

Appendix

The first five annual reports to parliament were made by the Commissioner of Land Tax, and cover the period from 1911–1916. Subsequent reports to parliament were made by the Commissioner of Taxation. For many years, reports were known as the First (Second, Third, etc) Annual Report to Parliament by the Commissioner of Taxation (or Land tax, for the early ones). From 1985, the name changed to the Commissioner of Taxation Annual Report 1983–84 (or 1984–85, etc). Until the 34th report in 1954–55, reports did not appear every year, or included data from several years in one volume. This means that the annual report for 2009–10 is the 89th report, rather than number 99. A full list is provided below.

1   1912 (tabled in parliament 15 June 1912)

2   1911–12 (tabled in parliament 30 June 1913)

3   1912–13

4   1913–14

5   1914–15

6   1915–16

7   1916–17–1919–20

8   1920–21, 21–22, 22–23

9   1923–24, 1924–25

10 1923–24, 24–25, 25–26

11 1924–25, 26–27, 27–28

12 1925–26, 26–27, 27–28, 28–29

13 1926–27, 27–28, 28–29, 29–30

14 1927–28, 28–29, 29–30, 30–31

15 1928–29, 29–30, 30–31, 31–32

16 1929–30, 30–31, 31–32, 32–33, part 33–34

17 1933–34, part 34–35

18 1933–34, 34–35, 35–36

19 1935–36, 36–37

20 1936–37, 37–38

21 1937–38, 38–39

22 1940 (38–39, 39–40)

23 1942

24 1943

25 1944

26 1946

27 1946–47–48

28 1950

29 1950–51

30 1951–52 (Nov 52)

31 1952–53

32 1953 (Dec 53)

33 1955

34 1954–55

35 1955–56

36 1956–57

37	1957–58		59	1979–80
38	1958–59		60	1980–81
39	1959–60		61	1981–82
40	1960–61		62	1982–83
41	1961–62		63	1983–84
42	1962–63		64	1984–85
43	1963–64		65	1985–86
44	1964–65		66	1986–87
45	1965–66		67	1987–88
46	1966–67		68	1988–89
47	1967–68		69	1989–90
48	1968–69		70	1990–91
49	1969–70		71	1991–92
50	1970–71		72	1992–93
51	1971–72		73	1993–94
52	1972–73		74	1994–95
53	1973–74		75	1995–96
54	1974–75		76	1996–97
55	1975–76		77	1997–98
56	1976–77		78	1998–99
57	1977–78		79	1999–2000
58	1978–79			

Endnotes

1   Michael D'Ascenzo, Speech, *Stamp marks a milestone*, Launch of ATO Centenary Stamp, National office, Canberra, 27 July 2010.

2   Trevor Boucher, Wall quote, Amungula building, Canberra.

INTRODUCTION

3   There is a large literature on this period. Good sources are CV Wedgwood, *The Great Rebellion, Vol.1, The King's Peace, 1637–1641; Vol.2, The King's War, 1641–1647*, London, Collins, 1955, 1958; Ivan Roots, *The Great Rebellion, 1642–1660*, London, Batsford, 1966.

4   Julie P Smith, *Taxing Popularity: The Story of Taxation in Australia*, pp.7–8.

5   Smith, p.16.

CHAPTER ONE

6   *The Argus*, 21 March 1910; 4 April 1910; *Commonwealth Parliamentary Debates* (CPD), Vol. 49, 27 May 1909, pp.59, 107, 140; LF Fitzhardinge, *That Fiery Particle, 1862–1914, A Political Biography of William Morris Hughes*, Vol. 1, p.243; Smith, pp.49–50; Joy, *A History of Taxation by the Australian Government*, p.11.

7   Smith, pp.19–20; Joy, p.1.

8   *The Argus*, 11 February 1910; CPD, Vol. 49, 27 May 1909, p.155, 23 June 1909, pp.288–89, 297–298, 1 July 1909, pp.656–658; Smith, p.49; Joy, p.11; *Australians, Events and Places*, p.121; *Australians, A Historical Dictionary*, p.165.

9   *The Argus*, 7 March 1910, 17 March 1910.

10 *The Argus*, 21 March 1910.

11 Election speech meetings and the events that took place at them were well reported. For example: *The Argus*, 2 February 1910, 22 February 1910, 23 February 1910, 24 February 1910, 14 March 1910, 26 March 1910, 4 April 1910, 9 April 1910, 12 April 1910.

12 *The Argus*, 12 April 1910.

13 *Ballarat Courier*, 1 April 1915.

14 Goldstein's election campaign was well reported. For example: *The Argus*, 8 March 1910, 11 April 1910.

15 *The Argus*, 14 January 1910, 7 April 1910, 14 April 1910; *Australians, Events and Places,* p.122.

16 *The Argus*, 16 May 1910; *Australians, Events and Places*, p.123.

17 Annual report 1955, pp.89–90; *Official Year Book of the Commonwealth of Australia* (Official Year Book) *1901–1910*, pp.808–809.

18 *The Sydney Morning Herald*, 10 December 1910.

19 *The Argus*, 3 November 1910, 9 November 1910; *The Sydney Morning Herald*, 9 November 1910; ATO Story, *Our Story, Commissioners of the Australian Taxation Office*.

20 *The Argus*, 8 November 1910, 28 November 1910, 30 November 1910, 1 December 1910, 22 December 1910, 9 January 1911, 2 June 1911, 17 June 1911; Annual report 1912 (the first Annual report), pp.3, 7; Annual report 1911–12, pp.17, 42; Annual report 1912–13, p.20. In early years, and during World War Two, reports did not always appear on an annual basis. See Appendix for a complete list.

21 *The Argus*, 13 December 1910; Annual report 1912, pp.7–8.

22 *The Argus*, 28 January 1911; *The Sydney Morning Herald*, 11 January 1911.

23 Report of meeting, 22 June 1916, Item M299/4/1, CRS A7073, National Archives of Australia (NAA); Annual report 1911–12, p.36; *The Sydney Morning Herald*, 18 January 1911, 29 January 1911, 14 June 1911, 4 July 1911.

24 *The Argus*, 13 May 1911; *The Sydney Morning Herald*, 14 February 1911, 1 June 1911; Annual report 1912, p.6; Annual report 1911–12, p.18; Annual report 1913–14, pp.5, 86; Joy, pp.11–12; Smith, p.50.

25 *The Argus*, 13 May 1911; *The Sydney Morning Herald*, 6 January 1911, 25 January 1911, 20 February 1911; Annual report 1912, pp.10–11; Annual report 1911–12, pp.4, 8, 16; Annual report 1912–13, p.6, 13, 15; Annual report 1913–14, p.7, 16; Interview with Bob Mullins.

26 Annual report 1912, pp.7–8, 12–13; Annual report 1911–12, pp.8, 18; Annual report 1912–13, pp.20–21; Annual report 1913–14, p.16; Annual report 1912–13–15, p.18.

27 Annual report 1913–14, p.86.

28 *The Argus*, 1 February 1911, 17 February 1911, 16 December 1912; Annual report 1912, pp.8, 11–12; Annual report 1911–12, pp.3, 5–6, 13; Annual report 1912–13, p.5; Annual report 1913–14, p.15; Annual report 1912–13–15, p.18.

29 Annual report 1912, pp.24–25; Annual report 1911–12, pp.5, 42–43; Annual report 1913–14, pp.17, 19, 88; Annual report 1915–16, p.11; Annual report 1916–17 – 1919–20, p.14; Annual report 1925–26–1928–29, p.14; Smith, p.51; Joy, p.13.

30 *The Argus*, 22 June 1911.

31 Annual report 1915–16, p.89; *Australians, Events and Places*, pp.121, 126; Joy, pp.2, 14–15.

32 Andrew Fisher, Election meeting, Colac, Victoria, 31 July 1914, in Sally Warhalt, *Well may we say: Speeches that made Australia*, Black Inc, Melbourne, 2004, p.74.

33 Casualty figures are from the Australian War Memorial, www.awm.gov.au; Roger C Thompson, *Religion in Australia, A History*, pp.60–62; *Australians, Events and Places*, pp.126–127, 129–132; Joy, pp.1–2.

34 *The Argus*, 11 October 1919, 21 March 1919, 22 March 1919; Annual report 1913–14, p.85; Gerald E Caiden, *Career Service, An Introduction to the History of Personnel Administration in the Commonwealth Public Service of Australia, 1901–1961*, Melbourne University Press, 1965, p.115; Smith, p.51; Joy, p.13.

35 Annual report 1915–16, p.30; Joy, pp.17–18.

36 Memorandum, 23 August 1915, Letter, 5 November 1915, Memorandum, 12 May 1916, Letter, 26 June 1916, Memorandum, 18 December 1916, Item J 9/1, Minute, 31 March 1916, Item J32/1, Memorandum, 28 October 1915, M323/1/1, Minute, 5 August 1915, Memorandum, 21 June 1916, Item M323/4/1 (1), Memorandum, 3 October 1917, Item J94/4 (1), CRS A7073, NAA; Annual report 1915–16, p.29; *Australians, Events and Places*, p.128; Smith, p.52.

37 *The Argus*, 15 July 1916; *The Age*, 15 July 1916; *The Sydney Morning Herald*, 18 July 1915, 14 August 1917; Annual report 1912–13–15, p.5; Annual report 1936–37 – 1937–38, p.15.

38 Memorandum, 11 October 1917, Cabinet minutes, CRS A7073, NAA; *The Sydney Morning Herald*, 28 September 1917; Annual report 1915–16, p.4; ATO Story, *Our Story, Commissioners of the Australian Taxation Office*.

39 File note 61, CRS A11857, NAA; Annual report 1915–16, pp.83–87, 130; Annual report 1916–17–1919–20, pp.172–173; Joy, p.24.

40 Annual report 1915–16, pp.130–134; Annual report 1916–17–1919–20, p.211; Annual report 1955–56, p.49; Joy, pp.24–25.

41 For examples of this kind of correspondence see ATO file, J126/17 (1), Item J97/4 (1), CRS A7073, NAA; Annual report 1915–16, p.29.

42 Annual report 1915–16, pp.36–37, 41.

43 *The Argus*, 19 June 1918.

44 *The Argus*, 20 June 1918.

45 Memo, 19 March 1916; Letter, 8 September 1916; Memorandum, 15 August 1917; Item M323/1/1 (1), CRS A7073, NAA; Annual report 1911–12, p.18; Annual report 1912–13, p.21; Annual report 1913–14, p.85; Annual report 1912–13–15, p.5; Annual report 1915–16, pp.4, 29–30; Annual report 1916–17–1919–20, p.8; Annual report 1959–60, p.18.

46 Memorandum, 23 December 1917, Item J97/4 (1), CRS A7073, NAA; Annual report 1915–16, pp.34–35.

47 Annual report 1912–13–15, p.15; Annual report 1915–16, pp.29–30; Annual report 1916–17–1919–20, pp.7–8; Annual report 1936–37–1937–38, pp.14–15; Annual report 1959–60, p.17.

48 Annual report 1915–16, pp.4, 30; Caiden, p.69.

49 Reprinted in *ATO Newsletter*, 1/6, December 1988

50 An example of a Declaration of Secrecy can be found in the NAA file O'SULLIVAN JD, CRS A6899; Annual report 1915–16, p.30.

51 File note, 27 June 1919, File note, 28 June 1919, Letter, 28 June 1919, Item O'SULLIVAN, CRS A6899, NAA.

52 Annual report 1916–17, p.8; Annual report 1959–60, p.18.

53 Annual report 1916–17–1919–20, p.8; Annual report 1959–60, p.18.

54 Interview by Samuel Udwin, *Tax People*, August 1993, pp.6–7.

55 Annual report 1916–17–1919–20, p.8; Official Year Book, No.13, p.768; Smith, p.54.

CHAPTER TWO

56 Caiden, pp.6–7; *Australians, Events and Places*, p.135.

57 *Australians, Events and Places*, p.135; Joy, p.26.

58 *Australians, Events and Places*, pp.135–141. Various entries chronicle the changes taking place in Australian society during this period.

59 Annual report 1924–25 – 1926–27, p.4; *Australians, Events and Place*, pp.136–140.

60 Official Year Book, No.23, 1930, p.275.

61 Official Year Book, No.23, 1930, pp.245–246; Annual report 1925–26 – 1928–29, pp.11–12.

62 Memorandum, 26 June 1920, file J97/99, CRS A7073, NAA.

63 Even the most rudimentary office procedure and management files from this period appear to have been lost. Instead, the material in this and the following three paragraphs has been constructed from an examination of the various personnel files in the National Archives of Australia record series, CRS A6899, hints in Annual reports and interviews with tax officers whose memories and experiences extended back to the late 1930s. Additional glimpses of this period can be gained from articles in staff magazines from the 1960s and 1970s, some of which have been gathered together in the ATO Story collection, *Profiles of the ATO officers*.

64 *Tax Topics*, May 1970, p.13.

65 Annual report 1916–17 – 1919–20, p.61.

66 Annual report 1916–17 – 1919–20, pp.58–59, 64; Annual report 1923–24 – 1924–25, p.4; Annual report 1924–25 – 1926–27, p.22.

67 Minute, 31 March 1916, Memorandum, 11 April 1916, Item J304/14 (1), CRS A7073, NAA.

68 Memoranda, 24 September 1918, 10 August 1920, 13 August 1920, 15 September 1920, Item J304/14 (1), CRS A7073, NAA.

69 Memorandum, 2 May 1917, File note, 9 December 1919, Minute, 13 January 1920, Memoranda, 14 February 1923, 2 June 1933, Item J304/14 (1), CRS A7073, NAA.

70 Annual report 1923–24 – 1924–25, p.3.

71 The ATO National office library holds a complete set of tax legislation, complete with second reading speeches up until the 1930s, from which these statistics have been compiled. Figures for the issue of Income Tax Orders were compiled from the set of Orders held in the archive of that library. Details of some legislative changes are included in annual reports for this period.

72 *Departmental Rulings Regarding Deductions Under Section 23,* 1925, (see National office library archive); Annual report 1920–21 – 1922–23, pp.10–11; ATO Story, *The 1920s*.

73 Annual report 1920–21 – 1922–23, p.13; Annual report 1923–24 – 1924–25, p.27; Annual report 1923–24 – 1925–26, p.7.

74 *The Age*, 23 January 1929; Annual report 1924–25 – 1926–27, p.8; Annual report 1925–26 – 1928–29, p.9.

75 Annual report 1916–17 – 1919–20, p.56; Annual report 1920–21 – 1922–23, p.62; Memoranda, 12 September 1916, 5 November 1919, 16 September 1919, 16 November 1921, 15 December 1921, Item M323/4/1(1), CRS A7073, NAA.

76 Memoranda, 13 October 1921, 16 November 1921, Item M323/4/1(1), CRS A7073, NAA.

77 Cutting, *Daily Mail*, 8 February 1922, Item M323/3/1(2), CRS A7073, NAA.

78 File M323/4/1 (1), CRS A7073, NAA.

79 Minute, 3 November 1920; *Parliamentary Standing Committee on Public Works Report 5*, October 1921; Minute, 7 October 1923, Item M323/3/1(2), Memorandum, 29 November 1921; *Parliamentary Standing Committee on Public Works Report*, 25 July 1922; Minute, 24 August 1922, Memo, 9 February 1923, Item M323/4/1(1), CRS A7073, NAA.

80 Memorandum, 10 May 1920, Minute, 1 July 1920, Item 1920/3410, CRS A2, NAA; Annual report 1916–17 – 1919–20, p.7; Annual report 1959–60, p.18; Caiden, p.185; *Australians, Events and Place*, p.133.

81 Conference extract, 27 August 1929, Minute, 12 November 1929, Item G29/174, CRS A428, NAA. These comments refer to women working for the Postmaster-General but apply equally to women in other public service departments.

82 Cuttings, *The Age*, 22 October 1923, 25 October 1923, *The Argus*, 22 October 1923, Item G23/361, CRS A428, NAA; Caiden, pp.185–186.

83 Transcript of the Royal Commission on the Income Tax, 23 September 1919; Memorandum, 12 May 1922, Letter, 28 December 1922, Memorandum, 7 August 1923, Item J245/2(1), Minute, 15 May 1917, Memoranda, 18 September 1917, 17 July 1919, Item J245/2(2), CRS A7073, NAA.

84 Annual report 1915–16, pp.37–38; *Second Report of the Royal Commission on Taxation*, 1934, pp.51–54; Item A1935/176, CRS A447, NAA; Smith, pp.54–56.

85 Annual report 1920–21 – 1922–23, p.9; Annual report 1959–60, p.18; *Tax Topics*, September 1963, p.15.

86 'Bruce, Stanley Melbourne', entry by Heather Radi in *Australian Dictionary of Biography, Volume 7 1891–1939 A-Ch*, Melbourne University Press, Melbourne 1979, p.460.

87 Memorandum, 23 July 1923, Item 1923/4449, Memorandum, 16 August 1928, Item 1928/3331, CRS A571, NAA; *Second Report of the Royal Commission on Taxation, 1934*, p.54; Official Year Book, No.23, 1930, p.246.

88 Memorandum, 12 March 1923, Item W3/3, CRS A458, NAA; Letter, 29 August 1923, Item 1928/3331, CRS A571, NAA; Annual report 1923–24 – 1924–25, pp.3, 19, 30.

89 Letter, 18 September 1933, Item J349/1 (1), CRS A7073, NAA; Annual report 1920–21 – 1922–23, pp.9–10; Annual report 1923–24 – 1924–25, p.3.

90 Memorandum, 5 August 1920, File note, c. October 1922, Minute, 12 January 1923, File minute, 15 January 1923, Memoranda, 2 February 1923, 16 February 1923, File note, 4 April 1923, Memorandum, 12 April 1923, File minute, 14 April 1923, Memorandum, 19 May 1923, Item J97/4 (3), CRS A7073, NAA.

91 ATO Story, *Official Souvenir Program, 5th Biennial Taxation Offices Interstate Sporting Carnival*.

92 Memorandum, 13 September 1923, Report, 16 April 1926, M323/3/1(2), Letter, 31 December 1926, Memoranda, 4 January 1927, 13 January 1927, 14 January 1927, 20 January 1927, 25 January 1927, 28 January 1927, 14 February 1927, Inspection report, 21 March 1927, Memorandum, 18 August 1927, Letter, 16 May 1928, Memoranda 18 July 1928, 1 August 1928, 16 November 1928, 4 April 1929, M323/1/1(3), CRS A7073, NAA.

CHAPTER THREE

93 *Australians, Events and Places*, pp.142, 144, 146; Joy, pp.31–32.

94 Official Year Book, No.23, 1930, pp.261, 285; *Australians, Events and Places*, pp.141, 144.

95 Smith, pp.60–61; Joy, p.66.

96 The events of this period are summarised in *Australians, Events and Places*, pp.141–144.

97 A summary of these achievements can be found in various entries in *Australians, Events and Places*, pp.141–151.

98 Memoranda, 14 November 1932, 4 July 1933, Item PS McGovern, CRS A6899, NAA; *Australians, Events and Places*, pp.151–152.

99 Annual report 1926–27 – 1929–30, p.6; Annual report 1927–28 – 1930–31, pp.5, 9,13; Annual report 1928–29 – 1931–32, p.6; Annual report 1929–30 – (part) 1933–34, pp.6, 15; Annual report 1933–34 – (part) 1934–35, pp.6, 16; Annual report 1933–34 – 1935–36, pp.6, 8; Official Year Book, No.33, 1940, p.846; Joy, p.59.

100 Annual report 1933–34 – (part) 1934–35, p.23; Annual report 1933–34 – 1935–36, pp.20–21; Annual report 1937–38 – 1938–39, p.27; Joy, p.72.

101 Annual report 1929–30 – (part) 1933–34, p.22.

102 Annual report 1933–34 – 1935–36, pp.21–22; Annual report 1935–36 – 1936–37, p.15; Annual report 1937–38 – 1938–39, p.5; Annual report 1942, p.38.

103 Annual report 1926–27 – 1929–30, pp.17–19; Annual report 1927–28 – 1930–31, pp.14, 17; Annual report 1933–34 – 1935–36, p.20; Annual report 1936–37 – 1935–36, p.14; Smith, p.60.

104 Letter, 8 April 1936, Item P S McGovern, CRS A6899, NAA.

105 Annual report 1927–28 – 1930–31, p.14; Annual report 1928–29 – 1931–32, p.20; Annual report 1933–34 – (part) 1934–35, pp.21–22; Annual report 1933–34 – 1935–36, pp.19–20; Annual report 1935–36 – 1936–37, pp.13–14; Annual report 1936–37 – 1937–38, pp.6, 14, 21.

106 Annual report 1926–27 – 1929–30, pp.5, 22; Letter, 8 April 1936, Item PS McGovern, CRS A6899, NAA; ATO Story, *Commonwealth Taxation: A Brief History*.

107 Memoranda, 31 July 1930, 8 August 1930, 18 August 1930, Letter, 24 September 1930, Memorandum, 26 September 1930, Letter, 29 September 1930, Item M323/1/1(3), CRS A7030, NAA.

108 Memoranda, 15 July 1931, 16 July 1931, 2 November 1931, Item M323/1/1(3), CRS A7073, NAA.

109 Letter, 21 May 1931, File minute, 22 August 1932, Memoranda, 26 August 1932, 29 August 1932, File minute, 2 September 1932, Memorandum, 20 September 1932, Report, 20 September 1932, Memoranda, 22 September 1932, 26 September 1932, 6 October 1932, 10 January 1933, File minute, 23 February 1933, Memoranda, 3 March 1933, 20 March 1933, 16 May 1933, 17 May 1933, 19 May 1933, Item M323/3/1/(3), CRS A7073, NAA; ATO Story, *Information Materials 1910–19 to 1960–69*.

110 Memoranda, 7 February 1935, 15 April 1935, 14 January 1936, 25 July 1936, Item M323/3/1(3), CRS A7073, NAA.

111 Annual report 1928–29 – 1931–32, p.6; Cutting from *The Canberra Times*, 7 January 1933; Annual report 1987–88, p.8; *Australians, Events and Places*, p.139; Caiden, p.227; ATO Story, *The 1930s*.

112 *Australians, Events and Places*, p.153; Caiden, p.240; ATO Story, *The 1930s*; ATO Story, *Information Material 1910–19 to 1960–69*.

113 John Grealy, *Taxation Rugby League, Football Club Reunion,* 1992; *Celebrating the Eightieth Anniversary of the Taxation RSL Sub-branch*, p.8; ATO Story, *Official Souvenir Program, 5th Biennial Taxation Offices Interstate Sporting Carnival*; *ATO Newsletter, 2/3*, April/May 1989.

114 *ATO Newsletter 2/3*, April/May 1989; Queensland Taxation Sports Association, *First Annual Report*, 1938–39; Queensland Taxation Sports and Social Association, *Annual Report 1953–54*.

115 A documented example of the help given to officers in times of trouble appears in memorandum, 7 October 1936, Item Canavan DL, CRS A6899, NAA.

116 Aspects of these points are raised in Letter, 8 April 1936, Item PS McGovern, Letter, 17 December 1942, Item O'Sullivan JD; Annual report 1933–34 – 1935–36, p.5.

117 Aspects of these points can be found in the lives of tax officers, kept in the personnel files of CRS A6899, NAA.

118 Annual report 1920–21 – 1922–23, p.14.

119 Annual report 1920–21 – 1922–23, p.14.

120 The routine progression of tax officers through the administrative system are shown in the personnel files of CRS A6899, NAA.

121 Examples of the processes by which tax officers came to high official notice are shown in the personnel files of CRS A6899, NAA. Some indication of the technical complexities of income tax can be seen in Joy, pp.38–57.

122 Specific examples of the ways in which tax officers came to notice appear in the personnel files of the three officers mentioned, in CRS A6899, NAA.

123 ATO Story, *The 1920s*.

124 Ready Reckoner, Federal Income Tax, 1935; Annual report 1933–34 – 1935–36, p.7; Annual report 1936–37 – 1937–38, p.6; Annual report 1937–38 – 1938–39, p.12.

125 Minute, 14 February 1930, Item D344/3/2, Undated file note, Item U344/3/2, CRS A461, NAA; Letter, 18 September 1933, Item J394/4(1), CRS A7073, NAA.

126 *First Report of the Royal Commission on Taxation*, August 1933; *Second Report of the Royal Commission on Taxation*, February 1934; Item A1935/176, CRS A447, NAA; Annual report 1928–29 – 1931–32, p.6; ATO Story, *ATO History, Chronology*.

127 Annual report 1929–30 – (part) 1993–34, p.5; Conference of Commonwealth and State Commissioners of Taxation to Discuss the Recommendations of the Royal Commission on Taxation held in Canberra, 15 May 1934, *Proceedings and Decisions of Conference*.

128 Letter, 13 February 1938, Item J264/1/2, CRS A7073, NAA; Annual report 1933–34 – (part) 1934–35, p.5; Annual report 1933–34 – 1935–36, pp.6, 14; Annual report 1936–37 – 1937–38, pp.5–6; Annual report 1937–38 – 1938–39, p.9; Conference of Commonwealth and State Commissioners of Taxation and Representatives to discuss the Recommendations of the Royal Commission on Taxation held in Melbourne, 8 August 1935, *Proceedings and Decisions of Conference*.

129 Report from the Commissioner of Taxation, 1928; Memoranda, 25 July 1934, 21 August 1934, 2 August 1935, Item D344/3/3(1), CRS A461, NAA; *League of Nations Double Taxation and Fiscal Evasion, Supplement 1*, Geneva 1929, Item J245/10, CRS A7073, NAA.

130 Memorandum, 7 April 1937, Item J245/10, CRS A7073, NAA.

131 Memorandum, 27 January 1939, Item J264/1/3, CRS A7073, NAA; Annual report 1933–34 – 1935–36, p.5; Annual report 1937–38 – 1938–39, p.5.

132 Annual report 1937–38 – 1938–39, p.5; PD Groenenwegen, 'Ewing, Robert (1871–1957)', *Australian Dictionary of Biography Volume 8*, pp.453–4; ATO Story, *The 1930s*.

133 Robert Ewing, *Taxes and their Incidence*, Melbourne University Press, 1926, pp.11–12.

CHAPTER FOUR

134 Official Year Book, No.33, 1940, p.846; Official Year Book, No.38, 1951, p.760; ATO Story, pp.5, 7.

135 Caiden, p.267; *Australians, Events and Places*, p.153.

136 Figures for the cost of the war in people and money from the Australian War Memorial, www.awm.gov.au. Also, Caiden, p.267; *Australians, Events and Places*, pp.153–54.

137 Annual report 1937–38 – 1938–39, p.7; Annual report 1940, pp.7, 11–14, 20.

138 Annual report 1940, p.25; Annual report 1942, pp.28–29, 33, 35; *Australians, Events and Places*, p.155; Smith, pp.63–64.

139 Annual report 1940, p.5; Annual report 1946–48, p.6; Annual report 1959–60, p.19.

140 Memorandum, 17 May 1939, *The Sydney Morning Herald*, 29 April 1939, 2 May 1939, Extract from *The Herald*, 8 May 1939, Item 1951/1938, CRS A571m, NAA.

141 Memorandum, 2 August 1940, Minute, 2 September 1940, Memorandum, 4 September 1940, Memorandum, 11 September 1940, Memorandum, 25 September 1940, Minute, 26 September 1940, Item 1951/1938, CRS A571, NAA.

142 Memoranda, 9 December 1940, 11 December 1940, 16 December 1941, *Canberra Office Procedure*, 17 February 1941, Item 1951/1938, CRS A571, NAA.

143 Annual report 1942, pp.12–13; Annual report 1951–52, p.19.

144 Caiden, pp.172–173; *Australians, Events and Places*, pp.145, 156.

145 Annual report 1943, p.5; *Australians, Events and Places*, p.156.

146 *Australians, Events and Places*, pp.156–157, 159.

147 *Australians, Events and Places*, pp.157–158.

148 *The Sydney Morning Herald*, 1 September 1942; *Australians, Events and Places*, pp.156, 158.

149 Press statement, 13 June 1942, Item U344/3/3, Letter, 14 August 1942, Item G344/3/1, CRS A461, NAA; Annual report 1955, p.10; Smith, p.75.

150 *Report of the Committee on Uniform Taxation*, 28 March 1942, Item 1940/5108(2), CRS A571, NAA; Decoded cablegram, 27 April 1942, Item U344/3/3, CRS A461, NAA; Annual report 1942. p.10.

151 Cyphered cable, 1 May 1942, Item U344/3/3, CRS A461, NAA.

152 Smith, pp.75–76; *Australians, Events and Places*, pp.155, 158; ATO Story, *Commissioners of the Australian Taxation Office (part 2)*.

153 Letter, 2 October 1943, Item Fisher CE, CRS A6899, NAA; Annual report 1955, p.5; Annual report 1954–55, p.5; Annual report 1959–60, p.19; ATO Story, Memorandum, 1 April 1943, *Information Materials 1910–19 to 1960–69*.

154 Letter, 24 October 1947, Item B344/3/3, CRS A461, NAA; Annual report 1942, pp.6–7; Annual report, 1943 p.5; Annual report 1944, p.5; Annual report 1946, p.5; Annual report 1959–60, p.7; Caiden, pp.278–280; ATO Story, File minute, 17 July 1943, *Information Material 1910–19 to 1960–69*.

155 Excerpts from *Transportation Magazine*, July 1943, reprinted in *Savvy & Sage*, September/October 2007.

156 Conference agenda, January 1943, Item J264/1/5, CRS A7073, NAA; Annual report 1943, p.5; Annual report 1944, p.5; Annual report 1959–60, p.19; ATO Story, *The 1940s*.

157 ATO Story, *Information Material, 1910–19 to 1960–69*.

158 Cutting, *Sunday Sun*, 12 November 1944, Item M323/1/1(4), Table, 28 November 1944, Item M323/1/1(1), CRS A7073, NAA.

159 Memoranda, 20 March 1944, 27 March 1944, 3 May 1944, 19 July 1944, 27 September 1944, 28 September 1944, 22 December 1944, 23 August 1945, 21 March 1946, 11 June 1946, 21 June 1946, Item M323/1/1(4), CRS A7073, NAA; ATO Story, *The 1930s*; *Profile of ATO officers*.

160 Grealy; ATO Story, *The 1940s*; *Profile of the ATO Officers*; *Information Materials 1910–19 to 1960–69*.

161 *Tax Topics*, February 1961.

162 ATO Story, *The 1940s*; Program for *The Quaker Girl*, April 1945 in envelope of photocopied pictures, ATO Story. Also, discussion with Ken Farnham, male lead in *The Quaker Girl,* at the Canberra alumni Centenary celebration in Canberra on 28 May 2010, where we talked about this and other events in the Sydney branch around this time.

163 ATO Story, *Information Materials 1910–19 to 1960–69*.

164 *Australians, Events and Places*, pp.159–161.

165 Annual report 1943, p.8; *Australians, Events and Places*, pp.157, 160–61; Smith, p.65; E Ronald Walker, *The Australian Economy in War and Reconstruction*, New York, 1947, pp.347–349.

166 Conference agenda, January 1943, Item J264/1/5, CRS A7073, NAA; Annual report 1943, pp.7–8; Smith, p.65.

167 Memoranda, 9 February 1943, 9 June 1943, Item 1943/674(2), CRS A571, NAA; *Income Tax Assessment Bill 1943, Second Reading Speech*, Item AG344/3/3, CRS A461, NAA.

168 *Income Tax Assessment Bill 1943, Second Reading Speech*, Item AG344/3/3, CRS A461, NAA; Minutes of Conference of Deputy Commissioners, 24 April 1944, Item J264/1/7, CRS A7073, NAA.

169 Annual report 1944, pp.8–9; Annual report 1951–52, p.19.

170 Annual report 1946, p.8; Smith, p.66.

171 Casualty figures from the Australian War Memorial, www.awm.gov.au; *Australians, Events and Places*, p.161.

172 ATO Story, *Speeches by the Commissioner and Deputy Commissioner*, *Official Welcome Home*, Sydney Town Hall, Friday 10 May, 1946.

173 Annual report 1946–48, p.6; Annual report 1959–60, p.19; Grealy; ATO Story, *Information Materials 1910–19 to 1960–69*.

174 The events and achievements of this period are summarised in *Australians, Events and Places*, pp.162–166.

175 *Australians, Events and Places*, pp.162–63, 169.

176 Annual report 1946, p.18; Annual report 1946–48, pp.10–12, 27, 32–35; Annual report 1950, p.34; *Australians, Events and Places*, pp.161–63, 166.

177 Cutting from *The Argus*, 6 March 1946, Item PS McGovern, CRS A6899, NAA; Annual report 1942, p.5; Annual report 1946, p.5; ATO Story, *Our Story, Commissioners of the Australian Taxation Office*.

178 Press notice, c. April 1947, Item 1943/1468, CRS A571, NAA; Annual report 1946, p.5; Annual report 1946–48, pp.12–14.

179 Memorandum, 25 June 1946, Item 1928/3333, CRS A571, NAA; Annual report 1946–48, p.6; Interviews with Alan Green, Margaret Green, Bill O'Reilly.

180 *Smith's Weekly*, 5 October 1946; ATO Story, *Profile of the ATO officers*.

181 The papers on Item M323/1/1 paint a vivid picture of the accommodation problems at this time. For example, Memoranda, 1 July 1946, 15 July 1946, File note, 20 December 1946, Item M323/1/1 (4), CRS A7073, NAA.

182 Letter from the Commonwealth Public Service Clerical Association, New South Wales Branch, 11 March 1948 to the Commissioner of Taxation, Item M323/1/1 (1), CRS A7073, NAA. The letter contains many more categories of complaint.

183 For example see Memoranda, 15 July 1948, 2 March 1949, Letters, 11 March 1949, 29 March 1949, Memoranda, 26 August 1949, 30 August 1949, Item M323/1/1 (1), CRS A7073, NAA; Cabinet Submission, 16 February 1949, Cabinet Minute, 22 February 1949, CRS A2700, NAA.

184 For examples see Memoranda, 20 December 1946, 31 December 1946, 14 January 1947, 17 September 1947, Item M323/1/1 (4), CRS A7073, NAA.

185 Memorandum, 20 December 1946, M323/1/1 Part 4, CRS A7073, NAA.

186 Memoranda 31 March 1941, 3 May 1941, Item B344/3/3, CRS A461, NAA; Minutes of Conference of Deputy Commissioners, July 1949, J264/1/10, Minutes, Conference of Deputy Commissioners, 1950, Item J264/1/11, CRS A7073, NAA.

187 Annual report 1950, p.7.

188 Minutes of Conference of Deputy Commissioners, July 1949, Item J264/1/10, CRS A7073, NAA; Caiden, pp.322–323.

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202 Press statement, 2 July 1948, J78/98 Part 1, CRS A7073, NAA.

203 Minutes, Conference of Departmental Officers, January 1948, Item J264/15/1, Minutes of Conference of Deputy Commissioners, July 1949, J264/1/10, CRS A7073, NAA.

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207 ATO Story, *The 1950s*; *Profile of the ATO officers*; *Timeline*; Interviews with Denis Cortese, Beverley Francis, Alan Green, Margaret Green, Richard Green, Brian Power, Craig Wynn-Jones.

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211 ATO Story, *The 1950s*; *Collection of statements, notes, quotes and yarns*; *Information Materials 1910–19 to 1960–69*; Interview with Lionel Jones.

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218 Annual report 1951–52, pp.69–70; Annual report 1953, pp.7,10; Annual report 1955, p.15; Annual report 1954–55, p.10; Annual report 1958–59, pp.11–12.

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222 Annual report 1957–58, p.29.

223 Annual report 1951–52, p.7; Annual report 1952–53, pp.6, 10–11; Annual report 1953, p.8; Annual report 1959–60, p.14.

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228 Memorandum, 7 July 1952, M323/1/1 (2), CRS A7073, NAA; Annual report 1958–59, p.8.

229 Annual report 1957–58, p.8; Annual report 1958–59, pp.8–9; Annual report 1959–60, p.19.

230 Annual report 1953, p.11; Annual report 1954–55, p.12; Annual report 1957–58, pp.14–15; Annual report 1958–59, p.16.

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236 Annual report 1958–59, p.8; Interview with Denis Cortese.

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242 Deputy Commissioners Conference minutes, 1950, Item J264/1/11, Deputy Commissioners Conference minutes, 1959, Item J264/1/15, CRS A7073, NAA.

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254 For examples, see Memoranda, 24 April 1952, 11 March 1953, 23 March 1953, File minute, 28 April 1953, Memorandum, 7 May 1953, Item J10/72 (2), CRS A7073, NAA.

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260 *Australians, Events and Places*, pp.178–182.

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265 Interview with John McCarthy, 3 December 2009.

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269 Annual report 1959–60, p.10; Annual report 1960–61, p.10; Annual report 1961–62, p.10; Annual report 1962–63, p.10; Annual report 1963–64, p.10; Annual report 1966–67, p.3; Annual report 1967–68, p.4; ATO Story, *Profile of the ATO officers*; Interviews with Philip Black, Denis Cortese, Gus Falkenhagen, Roger Sullivan, Graeme Sykes, Marcus Wearne.

270 Annual report 1959–60, p.10; Annual report 1960–61, p.10; Annual report 1961–62, pp.8, 10; Annual report 1962–63, p.10; Annual report 1963–64, p.10; Annual report 1964–65, p.10; Annual report 1965–66, p.10; Annual report 1966–67, p.3; Annual report 1967–68, pp.3–4; ATO Story, *Information Materials 1910–19 to 1960–69*; Interviews with Gerald Barry, Lee Cowie, Jennie Granger, Carolyn Rawson.

271 ATO Story, *The 1960s*; Interviews with Tracy Breckweg, Gus Falkenhagen, Beverley Francis, Bruce Jones, Carolyn Kelly, Lindy Kerr, Jill Jenkins, John Lawrie, Keith Love, Mick Lyons, Rick McEvoy, Pam Mitchell, Brian Power, Raelene Vivian; Greg Wheeler.

272 ATO Story, *Information Materials 1910–19 to 1960–69*; Interviews with Gus Falkenhagen, Beverley Francis, Carolyn Kelly, Keith Love.

273 *Program, Eighth Taxation Interstate Sporting Carnival*, Brisbane, 30 September to 5 October, 1962; Interviews with Kevin Fitzpatrick, Michael Osborne, Carolyn Rawson, Philip Richards, Graeme Sykes.

274 *Foreword by Commissioner O'Sullivan*, *Program, Eighth Taxation Interstate Sporting Carnival*, Brisbane, 30 September to 5 October, 1962.

275 ATO Story, Interview with Bruce Jones, *Oral History Program, Interview Tape Log*; Interviews with Karen Freuen, Jack Wheeler. A sense of the spirit of the times can be gained from flicking through the pages of staff magazines from this period.

276 Caiden, p.336. Many tax officers I interviewed spoke of their arrival at the ATO in these terms, for example, interviews with Denis Cortese, Firmino dos Santos, Kevin Fitzpatrick, Bruce Jones, Ted Newton, Anna Pizzonia, Carolyn Rawson, Craig Wynn-Jones.

277 This was a theme in several interviews, for example, interview with Mike Bond. Profiles of several ATO families appear in *Tax Topics* (Perth branch), March and April 1966.

278 ATO Story, Interview with Greg Farr, *Oral History Program, Interview Tape Log*; ATO Story, *Profile of the ATO officers*; Interviews with Denis Cortese, Chris Flynn, Karen Freuen, Marcus Wearne, Craig Wynn-Jones.

279 ATO Story, *Collection of statements, notes, quotes and yarns*; Interviews with Brian Power, Lee Cowie, Gus Falkenhagen, Beverley Francis, Jennie Granger, Erin Holland, Lindy Kerr, Jill Jenkins, Mick Lyons, Pam Mitchell, Ted Newton, Anna Pizzonia, Carolyn Rawson, Philip Richards.

280 *Australians, Events and Places*, pp.183, 186, 188–190.

281 Participation and casualty figures from the Australian War Memorial, www.awm.gov.au; *Australians, Events and Places*, pp.185–188, 190, 192–193; ATO Story, *Profile of the ATO officers*.

282 *Revenews 1968*, ATO Story, *Profile of the ATO officers.*

283 Many of the events that led to these cultural changes are given in *Australians, Events and Places*, pp.181–187, 190–191; ATO Story, *The 1960s*; *Information Materials 1910–19 to 1960–69*.

284 Geoffrey Sherrington, *Australia's Immigrants, 1788–1988*, Second edition, Sydney, 1990, pp.142–160; *Australians, Events and Places*, p.180.

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289 Interview with Mike Bond, 24 March 2009.

290 Annual report 1969–70, pp.20–21; ATO Story, Interviews with Greg Farr and Bruce Jones, *Oral History Program, Interview Tape Log*; *Profile of the ATO officers*; Interviews with Mike Bond, Trevor Boucher, Philip Richards, Peter Simpson.

291 Annual report 1969–70, p.20; ATO Story, *Profile of the ATO officers*; Interviews with Mike Bond, Trevor Boucher, Denise Cortese, Robert Deuchar, Liz Elwood, Beverley Francis, Bruce Jones, Melinda Reed, Peter Simpson, Roger Sullivan, Raelene Vivian.

292 Interview with Denis Cortese, 8 April 2010.

293 ATO Story, Interviews with Michael Carmody, Bruce Jones, *Oral History Program, Interview Tape Log*; ATO Story, *The 1960s*; Interviews with Gerald Barry, Mike Bond, Beverley Francis, Jennie Granger, Margaret Haly, Lindy Kerr, Jill Jenkins, Mick Lyons, John McCarthy, Rick McEvoy, Neil Olesen, Brian Power, Ken Read, Peter Simpson, Graeme Sykes, Anne Van Loon.

294 Interview with Peter Simpson, 30 April 2009.

295 ATO Story, Interviews with Michael Carmody, Greg Farr, *Oral History Program, Interview Tape Log*; ATO Story, *Profile of the ATO officers*; Interviews with Mike Bond, Jennie Granger, Peter Simpson, Anne Van Loon.

296 Annual report 1964–65, p.8; Interviews with Denis Cortese, Kevin Fitzpatrick, Lindy Kerr, Jill Jenkins, Peter Simpson, Jack Wheeler.

297 Interview with Trevor Boucher, 20 May 2009.

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299 Memorandum, 13 July 1959, Item O'Sullivan JD, CRS A6899, NAA; Annual report 1958–59, p.16; Annual report 1959–60, p.47.

300 File paper, 5 August 1960, Memorandum, 12 November 1960, Press release, November 1960, Item O'Sullivan JD, CRS A6899, NAA; Annual report 1959–60, p.16; Annual report 1962–63, p.17.

301 Minute, 20 November 1962, Executive Council Minute 22, c. 1963, Memorandum, 30 October 1964, Undated file note, Item Canavan DL, CRS A6899, NAA; Annual report 1964–65, p.18; ATO Story, *The 1960s*.

302 ATO Story, *Commissioners of the Australian Taxation Office.*

303 Interview with Trevor Boucher.

304 ATO Story, *Profile of the ATO offices*.

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306 Letter, 23 March 1965, Item J336/4 (2), CRS A7073, NAA.

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308 Memorandum, 22 April 1966, Letter, 3 June 1966; Letter, 7 June 1966, Item J336/4 (2), File minute, 17 September 1974, Item M323/1/1 (4), CRS A7073, NAA; Annual report 1967–68, p.5; Annual report 1968–69, pp.4–5.

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311 Interview with Jack Wheeler, 4 December 2009.

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313 The details of the ATO's organisation to introduce the new system are found in memorandums and minutes of meetings between 1964 and 1966 on Items J10/72 (4) and J10/71 (5), CRS A7073, NAA.

314 4 July 1967.

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321 Sherrington, pp.164, 168.

322 These developments are chronicled in *Australians, Events and Places*, pp.193–203.

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326 File minute, 27 August 1974, Item M294/1/5 (1), CRS A7073, NAA; *Australians, Events and Places*, p.199; Annual report 1971–72, p.16; Annual report 1977–78, p.11; Interviews with Robert Deuchar, Peter Simpson.

327 Official Year Book, No. 56, 1970, p.555; Official Year Book, No. 64, 1980, p.598; Annual report 1970–71, p.21; Annual report 1973–74, p.20; Annual report 1979–80, pp.3, 30.

328 Annual report 1971–72, p.5.

329 Annual report 1969–70, pp.3–4; Interviews with Mike Bond, Trevor Boucher, Kevin Fitzpatrick.

330 Annual report 1969–70, p.5; Annual report 1970–71, pp.6–7; Annual report 1971–72, pp.5–6; Annual report 1977–78, pp.5–6; Annual report 1978–79, p.5; Annual report 1979–80, p.6; Interviews with Denis Cortese, Bruce Jones, Jeff Piggott, Elliot Reich, Graham Rowe.

331 Annual report 1971–72, pp.6–7; Annual report 1974–75, p.10; Interviews with Brenda Beutel, Tracy Breckweg, Kathryn Hedger, Mick Lyons, Ken Read, Philip Richards.

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333 Interview with Graham Rowe, 21 May 2009.

334 Annual report 1971–72, p.6; Interviews with Denis Cortese, Bruce Jones, Graham Rowe, Jack Wheeler.

335 Annual report 1975–76, p.8; Annual report 1978–79, pp.4–6; Interviews with Brian Power, Philip Richards, Graham Rowe.

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337 The rapid growth of the ATO computer system can be followed in: Annual report 1974–75, pp.9–10; Annual report 1975–76, pp.8–10; Annual report 1976–77, pp.6–8; Annual report 1977–78, pp.4–6; Interview with Bruce Jones.

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344 *Parramatta Newsletter,* commemorative issue, June 1990.

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347 ATO Story, *The 1970s.*

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351 Annual report 1972–73, p.9; Annual report 1974–75, pp.13–14; Interview with Bruce Jones.

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354 Interviews with Fun Lam, Denise Howell, Bruce Quigley.

355 Grealy; Interviews with Philip Black, Mike Bond, Kevin Fitzpatrick, Karen Freuen, Dennis Hewitt, Rick McEvoy, Julie Pitman, Melinda Reed, Greg Wheeler, Christopher Whorlow, Bruce Quigley, Craig Wynn-Jones.

356 ATO Story, The 1970s; *Information Materials 1910–19 to 1960–69*; Interviews with Michael Carmody, Bruce Jones, Rick Matthews, *Oral History Program, Interview Tape Logs*; Interviews with Sue Anderson, Mike Bond, Trevor Boucher, Bill Boynton, David Butler, Michael Carmody, Denis Cortese, Phil Frain, Bruce Jones, John McCarthy, Rick McEvoy, Michael Monaghan, Ted Newton, Bill O'Reilly, Michael Osborne, Jeff Piggott, Elliot Reich, Bruce Quigley, Peter Simpson, Gay Spencer, Graeme Sykes, Raelene Vivian, Jack Wheeler.

357 Interview with Mike Bond, 24 March 2009.

358 Interviews with David Butler, Damian Byrnes, Philip Doolan, Alan Green, Margaret Green, Richard Green, Mick Lyons, Greg Wheeler.

359 Interviews with Carolyn Kelly, Christopher Whorlow.

360 The staff magazines published by outside printers had all disappeared by the early 1970s. Email from Lionel Jones; Interview with Greg L Wheeler.

361 Interview with Kevin Fitzpatrick, 21 May 2009.

362 Annual report 1970–71, p.29; Annual report 1971–72, p.27; Annual report 1974–75, p.28; Annual report 1977–78, p.22.

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364 ATO Story, Interviews with Greg Farr, Michael Carmody, *Oral History Program, Interview Tape Log*; Interviews with Kevin Fitzpatrick, Bruce Jones, Michael Monaghan, Bruce Quigley.

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366 Interview with Robert Deuchar, 22 October 2009.

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368 Interview with Kevin Fitzpatrick, 21 May 2009.

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370 Interview with Peter Simpson.

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