



Australian Government
Australian Taxation Office

100

Working for
all Australians
1910–2010

A BRIEF HISTORY OF THE AUSTRALIAN TAXATION OFFICE

Leigh Edmonds



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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 Taxation¹



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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.

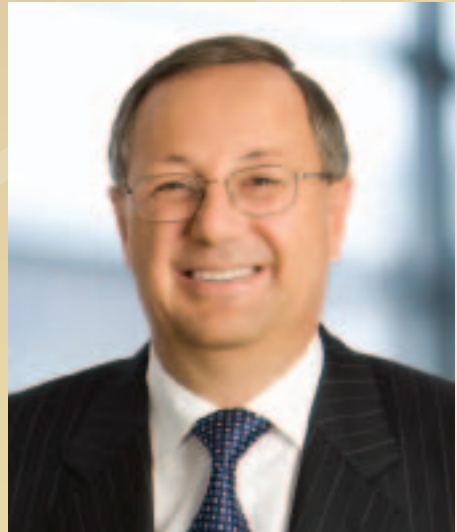
I commend this brief history to anyone seeking to understand the human effort of our taxation system, and thank ATO staff, past and present, for their efforts for all Australians.

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.

A handwritten signature in black ink that reads "Michael D'Ascenzo". The signature is written in a cursive, flowing style.

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.