



Australian Government
Australian Taxation Office

GST administration annual performance report 2021–22



Deputy Commissioner's review

On behalf of the Commissioner of Taxation, I am pleased to report on the performance of the administration of the GST system by presenting the *GST administration annual performance report 2021–22*.

This year we raised \$73.6 billion in GST cash collections, 1.2% (or \$0.9 billion) above the revised budget estimate and 0.7% higher than in 2020–21. This includes \$5.7 billion raised by the Department of Home Affairs.

Overall, the GST system is operating well as evidenced by the vast majority of GST revenue collected voluntarily. The net GST gap for 2020–21 is estimated to be 5.9%, meaning that the ATO collects over 94% of the total potential GST revenue.

We know that most businesses want to do the right thing. Traditionally our focus has been on making it easy for businesses to get into the system and making it easy to comply. However, our response to protect the GST system from large-scale opportunistic GST fraud identified in early 2022, meant we needed to modify our approach. Through Operation Protego, we prevented the release of more than \$1.7 billion in suspected fraudulent GST refunds between mid-April and 30 June 2022. We have now implemented changes that strike a different balance between making it easy for people to get into the business tax system and comply, and harder to get in for those who should not be there.

The GST system and its administration continues to evolve in line with changes in technology, business practices and community expectations. To support our clients, we have focused on tailored engagement and enhanced our online services to meet the growing demand for digital interactions. For the first time, Online services for business became the default online service for businesses to interact with us via a secure digital platform – enabling clients to easily manage their interactions at a time that suits them.

Challenging economic conditions continued throughout 2021–22, and the importance of mutual engagement and transparency have been paramount. Throughout the course of the COVID-19 pandemic, we have taken a relatively accommodative stance towards outstanding tax obligations and focused on maintaining voluntary compliance and keeping taxpayers engaged with the tax system. As the effects of the pandemic subsided, we re-commenced firmer and stronger actions in November 2021, but with a spirit of engagement and transparency. This ensures clients are aware of their obligations, the assistance available to them, as well as the actions we will take if they choose not to engage with us.

In summary, we are committed to delivering improved experiences for our clients by providing them with help and support to continue getting things right, to avoid making mistakes and to participate in the system more easily.

Finally, I would like to thank the Treasury, the states and territories representatives on the GST Administration Sub-Committee and the members of the GST Policy and Administration Sub-group, for their ongoing support and advice during the year.



Will Day
Deputy Commissioner
of Taxation

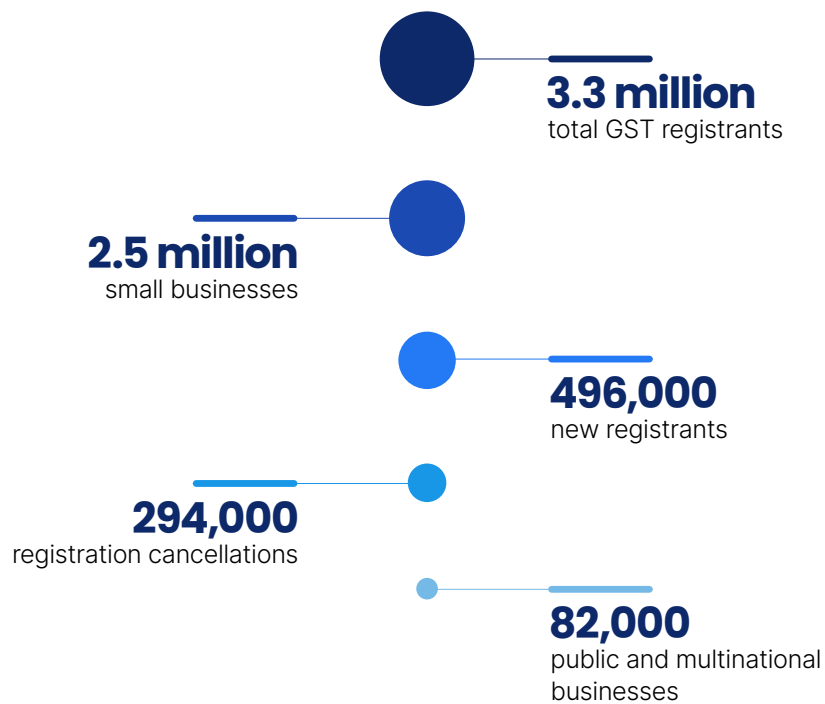
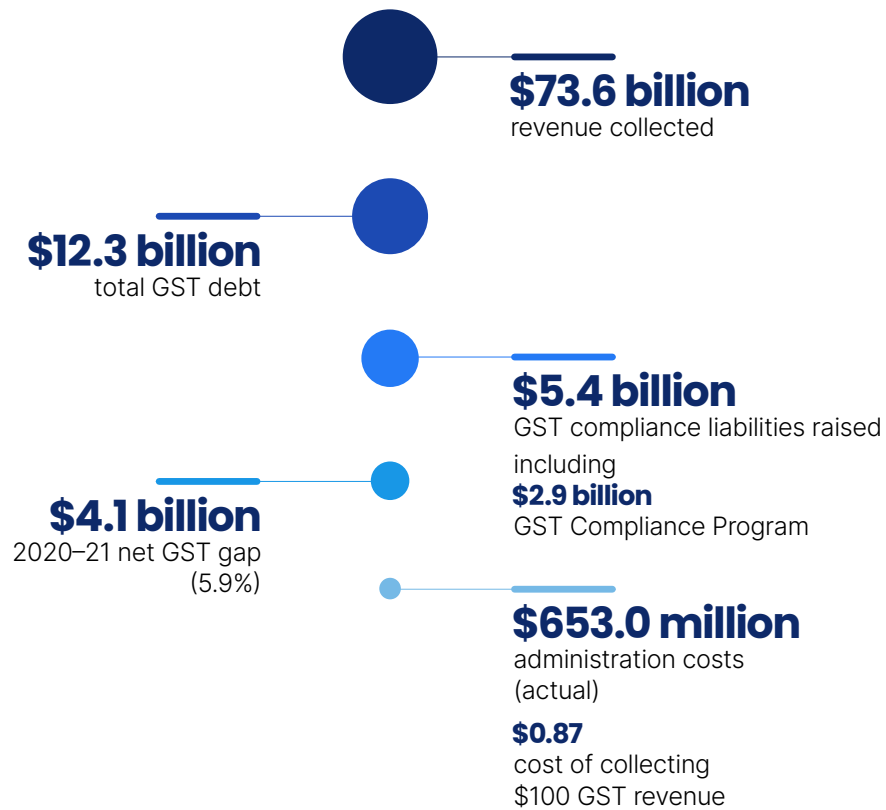
GST Key performance indicators (KPIs)

		2017-18	2018-19	2019-20	2020-21	2021-22
Net GST gap (%)	Including non-pursuable debt	6.8	7.7	6.3	5.9	–
	Excluding non-pursuable debt	6.0	7.0	4.5	3.7	–
Voluntary compliance ratio (%)	By number of taxpayers (strict)	43.8	44.7	29.7	26.5	–
	By number of taxpayers (relaxed)	78.6	82.7	78.3	75.3	–
	By value of GST	82.3	81.9	74.6	73.8	–
Ratio of collectable debt to GST revenue (%)	Debt collection rate (accrual method)	6.2	6.4	11.8	12.1	13.6
	Debt collection rate (cash method)	6.3	6.6	13.1	12.0	14.1
Strike rate of audit activities (%)	Small business	–	–	–	87	95
	Privately owned and wealthy groups	–	–	–	66	62
	Public and multinational businesses	–	–	–	75	53
	Not-for-profit	–	–	–	81	35
	Other	–	–	–	85	92
	Overall		69	79	80	86
Costs as a percentage of GST revenue (%)		1.07	1.01	0.92	0.71	0.87
Tourist Refund Scheme (TRS) claims rejected (%)		1.6	3.0	1.6	1.7	1.7
GST Compliance Program (Schedule D) return on investment (ratio)		–	–	15.5:1	11.3:1	30.1:1*
Wider revenue effects (\$m)	Preventative actions and sustained compliance	165	253	370	426	390
	Sustained lodgment compliance	696	707	477	370	224
	Total	861	960	847	796	614
GST assured (%)		8.1	5.8	1.1	–	–

Notes: Wider revenue effects include preventative actions and sustained compliance and sustained lodgment compliance. The bottom-up GST gap is currently under development and estimates are expected to be available for the 2022–23 GST administration annual performance report.

* This includes GST liabilities of \$2,226 million relating to Operation Protego (GST refund fraud), which includes \$1.7 billion stopped prior to issue.

Figure 1: GST snapshot 2021–22



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1. GST revenue performance

Revenue collection

Cash collections

In 2021–22, net GST cash collections (excluding non-GIC penalties) were \$73.6 billion, including net Department of Home Affairs collections of \$5.7 billion. This was 2.3% (or \$1.7 billion) above the 2021–22 Budget estimate of \$71.9 billion and 1.2% (or \$0.9 billion) above the revised Budget estimate of \$72.7 billion.

The upward revision from the original Budget estimate to the revised Budget estimate was attributable to higher-than-expected collections in 2020–21 flowing through to 2021–22, partially offset by weaker economic forecasts for 2021–22. The final cash collections outcome for 2021–22 was higher than the revised estimate, largely due to stronger-than-expected collections from March activity statements.

The 2021–22 cash outcome was 0.7% (or \$0.5 billion) higher than in 2020–21. Collections during 2020–21, however, included payments of deferrals that were granted during 2019–20.

Cash collections and revenue accruals

In 2021–22, net GST accrued on a tax liability method (TLM) was \$76.0 billion. TLM is defined as being the earlier of the cash payment being received or the associated liability being recognised. The difference between net GST accruals and net GST cash collections was \$2.4 billion, largely reflecting an increase in unpaid debt.

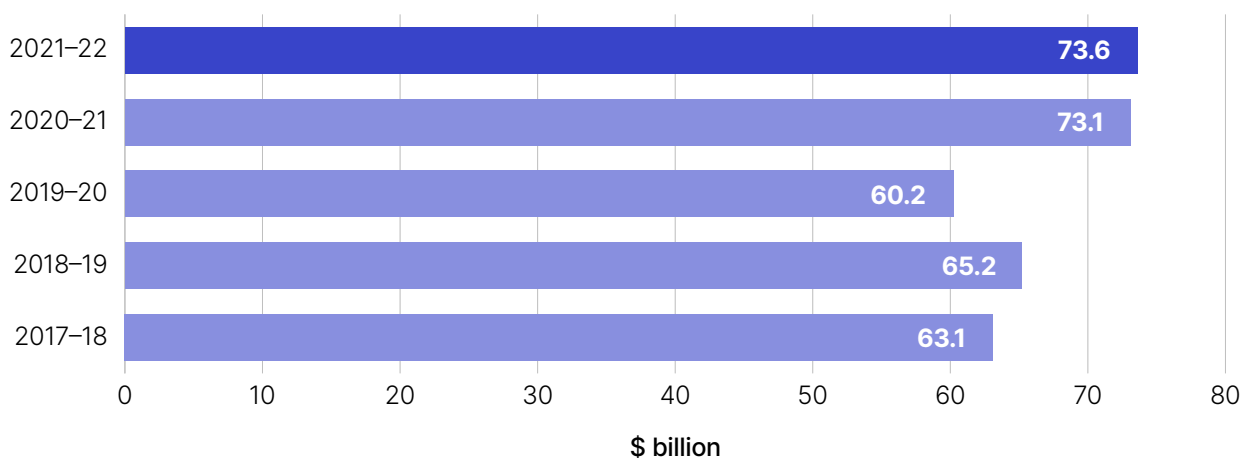
The estimated total statement outcome for business activity statements (BAS) from June 2021 to May 2022 (BAS that were due in 2021–22) was \$68.8 billion, \$4.3 billion higher than the corresponding period in 2020–21. This was mainly due to strength in the professional, scientific and technical services and wholesale trade sectors. Partially offsetting these were higher refunds to the public administration sector.

Table 1: Revenue outcome

	2017–18 \$b	2018–19 \$b	2019–20 \$b	2020–21 \$b	2021–22 \$b
Total GST revenue (accrual)	64.7	66.7	66.7	72.6	76.0
Total GST revenue (cash)	63.1	65.2	60.2	73.1	73.6
GST revenue Home Affairs cash (net)	3.9	4.2	4.2	4.8	5.7

Note: Total GST revenue amount excludes non-GIC penalties. GST accrual revenue is provided using the TLM.

Figure 2: Revenue (cash) outcome



Measurement and effectiveness

The ATO uses a suite of measures that provide insights into the health and operation of the GST system and the impact of our actions. These performance measures include:

- GST gap
- voluntary compliance ratio (VCR)
- total revenue effects (TRE)
- GST assured.

Three of our performance measures (GST gap, VCR and GST assured) are 'lag indicators' that tell us about past performance. We supplement these with the TRE measure which measures our impact on tax collection. This measure combines the revenues directly from audit actions with the increased revenue from influencing taxpayers to voluntarily pay the right amount of tax and relates to the additional revenue collected in 2021-22 (noting the amount can relate to prior tax years).

GST gap

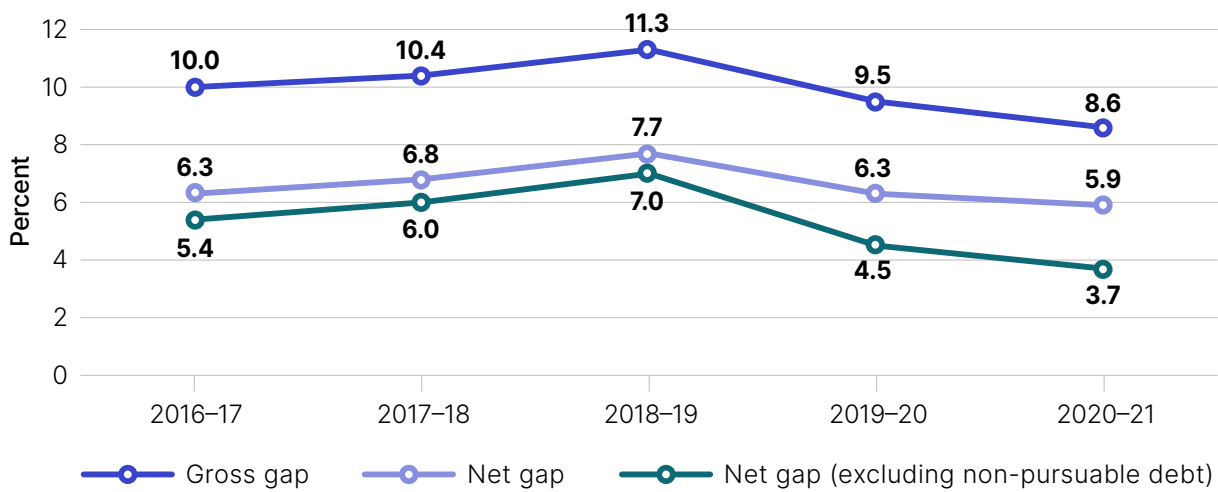
The GST gap estimates the difference between GST collected and the amount that would have been collected if all taxpayers were fully compliant with tax law – this second amount is known as theoretical GST.

There are 2 types of GST gap:

- 1. Gross GST gap** – the gap prior to the impact of our engagement
- 2. Net GST gap** – the gap after our intervention.

For 2020-21 (the most recent year where data was available), we estimate a net GST gap of \$4.1 billion, which is 5.9% of theoretical GST revenue. This means businesses paid over 94% of theoretical GST. The gross gap is estimated to be \$6.1 billion, or 8.6% of theoretical GST. The gap excluding non-pursuable debt is \$2.5 billion or 3.7% of theoretical GST.

Figure 3: Gross and net GST gaps



Notes: Net GST gap equals GST liabilities not reported plus non-pursuable debt. The gross GST gap (including non-pursuable debt) is obtained by adding the liabilities raised from ATO compliance activities to the net GST gap figure.

After declining (for only the second time) in 2019–20, theoretical GST revenue increased by 4.1% in 2020–21 to approximately \$70.4 billion. The major components of the theoretical GST base that drove the change were:

- Overall household consumption spending increased by 1.8% in 2020–21, well below historical trend growth (4.9%). Within household consumption, there is a gradual long-term move away from purchases that attract GST, towards purchases that do not, accelerating over the last 2 years.
- Spending on dwelling-related components of the theoretical GST base rebounded in 2020–21, as policy measures had a positive impact on demand for alterations and additions.

While international comparisons are difficult due to different VAT/GST regimes (that is rates, base, turnover thresholds and so forth), Australia’s GST gap compares favourably with similar international tax jurisdictions including comparable European Union member countries.

ATO action to reduce the GST gap

A range of taxpayer actions can impact the GST gap and include:

- non-reporting of GST
- under-reporting of GST
- over-claiming of refunds
- non-payment of GST liabilities.

These behaviours range in severity from honest reporting errors to deliberate non-compliance.

Our compliance programs have a balance of prevention, early engagement and assurance activities and are targeted to those taxpayers and industries that are higher risk. Key examples include the following:

- Improving our risk models by using better data and more advanced analytical techniques to detect suspect GST refunds as well as streamlined treatments for fraudulent refund lodgments involving transaction fraud or identity crime.
- A letter strategy advising property developers where sales have been unreported, providing them the opportunity to self-correct without penalty. Where the developer does not respond we move to firmer action. This strategy requires minimal contact between the ATO and the taxpayer.
- Ensuring large businesses pay the right amount of GST through a combination of one-to-one and one-to-many approaches, such as the justified trust assurance programs and advice and guidance strategies. A specific example is the guidance for GST apportionment in retail banking, which has led to behavioural change across the industry.
- Nudge messaging – for example, where a BAS lodged online contains an identifiable reporting error, a follow-up message recommends that taxpayers check their BAS before they lodge.

- Addressing small business tax performance – specifically the inadvertent tax-related errors made by small businesses – with a range of preventative and educational activities tailored to meet taxpayers’ specific needs. These same activities also assist those who are struggling with the complexity of their reporting requirements. Our online learning products and educational services relevant to the life cycle of a small business include
 - [growing a business and registering for GST](#)
 - [record keeping and lodging business activity statements \(BAS\)](#)
 - [claiming correct GST refunds](#).
- Preventing compliance issues before they arise by supporting those who want to do the right thing. We help these taxpayers reduce mistakes through reminders, nudges, improved information on [ato.gov.au](#), and public advice and guidance.
- Taking a firmer approach with taxpayers who deliberately evade their GST and other tax obligations.
- Embedding our GST work programs across all taxes – to deliver more effective and efficient risk management, and enhance the taxpayer experience.

We will continue to work towards closing the GST gap, by:

- building trust and confidence within the community, through the GST Compliance Program
- achieving GST compliance through other government-funded programs, including the Shadow Economy, Serious Financial Crime and Phoenix taskforces.

[Australian tax gaps – overview](#) provides further information on the concept of tax gaps, including why and how we measure them, and a summary of the latest available tax gap data.

GST voluntary compliance ratio

The GST VCR complements the GST gap by measuring the proportion of taxpayers fully compliant with the 4 pillars of compliance – registration, lodgment, reporting and payment. To be fully compliant, a taxpayer must:

- be correctly registered
- lodge by the due date
- report the correct amount of GST
- pay the correct amount on time.

Both the proportion of taxpayers voluntarily complying with their obligations and the value of GST remitted voluntarily are important indicators of the health of the GST system and community confidence.

Measuring the VCR

The GST VCR is measured at 2 levels:

- 1. Taxpayer level** – the number of taxpayers who completely meet all their obligations for the financial year.
- 2. GST value level** – the amount of GST that is voluntarily remitted to us in accordance with the law for the financial year.

VCR trends and latest findings

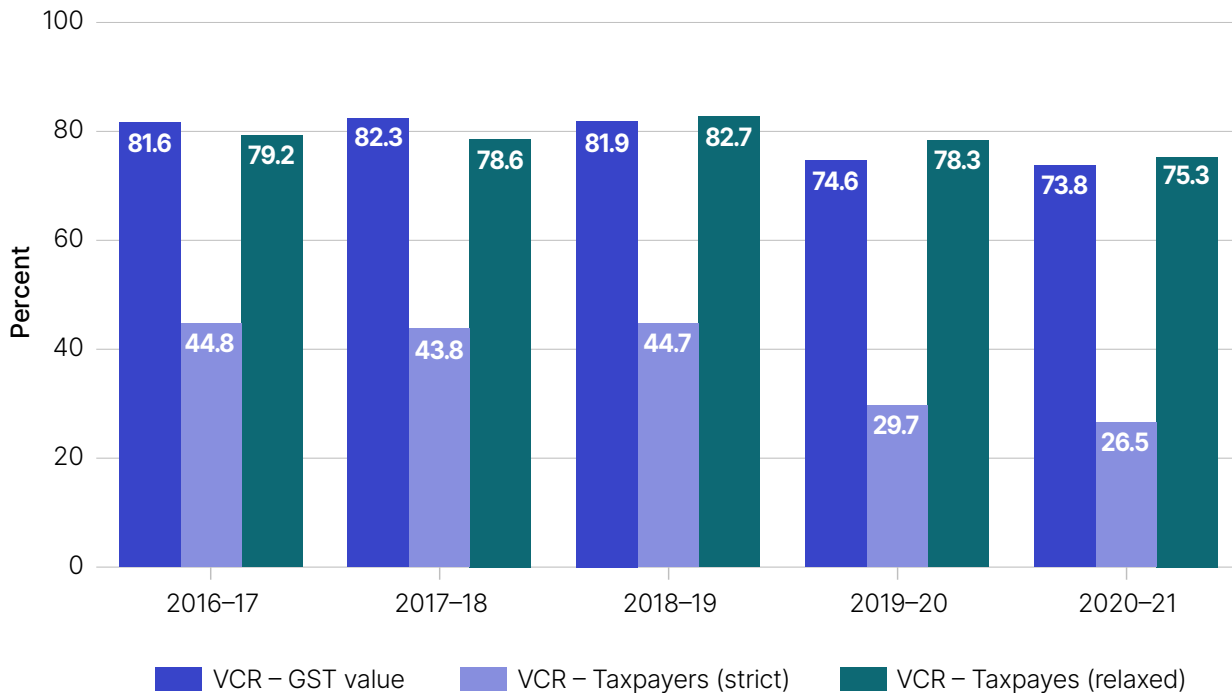
Using our strict VCR test, we estimate that 26.5% of taxpayers voluntarily complied in 2020–21. This does not include minor unintentional late payments or lodgments. The lower than usual percentage recognises the continued impact of COVID-19 as well as various natural disasters. The ATO and Australian Government’s response to support businesses through these challenges is not fully reflected in the strict VCR test.

A second way to calculate the VCR is what is known as the relaxed VCR test. This method adjusts for:

- taxpayers who have no total business income in the year (nil BAS)
- taxpayers who are only considered non-compliant for having a single late BAS lodgment/payment.

In making these adjustments, the relaxed VCR increases to 75.3% and recognises there is a significant proportion of taxpayers who aim to do the right thing but were late with either a single lodgment or payment.

Figure 4: VCR GST value and taxpayers



Total revenue effects

GST total revenue effects (TRE) is the measure we use to understand the revenue impact of the activities we undertake to improve taxpayer compliance. These activities ultimately improve levels of willing participation in the systems and programs we administer. Understanding and measuring the impact of our activities helps us to develop effective new strategies and improve existing ones. It is also a useful signpost of our shift in focus from ‘corrective’ to ‘preventative’ strategies, which cannot be detected by measuring audit action alone.

In calculating TRE, we include the following:

- The collection of liabilities that are directly connected to adjustments we make through our audit actions to ensure the right amount of GST is paid. This includes the value of incorrect claims we stopped prior to payment (previously part of audit yield). The tables below provide 2 versions of liabilities
 - liabilities including penalties and interest
 - liabilities excluding penalties and interest. Penalties are a small component of audit

actions and are not distributed to the states and territories under the [Intergovernmental Agreement on Federal Financial Relations](#).

- Estimated additional tax paid voluntarily by clients, where there is a clear causal connection with our engagements. This includes our preventative actions, as well as taxpayers’ sustained compliance following earlier compliance engagements (previously categorised as wider revenue effects).
- Revenue associated with our actions to improve or enforce lodgment of due returns and statements as well as sustained lodgment compliance following these actions (previously included across both the audit yield and wider revenue effects categories).

In 2021-22, the TRE from all these activities totalled \$5,028 million (excluding penalties and interest).

For more information on total revenue effects, see ato.gov.au/totalrevenueeffects.

Table 2: GST total liabilities raised

		2018–19 \$m	2019–20 \$m	2020–21 \$m	2021–22 \$m
Excluding penalties and interest	Liabilities	3,164	2,645	2,339	5,407*
	Preventative actions and sustained compliance	253	370	426	390
	Sustained lodgment compliance	707	477	370	224
	Liabilities raised	4,124	3,493	3,135	6,020
Including penalties and interest	Liabilities	3,386	2,827	2,798	5,805*
	Preventative actions and sustained compliance	253	370	426	390
	Sustained lodgment compliance	707	477	370	224
	Liabilities raised	4,346	3,675	3,594	6,419

Note: Total revenue effects categorisations were updated in 2021–22. Preventative actions and sustained compliance were previously categorised as wider revenue effects. Lodgment actions and sustained lodgment compliance were not previously separately reported in this table but were included across the audit yield and wider revenue effect categories. Results for previous years have been retrospectively split into these new categories for comparative purposes.

* This includes GST liabilities of \$2,226 million relating to Operation Protego (GST refund fraud), which includes \$1.7 billion stopped prior to issue.

Table 3: GST total revenue effects

		2017–18 \$m	2018–19 \$m	2019–20 \$m	2020–21 \$m	2021–22 \$m
Excluding penalties and interest	Audit actions/incorrect claims stopped	1,447	1,223	1,070	1,132	3,389
	Lodgment actions	1,205	1,350	1,221	702	1,025
	Preventative actions and sustained compliance	165	253	370	426	390
	Sustained lodgment compliance	696	707	477	370	224
	Total	3,512	3,533	3,139	2,631	5,028
Including penalties and interest	Audit actions/incorrect claims stopped	1,513	1,244	1,162	1,157	3,451
	Lodgment actions	1,308	1,408	1,264	727	1,052
	Preventative actions and sustained compliance	165	253	370	426	390
	Sustained lodgment compliance	696	707	477	370	224
	Total	3,682	3,612	3,273	2,679	5,117

Note: Audit yield is now broken down into the categories of audit actions, incorrect claims stopped and lodgment actions. Total revenue effects categorisations were updated in 2021–22. Audit actions and incorrect claims stopped was previously categorised as audit yield. Preventative actions and sustained compliance were previously categorised as wider revenue effects. Lodgment actions and sustained lodgment compliance were not previously separately reported in this table but were included across the audit yield and wider revenue effect categories. Results for previous years have been retrospectively split into these new categories for comparative purposes.

Audit actions and incorrect claims stopped

In 2021–22, we estimate that our audit actions and incorrect claims stopped contributed \$3,389 million (excluding penalties and interest) in total revenue effects.

Prevention and sustained compliance

These wider revenue effects include:

- the impact we have on improving voluntary compliance following an initial compliance action (sustained compliance)
- our early interventions and preventative actions that improve voluntary compliance prior to lodgment.

Lodgment actions

For the first part of 2021–22, our client engagement approach recognised the continuing challenges of COVID-19 and natural disasters. As such, we continued the strong focus on help and assistance for affected clients.

In 2021–22:

- lodgment-related activities contributed \$1,025 million (excluding penalties and interest) in total revenue effects
- sustained lodgment compliance following action contributed \$224 million (excluding penalties and interest) in total revenue effects.

GST assured

GST assured is an estimate of the proportion of tax that we are highly confident is correctly reported.

This measure is based on the concept of ‘justified trust’. Justified trust is achieved and GST is considered to be assured when we have high-quality evidence that the reporting of GST is complete and accurate.

For businesses (particularly larger businesses), we primarily assure GST by reviewing objective evidence obtained through one-to-one engagements. GST results are primarily driven by public and multinational businesses, where we provide assurance on a case-by-case basis. There was \$518 million of GST assured in the public and multinational businesses sector in 2019–20.

In practice, we cannot gather third-party data or other information to compare against all GST reported on the BAS. As such, our [tax assured](#) estimates will always be lower than the real amount of tax that is correctly reported. Where we cannot gather information to assure tax, we rely on our broader risk management approaches to provide us with confidence over the rest of the total tax reported.

It is estimated \$680 million (1.1%) of total net GST BAS outcome of \$60 billion could be assured for 2019–20 (the most recent year that estimates can be made).

The decline in GST assured since 2018–19 was predominately due to the impact of COVID-19 on our assurance work programs. However, we expect the percentage of GST that will be assured will increase between 2021 and 2023, due to the justified trust funding attached to the GST Compliance Program providing assurance over the largest businesses.

Table 4: GST assured and the equivalent tax base

	2017–18	2018–19	2019–20
GST assured (\$m)	4,878	3,547	680
Net GST BAS outcome (\$b)	60.2	61.0	59.6
Percentage assured (%)	8.1	5.8	1.1

2. GST administration expenditure

The ATO administers the GST on behalf of the Australian states and territories, who then reimburse the Commonwealth for the ATO's cost of administering GST. Our obligations to the states and territories are set out in the [GST Administration Performance Agreement](#) (Performance Agreement) between the ATO and the Council on Federal Financial Relations (per the [Intergovernmental Agreement on Federal Financial Relations](#)).

The cost of administering GST is calculated by using the ATO's strategic costing framework (SCF). This is a cost attribution model consistent with the Australian Government's accrual-based outcomes and programs costing framework. It calculates the proportion of the ATO's total operating expenses that relate to GST administration activities on a full-cost basis.

GST administration costs are monitored throughout the year, with oversight provided by the ATO GST Product Committee. The GST costs are endorsed by the Chief Finance Officer and are subject to an annual independent audit by the Australian National Audit Office (ANAO). Costs are reported against the Program Framework Deliverables set out in Schedule B of the Performance Agreement.

The ATO prepares a Schedule B estimate for consideration by the states and territories ahead of each financial year. Once agreed, the estimate serves as the initial intended cost of GST administration for the upcoming financial year. The SCF maps GST activities to program deliverables to capture the direct costs to administer the GST. The percentage of direct costs is applied to the ATO's indirect costs to calculate the GST portion of indirect costs. The direct (\$343.8 million) and indirect (\$309.2 million) costs are then added together to derive the full cost of administering the GST.

The Schedule B estimate is calculated well before the financial year commences and prior to the ATO's final budget for the financial year is settled. As such, there is an expected difference between the endorsed Schedule B estimate and eventual actual costs.

The full-year actual cost for 2021–22 was \$653.0 million, which is \$22.7 million below the agreed Schedule B estimate, but is an increase of 21.3% from 2020–21. This increase in costs is a result of the ATO's planned return to more usual work types following support of the COVID-19 stimulus measures.

Figure 5: Administration costs

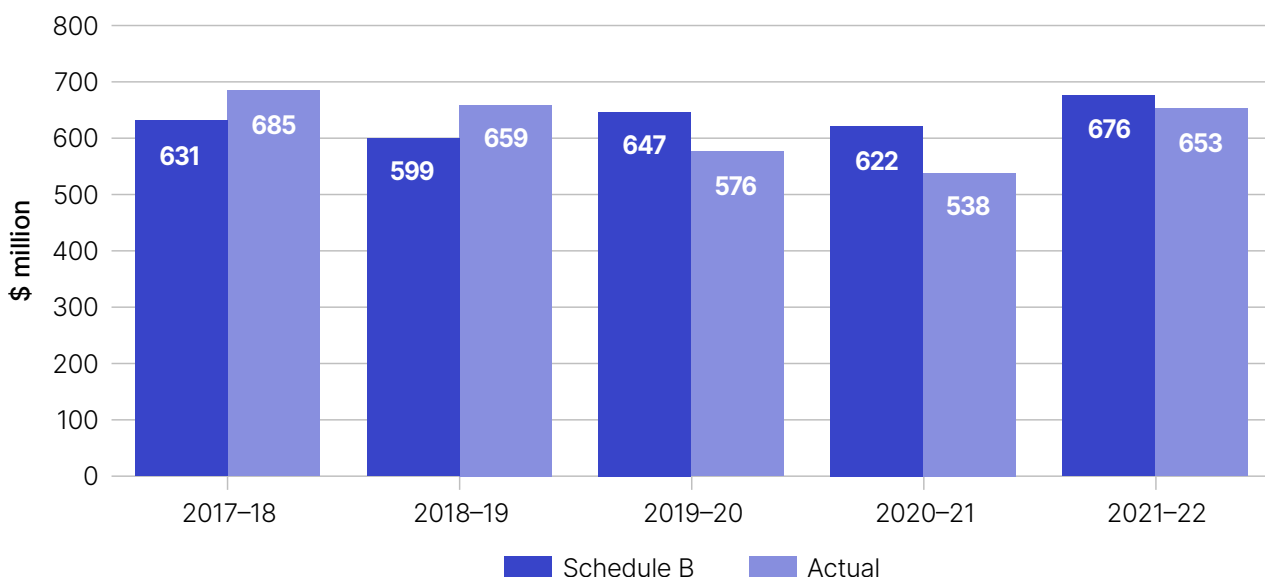
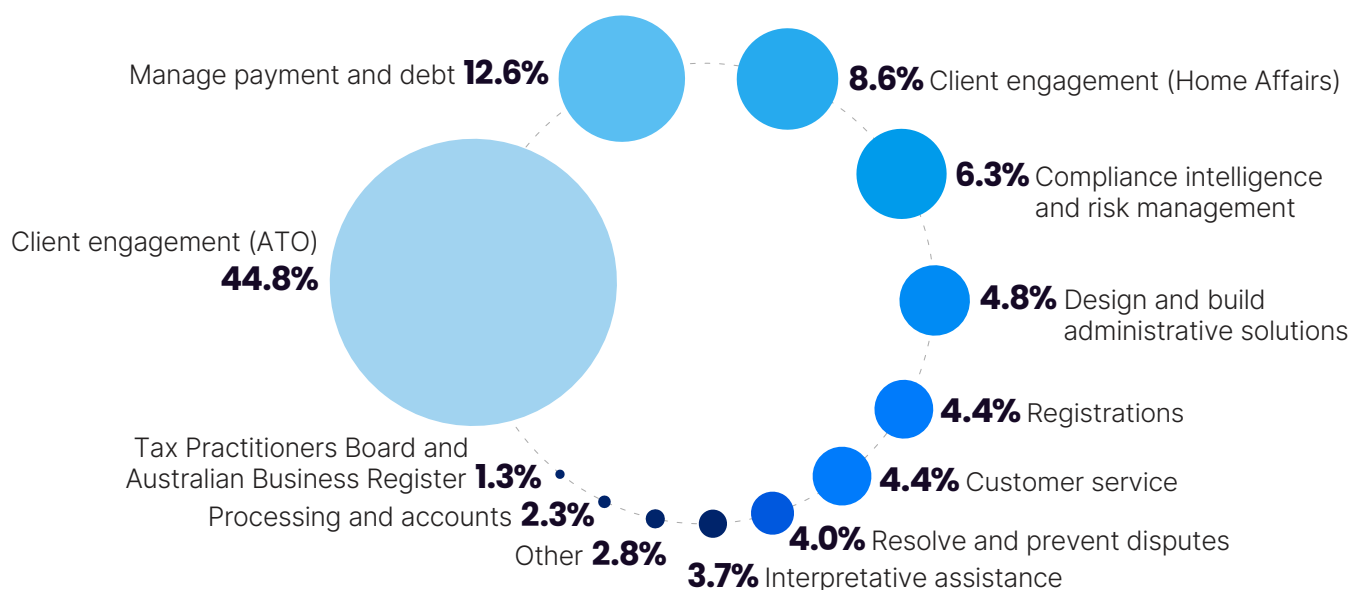


Figure 6: Program framework deliverables 2021–22



Cost of collection

The cost of collection measures the cost of collecting every \$100 of cash.

The cost of collection is often used as a broad measure of a tax administration’s efficiency and effectiveness. Movements in the ratio from year-to-year may reflect variations in efficiency and effectiveness. However, the ratio can also be influenced significantly by factors such as:

- changes in tax rates
- fluctuations in tax revenues due to economic factors
- new administrative expenditure programs that are non-discretionary, or that may have a medium or longer-term impact on efficiency and effectiveness (for example, investment in new technology).

For these reasons, variations in the cost of collection ratio from year-to-year need to be assessed carefully.

The cost to collect \$100 of GST increased to \$0.87 in 2021–22, compared with \$0.71 in 2020–21. This significant increase is a return towards pre-pandemic ratio levels, and reflects the increased costs associated with the ATO’s planned return to normalised GST-related activity levels.

Table 5: Cost as a percentage of GST revenue

	2017–18 %	2018–19 %	2019–20 %	2020–21 %	2021–22 %
Cost of collection as a percentage of revenue (cash)	1.07	1.01	0.92	0.71	0.87

3. GST administrative risk

As a world-leading tax administrator, the ATO has well-established systems of oversight and management. These include governance across day-to-day operations, and integration of risk with strategy, planning and performance.

The collection of GST revenue includes optimising voluntary compliance, by effectively and efficiently managing the administrative and compliance risks to the GST system.

GST administrative risk is the impact of uncertainty on our ability to meet these objectives:

- Best practice
- Digital transformation
- Transparency
- Cooperative relationships.

Best practice

Schedule A of the [GST Administration Performance Agreement](#) (Performance Agreement) provides a range of agreed measures in the following categories:

- Maintain compliance
- Client engagement outcomes
- Cost-effective administration.

By reporting against these measures, the ATO can demonstrate it has achieved best practice.

Achieving best practice in the eyes of the community can be reflected in levels of trust and community confidence. We conduct regular research to measure the levels of confidence in the ATO held by the general community, as well as clients who have recently interacted with us. In 2021–22, 85% of those surveyed felt that the ATO is effectively managing the tax system.

We also continue to be a leading voice for best practice in Organisation for Economic Co-operation and Development (OECD) forums dealing with international VAT/GST matters. Through this and our bilateral engagements with other jurisdictions, we promote international consistency in applying value-added taxes.

Digital transformation

The ATO holds and has access to a wealth of data we use to make it easier for people to comply with their obligations, and hard not to. The emergence of new analytical tools, increased digitalisation and availability of data offer significant opportunities to enhance tax administration and reduce the burden on business.

The ATO has a strong commitment to growing our data and analytics capability, to the extent that it features as one of our 7 strategic initiatives in our 2021–22 corporate plan. This builds on our work over recent years to become an organisation that is more integrated, streamlined and data driven. This initiative is focused on improving the way we collect, manage, share and use data to build confidence and drive actions that maximise value for the ATO and the community.

Contemporising GST Risk Model project

The Contemporising GST Risk Model (CGRM) project ensures we are better equipped to keep pace with the changing risk environment by using sophisticated analytical techniques.

We are reducing the burden on business by making it easier for clients to manage and report their GST obligations. For example, we use analytical techniques to deliver tailored nudge messaging and automation at the time clients interact with us – to help them identify and correct genuine errors prior to lodgment.

This year we enhanced some of our risk models, to help identify new risk behaviours and apply treatments in a more streamlined way. These models quickly identified an increase in sophisticated and changing threats from fraudsters and other high-risk taxpayers. The level of confidence in our contemporary risk assessment capability enabled us to shape the treatment strategy of the risk, and implement improved processes to protect the integrity of the GST system in operations such as Operation Protego.

Improving the online client experience

We aim to improve the experience of our clients by interacting with them at the right time and providing certainty in our communication. We are enhancing our online services to meet the growing demand for digital interactions that enable clients to easily manage their interactions at a time that suits them. In 2021–22, 79% of clients surveyed believed the ATO is making good use of technology to make it easier, an improvement from 73% in 2020–21.

We encourage clients to shift to our online services. In 2021–22, 92% of the BAS lodged were lodged online, compared with 81% in 2017–18.

Since 1 August 2021, Online services for business became the default online service for businesses to interact with us via a secure digital platform. This facility has a streamlined and contemporary design and enables clients to access it anywhere, at any time and on a range of devices.

Australian Business Registry Services

Australian Business Registry Services (ABRS) is streamlining how businesses interact with government and manage their registry obligations, providing a unified source of trusted business information.

To improve register integrity, ABRS delivered programs to remove non-entitled Australian business numbers (ABN) from the Australian Business Register (ABR). ABRS used new approaches to do this, including notifying entities of the 'intent to cancel' their ABN while providing them with an opportunity to retain it via a simple interactive voice recognition option.

This work led to over 1,200 clients initiating cancellations, with the Registrar assisting a further 718,000 clients to cancel. ABRS will expand the program to incorporate entities with active GST roles that are identified as having a high likelihood of no longer requiring GST registration.

GST Digital Strategy

The GST Digital Strategy highlights what we aim to achieve as we move towards 2030 – namely, to be a leading GST administration known for contemporary service, expertise and integrity. This strategy will protect the GST system and improve the performance, productivity and experience for all participants through 4 key areas:

- 1. Data and analytics** – enable greater visibility and more powerful intelligence through enhanced data coverage, integrity and quality, as well as analytics capability and output
- 2. Digital engagement** – engage proactively with our clients to provide real-time support using digital channels as the primary means of engagement
- 3. Compliance automation** – embed and automate GST-related activities through natural systems to reduce costs for our clients and improve compliance
- 4. Administrative excellence** – shape the GST legislation to enable a digital future.

Transparency

The ATO is transparent in its accountability to states and territories through regular updates at GST Policy and Administration Sub-group (GPAS) and GST Administration Sub-Committee (GSTAS), and incorporating the following 4 schedules into this report:

- **Schedule A** – reports against the performance outcome measures specified in the Performance Agreement
- **Schedule B** – reports on the GST program deliverables that form the GST administration budget and provides the GST administration cost statement, which is a special-purpose financial report
- **Schedule C** – provides monitoring and review arrangements
- **Schedule D** – reports against the performance outcome measures for the 'MYEFO 2018 Measure: Additional Funding – GST Compliance Program'.

Cooperative relationships

The ATO has maintained and further enhanced cooperative relationships with key stakeholders, in particular:

- the states and territories
- the Treasury
- the Department of Home Affairs (Home Affairs).

We work collaboratively with Treasury to manage our working relationship with the states and territories primarily through GPAS. This enables the ATO to consult more effectively with the states and territories, inform them of risks and issues, and co-design initiatives to achieve improved outcomes.

With the resumption of international travel in late 2021 we renewed our focus on the Tourist Refund Scheme. We continue to work closely with Home Affairs to address issues associated with the scheme, particularly those presented by Australian travellers.

The ATO also worked with the GST Stewardship Group, using members' GST knowledge and experience to:

- gain insight into issues faced by taxpayers
- help the ATO improve the GST system's future operation
- communicate key ATO messages to the broader community.

4. GST compliance risk

The GST system contributed \$73.6 billion in revenue in 2021–22. While the majority of GST is paid voluntarily, the ATO has an important role in ensuring that under-reported GST is effectively and efficiently managed. GST compliance risk is the risk of clients’ attitudes, behaviour and choices impacting on their ability to correctly meet their GST obligations. The failure of clients to meet their obligations leads to:

- reduced collection of budgeted revenues
- reduced voluntary compliance
- erosion of community confidence (in the ATO)
- negative implications for a level playing field.

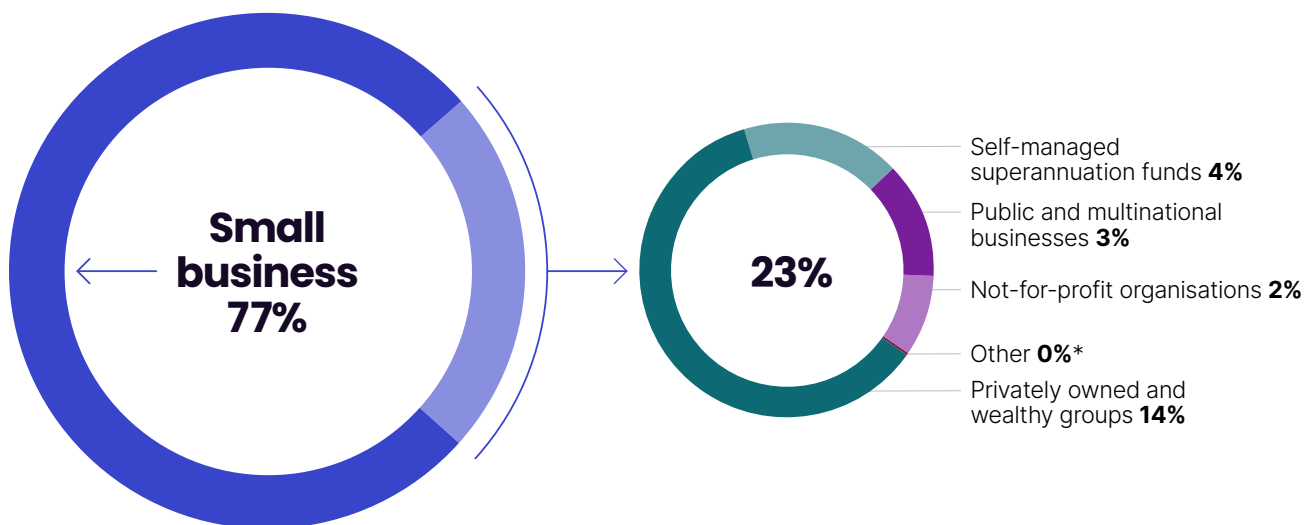
We see taxpayer behaviour range from those who do the right thing, those who are unsure of what to do, those who are facing challenges, to those who deliberately avoid their obligations. The ATO manages work programs to mitigate the risk of not meeting the 4 pillars of tax compliance – registration, lodgment, payment (often referred to as debt) and correct reporting. Addressing these risks in the system maintains community confidence, which in turn supports voluntary compliance.

Registration

We assist clients to correctly register for GST which enables them to enter and exit the GST system when required.

There were 3.3 million businesses registered for GST on 30 June 2022, compared to 3.1 million on 30 June 2021. Small businesses are the largest sector, comprising 77% of GST registrants, followed by privately owned and wealthy groups at 14%.

Figure 7: Total registered client base by client experience – 30 June 2022



Note: *Other is rounded down to 0% (less than 1%) and includes APRA-regulated superannuation funds and Individuals.

During 2021–22:

- Approximately 496,000 new GST registration requests were received. This represents a 21% growth from the previous year and was driven by increases in the administrative and support services, transport, postal and warehousing, and construction sectors.
- Approximately 294,000 GST registration cancellations were processed. This represents a 16% increase from the previous year with the administrative and support services, healthcare and social assistance, and construction sectors being the main contributors. Of the 294,000 registrations
 - 205,000 were client-initiated
 - 56,000 were cancelled by the ABR
 - 33,000 were a mix that included ATO-initiated cancellations.

Lodge and pay

During COVID-19, the ATO has taken a relatively accommodative stance towards outstanding tax obligations. We shifted our focus to maintaining voluntary lodgment and payment as well as keeping taxpayers engaged with the tax system. The ATO's firmer and stronger actions for disengaged taxpayers was largely paused, only recommencing in November 2021.

While a necessary response, this approach has contributed to the increase in GST collectable debt, along with ongoing economic challenges impacting taxpayers' ability to pay their GST debt. This has been particularly evident in the small business sector that represents the majority (approximately 73%) of GST collectable debt.

Lodgment

There were an additional 439,000 BAS lodgments in 2021–22. While the number of BAS lodged has increased, the number of BAS dispatched and due has increased at a faster rate, leading to a decline in on-time lodgment performance.

- **Monthly BAS** – On-time performance for 2021–22 was 76.1%, 2.4 percentage points below the 2020–21 result. There were approximately 2 million on-time monthly lodgments, an 88,000 increase on 2020–21. Overall, there was also an increase of 148,000 in monthly lodgments.
- **Quarterly BAS** – On-time performance for 2021–22 was 67.9%, 0.6 percentage points above the 2020–21 result. There were approximately 4.7 million on-time quarterly lodgments, an increase of 340,000 from 2020–21. Overall, there were over 291,000 more quarterly lodgments in 2021–22.

Table 6: BAS lodgment

	2017–18 %	2018–19 %	2019–20 %	2020–21 %	2021–22 %
Lodged (monthly)	93.4	93.0	90.8	89.9	88.9
Lodged (quarterly)	85.4	85.6	82.3	81.9	80.9
Total BAS lodged (including annual BAS)	87.7	87.7	84.6	84.1	83.1
Lodged on time (monthly)	83.7	83.4	81.8	78.5	76.1
Lodged on time (quarterly)	73.9	73.1	71.0	67.3	67.9
Total lodged on time (including annual BAS)	76.6	76.0	74.0	70.3	70.1

Note: This measure has 2 components – one that measures the percentage due and lodged at a given time, and one that measures the percentage of BAS due and lodged on time. The given time is 30 June 2022 for the annual (full year) report. Lodged on time refers to lodgments due and received prior to or within 7 days of the due date.

Analysis indicates a significant number of BAS have been despatched to doubtfully registered entities (DREs). These are entities identified as having a high likelihood of no longer requiring GST registration. Small businesses account for almost 85% of the DREs identified.

The ABRS is taking steps to progressively de-register DREs. This program will remove these taxpayers from the system and stop BAS from being despatched, which will drive improvements in the ratio of on-time lodgment for BAS.

Pay

As the economy recovers, one of our key priorities is to address the level of debt that has accrued over the past 3 years. Total GST debt increased from \$5.7 billion at 30 June 2019 to \$12.3 billion at 30 June 2022. GST collectable debt increased from \$4.3 billion to \$10.4 billion over the same period. The increased debt is a result of disrupted economic activity due to lockdowns and cashflow, predominately impacting small businesses.

The 18.4% increase in GST collectable debt from 2020–21 is within the pattern of the collectable debt increase across all revenue products (16.4%). Small businesses represent 77% of total GST registrants and hold the majority of GST collectable debt at 73% (\$7.6 billion). This represents a significant growth from \$6.3 billion in 2020–21.

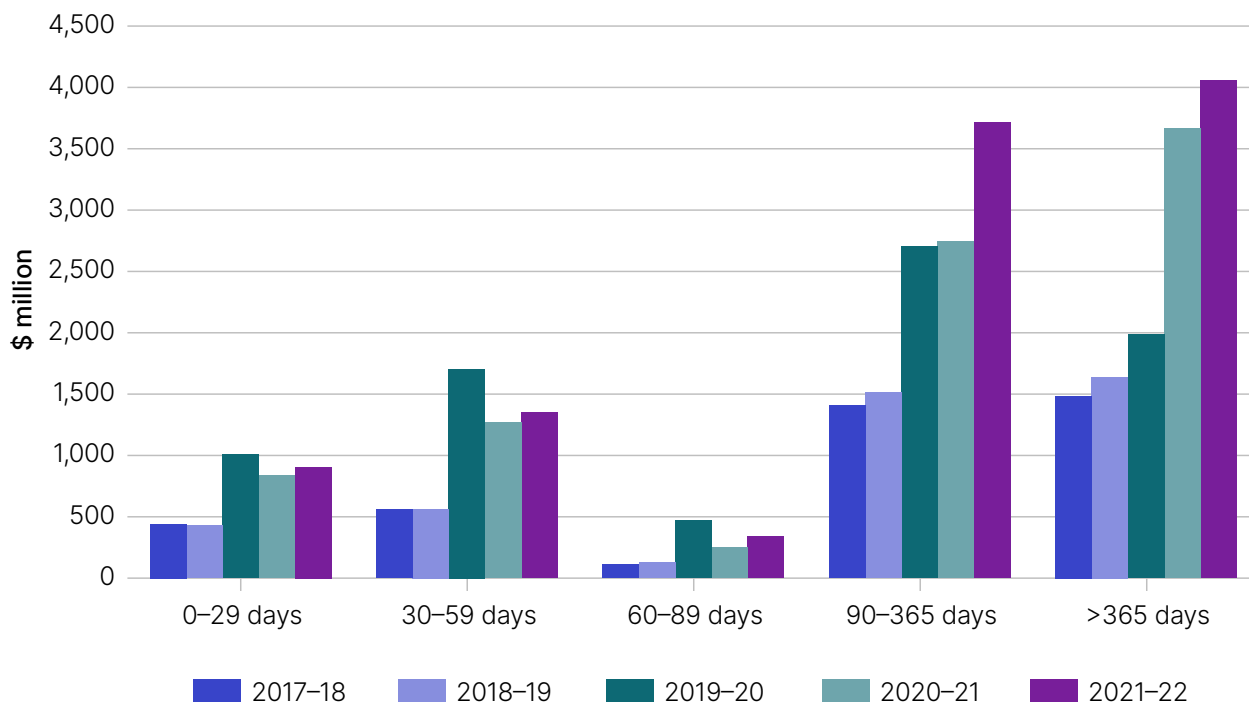
While most GST payments are made on time, there has been an increase in the value of debt in the '90 days to one year' and 'greater than one year' categories. This reflects taxpayers continuing to experience challenges and the prolonged nature of a disrupted economic environment. The longer businesses stay in debt and do not engage with the ATO, the more problematic collection of debt becomes. Therefore, as enforcement actions recommenced our focus has been on higher-value aged GST debts.

Table 7: GST debt core indicators

	2017–18	2018–19	2019–20	2020–21	2021–22
Total GST debt outstanding (\$b)	5.5	5.7	10.2	10.7	12.3
GST collectable debt (\$b)	4.0	4.3	7.9	8.8	10.4
Insolvent debt (\$b)	–	–	–	1.6	1.8
Disputed debt (\$b)	–	–	–	0.3	0.1
Debt collection rate – TLM accrual (%)	6.2	6.4	11.8	12.1	13.6
Debt collection rate – cash (%)	6.3	6.6	13.1	12.0	14.1

Notes: Collectable debt is debt for which there is no impediment to collection – it is not subject to objection or appeal or to some form of insolvency administration. Insolvent and disputed debt were reported for the first time in 2020–21. The debt collection rate is calculated using the GST collectable debt amount as a percentage of 12-month rolling GST (TLM accrual or cash) collections.

Figure 8: Ageing of GST debt by value



Notes: Figures reported for 2019-20 onwards are derived from a new reporting source following the transition to a single accounting system. Age of debt is determined by the latter of the processed date or the effective date of the transactions.

During the period affected by COVID-19, insolvency actions initiated by both the ATO and other creditors decreased significantly. With the recommencement

of ATO enforcement actions during the second half of 2021-22, we have seen an increase in insolvencies including those self-initiated by taxpayers.

Correct reporting

We support and educate taxpayers to encourage them to willingly meet their GST obligations while detecting and dealing with those who deliberately avoid them. Our treatment strategies to mitigate risk are differentiated based on client behaviours and include prevention, correction, leverage and identification/support activities.

We are reducing the burden on businesses by making it easier for all taxpayers to manage and report their GST obligations. By utilising analytical techniques to deliver tailored nudge messaging and automation at the time the taxpayer is interacting digitally with the ATO, we are helping them to identify and correct genuine errors before they lodge.

In 2021-22 we provided over 250,000 real-time prompts to taxpayers to check amounts they entered in their BAS, protecting approximately \$57 million in incorrect lodgments. We also implemented an auto-adjustment approach to ensure clients lodging out of time are satisfying the legislated rules – protecting approximately \$48 million in incorrect lodgments.

Compliance engagement liabilities

In 2021-22, GST liabilities raised through client engagement activities (including the GST Compliance Program) were \$5,407 million (excluding penalties and interest). This is a significant increase from 2020-21 and is predominantly due to Operation Protego (detailed below).

Table 8: Compliance liabilities

	2017–18 \$m	2018–19 \$m	2019–20 \$m	2020–21 \$m	2021–22 \$m
GST liabilities raised	3,014	3,173	2,645	2,339	3,181
Operation Protego	–	–	–	–	2,226
Total GST liabilities raised	3,014	3,173	2,645	2,339	5,407

Note: The Operation Protego liabilities are to 30 June 2022, which included \$1.7 billion stopped prior to issue.

Refund integrity

We continue to focus our efforts on improving GST refund integrity. Where possible we want to move as much of the work to ‘pre-issue’ (before the refund issues), and to understand and address the behaviours that are causing refund fraud.

We have redesigned strategies using improved data and contemporary risk models to allow us to do this

more accurately. Enhancements to our risk models improved our ability to detect suspect refund activity and increased our refund integrity strike rate, from 94% in 2020–21 to 97% in 2021–22.

These factors contributed to us achieving significant liability adjustment results from the increased volume of high-risk refund cases.

Table 9: GST refund integrity

	2017–18	2018–19	2019–20	2020–21	2021–22
Refund checks pre-issue – total cases (number)	21,000	14,130	12,509	17,182	66,494
Refund checks pre-issue (GST revisions \$m)	269	460	273	464	2,762
Refund checks post-issue – total cases (number)	16,000	19,433	13,749	6,913	22,635*
Refund checks post-issue (GST revisions \$m)	84	46	33	19	436

* Letter coverage increased to approximately 16,000 contacts, to help clients self-correct (post-issue) inadvertent reporting errors.

Operation Protego

In early 2022, our new risk models delivered an improved risk detection capability for high-risk GST refunds. These sophisticated risk models, coupled with intelligence received from the banking and finance sector, identified a significant increase in attempts to obtain false GST refunds. Operation Protego, a multi-agency operation led by the ATO, was established in April 2022 to prevent further fraud and protect the Australian tax system from brazen and opportunistic GST refund fraud.

The attempted fraud involved individuals applying for an ABN for a business that didn’t exist, many in their own names, registering for GST and then submitting fictitious BAS to attempt to gain false

GST refunds. The individuals involved were not genuine small businesses but individuals seeking to exploit the tax system.

Our response under Operation Protego is focused on disrupting the mischief, addressing behaviours, and strengthening the system.

Between mid-April 2022 and 30 June 2022, when a range of interventions and system-strengthening activities took full effect, we reviewed and stopped around \$1.7 billion in further suspect GST refunds prior to payment. At 31 August 2022, approximately \$66 million had already been recovered through a range of strategies. Broader and stronger compliance and debt recovery actions will continue in 2022–23.

However, in many cases recovery of refunds already issued will not be routine due to the fraudulent nature of activities and the financial position of many of the perpetrators.

In terms of revenue impacts on the 2021–22 year, our investigations led to liabilities raised of approximately \$1.2 billion. Most of this amount relates to fraudulent claims made prior to mid-April 2022, with approximately \$500 million of the liabilities raised prior to 30 June 2022 and the remainder raised in the 2022–23 year (up to 31 August 2022).

Our actions since mid-April 2022 have also resulted in ABNs not being granted for applicants unable to provide evidence of enterprise. We have also cancelled ABNs and GST roles for those who continue to lodge BAS with suspected fraudulent GST refund claims.

We alerted the public to the significant GST fraud in May 2022, to warn of the consequences of being involved and prevent further instances. We outlined the strong action we were taking and urged those involved to come forward through a dedicated hotline. We have continued to warn the public through multiple media channels about this form of GST fraud, and we have worked with social media platforms to identify and shut down any promotion of it.

We worked closely with government agencies and the banking and financial sector to share intelligence and information. We have also taken firmer action and through the ATO-led Serious Financial Crime Taskforce, and with the assistance of other Commonwealth and state law enforcement agencies, brought criminal action against those who claimed fraudulent refunds.

We continue to strengthen the integrity of the system as individuals try various ways to attack it. The issue is more complex than just GST refund integrity – it is also about incorrect business registration and, at times, identity theft. In response to the behaviours we saw as part of Operation Protego, we have implemented changes that strike a different balance between making it easy for people to get into the business tax system (and comply) and harder to get in for those who should not be there.

Prosecutions and investigations

In 2021–22, deliberate and widescale GST refund fraud was identified, and opportunistic and recidivist behaviours observed.

Eight criminal briefs were referred to the Commonwealth Director of Public Prosecutions (CDPP) and 9 cases were finalised with all resulting in custodial sentences. A suite of media communications were released outlining the outcomes of these cases. As part of Operation Protego, at 31 August 2022, 44 individuals were subject to a criminal investigation.

Prosecution cases of note completed by the CDPP

- A former swimming teacher was sentenced to 3 years jail for claiming fraudulent GST refunds. Several original and amended BAS were lodged. In each instance, purchase amounts were deliberately overstated to obtain a financial advantage. In total, \$97,114 of fraudulent GST refunds were paid to the swimming teacher. An attempt to obtain an additional \$181,947 was made but these refunds were stopped. The defendant will be released from jail after 15 months, upon entering into a \$1,000 recognisance on the requirement of good behaviour for 2 years. An order to repay the full \$97,114 was made.
- An individual who obtained more than \$171,000 in fraudulent GST refunds was sentenced to 2 years and 8 months jail. The defendant claimed their business had made more than \$4.7 million in sales, claiming corresponding acquisitions and input tax credits. An audit investigation revealed the claims were false. In addition to the jail term, an order was made to repay the full amount.
- An individual who pretended to be running a business to obtain fraudulent GST refunds was sentenced to 3 years jail. The defendant falsely claimed the business had made more than \$300,000 in sales, claiming \$256,955 in GST credits. In total, \$189,270 was obtained in fraudulent GST refunds. An attempt to obtain an additional \$39,778 was stopped prior to release. The defendant pleaded guilty to 13 counts of obtaining a financial advantage by deception and one count of attempting to obtain a financial advantage by deception.

- A group of 3 defendants were each charged and convicted with one count of conspiracy to defraud the Commonwealth. The defendants set up 6 labour hire companies with sham directors. They operated the companies for a time and wound them up. The customers and workers were subsequently transferred to the next company in a deliberate attempt to avoid detection. The trio were sentenced to 8 years, 5 years, and 4 years jail, respectively. A reparation order was made in favour of the Commissioner of Taxation in relation to each of the defendants for the total amount of the fraud. They were jointly and severally liable for \$4,632,355.
- A director was prosecuted for falsely claiming more than \$200,000 in GST refunds. As the sole director of a property development firm, the director claimed to be involved in constructing a high-rise apartment building. Further investigation proved the director did not own the land and had not submitted any development applications for the site. A range of non-capital expenses were falsely claimed. The defendant was sentenced to 3 years jail to be immediately released on a recognisance release order, and a 3-year good behaviour bond of \$5,000. An order was made to repay the full amount.

Prosecution cases of note completed by the ATO

- A concreter was convicted for failing to comply with a court order to lodge 30 BAS and 9 income tax returns. The person was sentenced to 6 months jail (suspended immediately), and to be of good behaviour for a period of 2 years.
- An internet provider was convicted for failing to comply with court orders pursuant to the *Taxation Administration Act 1953* to lodge 38 BAS and 12 income tax returns. The person was sentenced to 7 months jail (suspended immediately). A recognisance amount of \$2,000 was fixed with a 2-year good behaviour bond. A further order to lodge the outstanding returns was made for 12 months.

5. GST Compliance Program

The GST Compliance Program was established in 2010 and following subsequent renewals, now contributes a significant proportion of all GST administration results, returning approximately \$14 billion in GST revenue to the states and territories through to June 2022.

In 2019, the ATO was provided additional funding through to June 2023, to provide the resourcing needed to ensure program objectives are met. The following summarises the 2021–22 financial outcomes for the current compliance program objectives:

- 1. Taxpayers are correctly registered** – Registration checks resulted in \$40.9 million in additional GST liabilities for the year, exceeding the planned commitment of \$13.8 million. Coverage to ensure clients were correctly registered was achieved. This strategy has detected and deregistered fraudulent clients from the GST system.
- 2. Correct reporting is focused on tackling refund exploitation and dealing with systematic or deliberate under-reporting of GST** – Compliance activities raised \$2,009.6 million in 2021–22, exceeding the target of \$317.2 million. This strategy has maintained a strong focus on pre-issue reviews for high-risk GST refunds and detecting fraudulent behaviours. New analytical risk models, the development of which were also funded via the program, were implemented during 2021–22 and have been highly successful in detecting a wider range of suspect refunds and fraud, further protecting GST revenue.

- 3. Large businesses pay the right amount of GST**

– Assurance programs are continuing to build and maintain community confidence that taxpayers are paying the right amount of GST. Revenue commitments were met, with \$146.4 million raised this year against a planned commitment of \$137.6 million.

- 4. More direct contact between the ATO and non-lodgers**

– Lodgment compliance activities raised \$743.0 million against the planned commitment of \$381.8 million.

- 5. More direct contact between the ATO and taxpayers with a GST debt**

– GST debt recovery activities returned \$782.1 million against an annual commitment of \$250.5 million. Collectable debt, in particular small business collectable debt, is a continuing priority for the ATO.

These objectives are managed through 12 strategies, outlined in the GST Compliance Program 2019–23 bid papers.

In 2021–22, GST compliance and lodgment enforcement activities raised total liabilities of \$2,940.0 million, exceeding the commitment of \$850.4 million by \$2,089.6 million. This was considerably above normal years' results and was driven by Operation Protego, linked with our correct reporting strategy, and supported by the development of new generation risk models.

The strategies and compliance liabilities raised within the objectives are detailed in the table below.

Table 10: GST Compliance Program strategies and liabilities raised

Strategy number	Key objective	Strategy description	GST \$m
1, 11	4	Lodgment compliance activities to ensure taxpayers that are required to lodge are lodging, promoting fairness and confidence in the system; to address declining performance of quarterly BAS lodgment, predominately for the small and micro segments.	743.0
3	1	Ensure taxpayers are correctly registered in key risk areas such as GST registrations, deferred GST, and associated account integrity.	40.9
4	2	E-audit capabilities to more efficiently and effectively analyse taxpayer-provided data.	59.2
5	2	Correct reporting tackling refund exploitation to detect, address and deter GST incorrect reporting and GST refund fraud.	1,889.1
6(a)	2	Detect and deal with the most egregious taxpayers who seek to hide or avoid GST to obtain an unfair advantage.	61.3
6(b)	5	Investigations and prosecutions action that sends a strong message to the community of the high risk of being detected and the consequences of non-compliance behaviour.	–
7	5	Dispute resolution leading to the prevention or early resolution of disputes under objection.	–
8	All	Risk and strategy resourcing to assess risk to the GST system and determine the most appropriate strategies for the resources available.	–
9	All	Program management, effectiveness, and GST gap research to better understand influences on the GST gap and international benchmarking across jurisdictions.	–
10	2	Improve risk models to take advantage of technology and better use of data.	–
12	3	Large business compliance to provide greater assurance that large public, multinationals and private businesses are meeting their GST obligations.	146.4
Total			2,940.0
2	5	Prevent and reduce GST debt arising from Compliance Program outcomes achieved.	782.1

6. GST advice and dispute management

Advice and guidance

We offer private and public advice and guidance to help our clients understand their GST obligations, ensure a level playing field and address GST risks.

Key advice topics in 2021–22 included:

- GST international and cross-border
- core provision/special rules
- real property transactions
- food classification
- financial supplies
- GST registration.

In 2021–22, 602 GST-related private ruling requests were finalised, with 96% finalised within 28 calendar days of receiving all the necessary information. This exceeded the service standard of 80%.

There were 3,286 guidance cases completed in 2021–22, a decrease of 17% from last year and continuing a long-term decline since 2017–18.

The decline in the number of our published guidance products reflects our shifting priorities during COVID-19, and the volume of timely and targeted practical advice published on ato.gov.au.

We have continued to provide practical advice with a one-to-many focus through newly developed website guidance, including:

- digital currency
- social media content creators
- GST treatment of nutritional supplements, wound care, and analgesic products.

To assist clients and intermediaries, we continue to review and enhance our web guidance.

Table 11: GST-related advice and guidance

	2017–18 no.	2018–19 no.	2019–20 no.	2020–21 no.	2021–22 no.
Finalised GST-related private ruling requests	840	641	565	614	602
Completed GST-related guidance cases	5,492	4,712	3,966	3,941	3,286

The following public advice and guidance was progressed in 2021–22:

- Amendments to GSTR 2004/7 *Goods and services tax: in the application of items 2 and 3 and paragraph (b) of item 4 in the table in subsection 38-190(1) of the A New Tax System (Goods and Services Tax) Act 1999* (GST Act).
 - when is a 'non-resident' or other 'recipient' of a 'supply not in Australia when the thing supplied is done'?
 - when is 'an entity that is not an Australian resident' 'outside Australia when the thing supplied is done'?
- Finalisation of GSTD 2021/2 *Goods and services tax: adjustable beds, pressure management mattresses and pressure management overlays*.
- Consultation in relation to Draft GSTD 2021/D2 *Goods and services tax: is the supply of a burial right in respect of a public cemetery subject to GST?*

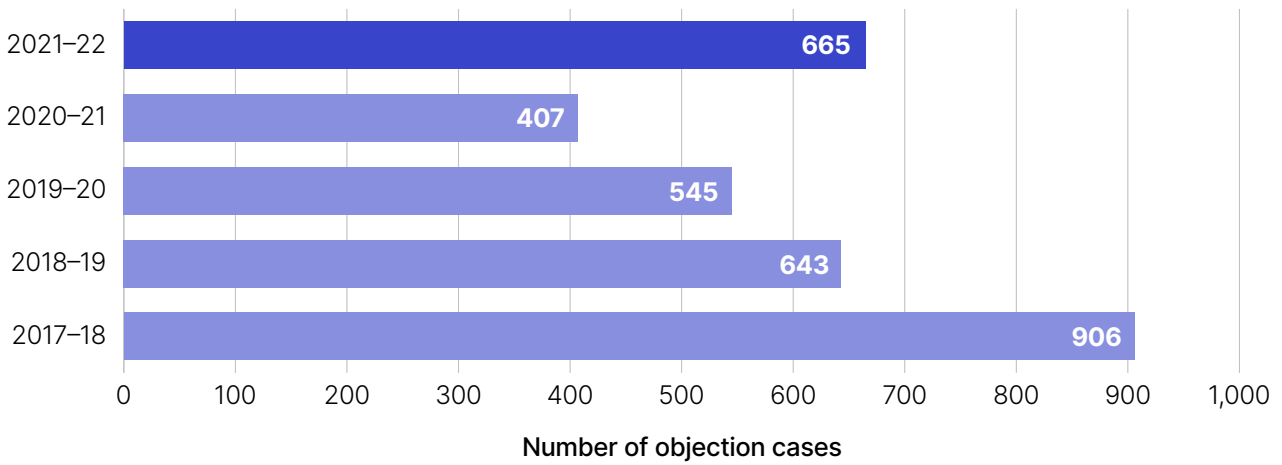
Dispute management

GST objections

The majority of the 665 GST objections received in 2021–22 related to audit activity undertaken by the ATO and is a significant increase (over 60%) from the previous year.

This is attributable to the audit activity related to Operation Protego and its focus on GST refund integrity. Most GST objections came from small businesses.

Figure 9: Number of objection cases created



There were 535 GST objections finalised in 2021–22, a decrease of 34% from 2020–21. This decrease is due to a large cluster of self-objections (not related to audit activity) on a specific issue that were finalised in 2020–21. The prominent issues in 2021–22 relate to pre-issue refund integrity audit activity, overpaid GST and small business GST registration.

To assist clients who have been affected by natural disasters and COVID-19, the ATO has designed specialised pathways to prioritise GST objections where a positive financial outcome for the client is likely.

Table 12: GST dispute management

	2017–18 no.	2018–19 no.	2019–20 no.	2020–21 no.	2021–22 no.
Audit to objection rate (per thousand)	76	52	95	56	11*
Audit to audit-related objection (per thousand)	–	–	62	37	9*
Objection cases resolved (number)	774	591	512	813	535
Allowed in full	207	165	108	104	88
Allowed in part	173	108	91	97	28
Disallowed	178	121	125	405	172
Either withdrawn following initial contact, or invalid and unable to be altered to be treated as valid objections	216	197	188	207	247
Objections which result in litigation (per thousand)	65	108	117	49	88
GST litigation cases completed (number)	59	45	52	52	63
Favourable	6	6	11	6	12
Partly favourable	1	1	–	1	2
Unfavourable	3	2	2	4	4
Conceded (whole or in part)	5	18	22	9	6
Settled	8	4	4	20	20
Withdrawn by taxpayer	17	9	11	9	16
Dismissed by court or AAT	16	4	2	3	3
Other	3	1	–	–	–

Notes: The process for identifying GST-related objections changed in 2020–21 to capture all GST-related work items more accurately. The new methodology identifies any case where GST is in dispute; not just where it is the primary revenue product in dispute.

* In 2021–22, the audit to objection rates decreased substantially. This is due to the increase in the number of audits following the commencement of Operation Protego and the recommencement of firmer action. In 2020–21, 7,304 audits were finalised with a financial adjustment, compared to 61,439 in 2021–22.

GST litigation

At 30 June 2022, there were 77 current Part IVC litigation cases, a 15% decrease from 30 June 2021. This continues the downward trend in the number of cases on hand and represents a 31% decrease in cases over the past 2 years. This can largely be attributed to a decrease in cases containing substantiation issues, namely cases dealing with evidentiary matters relating to the extent of taxable supplies and entitlement to input tax credits.

The number of cases settled this year by the Commissioner decreased to 32% of all finalised cases, compared to 37% in 2020–21. This reflects the ATO's concerted effort to adopt alternative dispute resolution options where appropriate and ensure the right cases are being litigated.

The number of cases conceded in whole or in part by the Commissioner has declined, from 18% of all finalised cases in 2020–21, to 10% in 2021–22. This is due to an ongoing commitment to improve the quality of decisions.

Table 13: Strategic case decisions

Matter	Issue and decision
<p><i>Commissioner of Taxation v Burswood Nominees Limited as trustee for the Burswood Property Trust</i> [2021] FCAFC 151</p>	<p>On 20 August 2021, the Full Federal Court (FFC) allowed the Commissioner’s appeal in a unanimous decision. The FFC confirmed the Commissioner’s position that payments of commissions and rebates by the taxpayers to junket tour operators are a fee for service and should not be included in the total amounts wagered.</p> <p>On 13 May 2022, the High Court refused to grant special leave to the taxpayers in this case.</p>
<p><i>WYPF v Commissioner of Taxation</i> [2021] AATA 3050</p>	<p>This case sought to test the Commissioner’s view on the GST treatment of development leases in the ACT and also dealt with refund of excess GST issues.</p> <p>The Administrative Appeals Tribunal (AAT) handed down a partly favourable decision on 25 August 2021. The AAT confirmed the Commissioner’s view that the building works were not consideration for the applicant’s acquisition of the Crown leases. However, contrary to the Commissioner’s view, the AAT concluded that the excess GST that had been paid in relation to preparatory works had not been passed on by the taxpayer to purchasers, and that the taxpayer was entitled to a refund of the excess GST paid.</p>
<p><i>Ian Mark Collins & Mienke Mianno Collins ATF The Collins Retirement Fund and Commissioner of Taxation</i> [2022] AATA 628</p>	<p>The AAT handed down a favourable decision on 4 April 2022. The decision is precedential and deals with important issues in the context of GST turnover and the sale of subdivided land.</p> <p>The AAT determined that the sales of the land the applicant caused to be subdivided were not supplies of capital assets and were to be included in the applicant’s turnover. The AAT found that the applicant was required to be registered for GST at the time the sales occurred and as such, the applicant was liable to GST on the sales.</p>
<p><i>Landcom v Commissioner of Taxation</i> [2022] FCA 510</p>	<p>On 9 May 2022, the Federal Court handed down an unfavourable decision.</p> <p>The Court found the Commissioner’s private ruling was a valid ruling under the TAA. The Court had jurisdiction to hear the matter even though the applicant was a state entity and the matter ruled on related to notional GST. The Court also found the margin scheme provisions applied separately to each individual freehold interest that was part of the supply.</p> <p>The Commissioner has appealed the margin scheme issue to the FFC but has not appealed the jurisdiction issue.</p>

Other significant case concluded

Three related Federal Court appeals against unfavourable private rulings in relation to a GST liability arising out of an agreement, known as an Indigenous Land Use Agreement (ILUA). Under the Native Title Act 1993, an ILUA is an agreement where native title holders consent to the doing of future acts which affect native title.

The applications related to the GST treatment of certain monetary and non-monetary benefits provided by the Commonwealth of Australia under the ILUAs. The Commissioner conceded these cases and now accepts that the consents granted under the ILUAs were not granted in the course or furtherance of an enterprise that was being carried on by each of the applicants.

7. Department of Home Affairs

The Home Affairs portfolio, including the Australian Border Force (ABF), is responsible for the collection of customs duty and other indirect taxes including GST at the border. Home Affairs also administers the deferral of GST on imported goods for registered importers under the GST Deferral Scheme.

Highlights for 2021–22 include:

- \$5.7 billion GST collected and \$36.4 billion deferred GST on imported goods – representing a total GST liability assessed of \$42.1 billion
- 4.4 million import declarations and self-assessed clearance declarations processed
- 1.3 million export declarations cleared
- 138,000 Tourist Refund Scheme (TRS) claims, of which 98.3% were approved, resulting in claims paid of \$47.2 million.

Compliance program

Australia's prosperity is driven by open access to a global market where goods can move freely across borders.

The ABF:

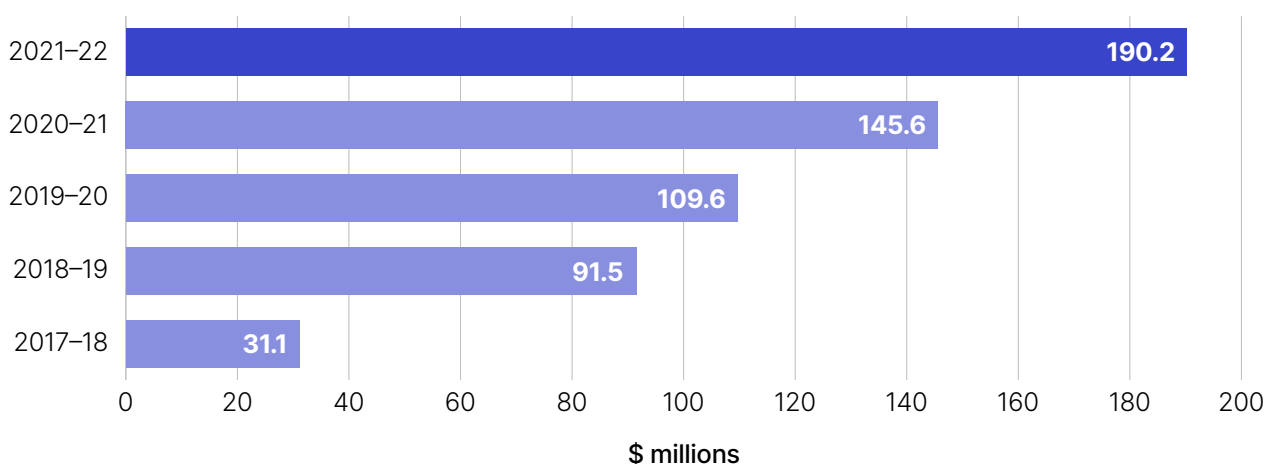
- maintains the integrity of Australia's trade system through border management and aviation and maritime security
- facilitates cross-border trade and travel
- leads the Australian Government's customs and border activities – delivering seamless, secure and digitally-enabled systems and services
- monitors the changing operational environment, including the possibility of criminals seeking to import vaccinations (legitimate, counterfeit or fake) illegally.

To date, there have been no detections of counterfeit, fake or diverted COVID-19 vaccines at the Australian border.

The ABF's Operation Hangfire helped expedite and clear more than 5.8 million legitimate COVID-19 vaccine doses across the Australian border – upholding the integrity of the Australian COVID-19 vaccination strategy.

In 2021–22, Home Affairs compliance activities identified a total of \$190.2 million in GST understatements.

Figure 10: GST understatements



There was \$125 million in voluntary disclosures. Voluntary disclosure cases rely upon self-reporting. Fluctuations in the number and value from quarter to

quarter are common. Reported values are not indicative of seasonal trends, operational tempo and are not a predictor of future trends.

Tourist Refund Scheme

As COVID-19 continued, the restrictions on international travel were maintained for a large portion of 2021–22. Tourist Refund Scheme (TRS) claims increased to 138,000, resulting in payments of \$47.2 million to travellers; compared to 50,000 claims resulting in payments of \$21.2 million in 2020–21. It should be noted that this is still a significant reduction when compared to pre-COVID results.

An upgrade to the TRS mobile application has progressed and is on track to be delivered for user testing. The upgraded application will improve the user experience.

2018–19 Australian National Audit Office audit of the TRS

The final recommendation to conduct an exercise to measure revenue compliance and leakage was delayed due to limited international passenger numbers before being undertaken mid-year. The results are being compiled with a view to reporting to government in late 2022.

Performance report

This section of the report provides information on our performance outcomes under the [GST Administration Performance Agreement](#). Table numbers reflect the location within the agreement. Data for prior years is published on [ato.gov.au](#).

Schedule A: Performance outcome measures

[Schedule A](#) of the Performance Agreement relates to our performance outcome measures, detailed in 4 major sections of the agreement. Our results against these are provided in the tables below. Note that figures may vary slightly due to rounding.

Maintain compliance

Core indicators

1. Revenue outcome

Table 1a: GST revenue outcome

	2017–18 \$b	2018–19 \$b	2019–20 \$b	2020–21 \$b	2021–22 \$b
Total GST revenue (accrual)	64.7	66.7	66.7	72.6	76.0
Total GST revenue (cash)	63.1	65.2	60.2	73.1	73.6
GST revenue Home Affairs cash (net)	3.9	4.2	4.2	4.8	5.7

Note: The total GST revenue amount excludes non-GIC penalties. GST accrual revenue is provided using the tax liability method (TLM). Under the TLM basis, GST revenue is defined as being the earlier of the cash payment being received or the associated liability being recognised.

2. Trend in GST gap

Table 2a: Estimated GST gap (value)

	2017–18 \$b	2018–19 \$b	2019–20 \$b	2020–21 \$b	2021–22 \$b
Estimated GST gap (including non-pursuable debt)	4.0	4.6	5.4	4.3	4.1
Estimated GST gap (excluding non-pursuable debt)	3.3	3.9	4.6	2.9	2.5

Table 2b-c: Estimated GST gap

	2016–17 %	2017–18 %	2018–19 %	2019–20 %	2020–21 %
Net GST gap (excluding non-pursuable debt) – percentage of theoretical revenue	5.4	6.0	7.0	4.5	3.7
Net GST gap (including non-pursuable debt) – percentage of theoretical revenue	6.3	6.8	7.7	6.3	5.9

3. GST debt

Table 3a: GST debt outstanding

	2017-18 \$b	2018-19 \$b	2019-20 \$b	2020-21 \$b	2021-22 \$b
Total GST debt outstanding	5.5	5.7	10.2	10.7	12.3
GST collectable debt	4.0	4.3	7.9	8.8	10.4
Insolvent debt	–	–	–	1.6	1.8
Disputed debt	–	–	–	0.3	0.1

Note: Collectable debt is debt for which there is no impediment to collection – it is not subject to objection, appeal, or to some form of insolvency administration. Insolvent and disputed debt data are only available from 2020-21.

Table 3b: Ratio of collectable debt to GST revenue

	2017-18 %	2018-19 %	2019-20 %	2020-21 %	2021-22 %
Debt collection rate – TLM accrual	6.2	6.4	11.8	12.1	13.6
Debt collection rate – cash	6.3	6.6	13.1	12.0	14.1

Note: The debt collection rate is calculated using the GST collectable debt amount as a percentage of 12-month rolling GST (TLM accrual or cash) collections. This is a measure used by revenue agencies to gauge their relative effectiveness in managing their debt holdings.

Supplementary debt indicators

Table 3c: GST debt non-pursuit

	2017-18 %	2018-19 %	2019-20 %	2020-21 %	2021-22 %
GST debt non-pursuit to total GST debt	26.8	23.8	4.3	5.1	5.4
GST debt non-pursuit to GST revenue	2.3	2.1	0.7	0.7	0.9

Notes: GST debt non-pursuit – this measure is calculated using GST debt non-pursuit as a proportion of total GST debt. GST debt non-pursuit to GST revenue – this compares GST debt non-pursued to GST revenue (cash). Identifying non-pursuits helps ensure we are focusing our debt collection activities on the right cases by removing those where we are either prevented by law from pursuing recovery (irrecoverable at law) or where recovery is unviable (uneconomical to pursue).

Table 3d: GST on-time payment rate

	2017-18 %	2018-19 %	2019-20 %	2020-21 %	2021-22 %
GST payments made on time	75.1	75.3	76.3	73.0	70.4
Value of GST paid on time	88.4	88.7	86.5	85.9	85.8

Notes GST payments made on time measures the compliance level for GST payments and is calculated as the number of GST payments paid on time divided by the total number of GST payments due. A decline in the GST on-time payment rate in 2021-22 reflects the ATO's COVID-19 response of encouraging clients to lodge even if they could not pay, keeping them engaged in the system. The value of GST paid on time measures the compliance level for GST payments and is calculated as the value of GST payments paid on time divided by the total value of GST payments due.

Table 3e: Ageing of GST debt – number of BAS debit assessments

	2017–18 no.	2018–19 no.	2019–20 no.	2020–21 no.	2021–22 no.
GST debt aged < 30 days	–	–	756,500	181,100	113,700
GST debt aged 30–59 days	–	–	274,600	236,600	247,100
GST debt aged 60–89 days	–	–	56,700	35,200	68,900
GST debt aged 90 days to one year	–	–	688,900	613,600	812,100
GST debt aged > one year	–	–	778,500	1,142,100	1,260,800
Total GST debit assessments	–	–	2,555,200	2,208,600	2,502,700

Note: Figures reported for 2019–20 and onwards are derived from a new reporting source due to transition to a single accounting system. A GST debt may appear in multiple age ranges where the client owes amounts relating to multiple assessments. Total GST debt aged represents the number of activity statement accounts multiplied by a GST attribution rate.

Table 3f: Ageing of GST debt – value

	2017–18 \$m	2018–19 \$m	2019–20 \$m	2020–21 \$m	2021–22 \$m
GST debt cases aged <30 days	441.1	426.3	1,006.3	835.4	905.4
GST debt cases aged 30–59 days	558.9	564.3	1,704.6	1,270.2	1,351.9
GST debt cases aged 60–89 days	109.1	129.1	470.2	248.0	340.8
GST debt cases aged 90 days to one year	1,406.2	1,510.8	2,700.7	2,745.0	3,711.8
GST debt cases aged >one year	1,484.5	1,639.0	1,987.2	3,667.8	4,055.7
Total GST debt value	3,999.7	4,269.5	7,869.0	8,766.4	10,365.6

Note: Figures reported for 2019–20 and onwards are derived from a new reporting source due to transition to a single accounting system. Age of debt is determined by the latter of the processed date or the effective date of the transaction(s).

4. Cross-border services and goods

Table 4a: Digital products and services new registrants

	2017–18 no.	2018–19 no.	2019–20 no.	2020–21 no.	2021–22 no.
Digital products and services – new registrants	425	170	90	125	130

Note: Number of registrants applies to taxpayers active as at 4 August 2022. Registration year is a taxpayer's effective registration start date; that is, the time they declare they should be registered from, not the actual date they apply for registration.

Table 4b: Value of digital products and services GST

	2017–18 \$m	2018–19 \$m	2019–20 \$m	2020–21 \$m	2021–22 \$m
Total value of digital products and services GST	410	470	545	690	750
Value of digital products and services GST (sum of top 20 payers)	315	360	410	530	565

Note: All figures have been rounded to the nearest \$5m. The 2017–18 and 2018–19 net revenue figures for the imported services and digital products measure were revised due to some taxpayers lodging late.

Table 4c: Low value imported goods new registrants

	2017–18 no.	2018–19 no.	2019–20 no.	2020–21 no.	2021–22 no.
Low value imported goods – new registrants	135	975	135	160	155

Note: Number of registrants applies to taxpayers active as at 4 August 2022. Registration year is a taxpayer's effective registration start date; that is, the time they declare they should be registered from, not the actual date they apply for registration.

Table 4d: Value of low value imported goods GST

	2018–19 \$m	2019–20 \$m	2020–21 \$m	2021–22 \$m
Total value of low value imported goods GST	365	415	475	535
Value of low value imported goods GST (sum of top 20 payers)	230	265	310	365

Note: GST administration of low value imported goods commenced on 1 July 2018. All figures have been rounded to the nearest \$5m. The 2018–19 net revenue figures for the imported services and digital products measure were revised due to some taxpayers lodging late.

Client engagement outcomes

Core indicators

Table 5a(i): GST compliance liabilities raised by client experience. Cash collections on those liabilities in the financial year, cash collection rate within the year, and total cash collections

	GST compliance liabilities \$m	Within year compliance cash collection \$m	GST cash collection rate %	Total compliance cash collections \$m
Small business	4,071	2,924	71.8	3,189
Privately owned and wealthy groups	848	639	75.5	785
Public and multinational businesses	472	406	86.1	427
Not-for-profit	-9	-20	-	-14
Other	26	22	83.8	27
Total	5,407*	3,971	73.4	4,414

Notes: Compliance liabilities are the net value of debit and credit amendments from active compliance intervention and exclude penalties and interest. Due to the running balance account, collections are determined using a combination of actual collections and estimates of collections based on sampling. The cash collection rate from client engagement activities is based on those collections within the year that relate to the liabilities raised in that year only. Total cash collections (excluding penalties and interest) are estimated within the year and can include collections that relate to compliance liabilities raised from previous years.

* This includes GST liabilities of \$2,226 million relating to Operation Protego (GST refund fraud), which includes \$1.7 billion stopped prior to issue. These liabilities are included against the small business market, notwithstanding they are not considered to be genuine small business.

Table 5a(ii): GST compliance liabilities raised by industry. Cash collections on those liabilities in the financial year, cash collection rate within the year, and total cash collections

	GST compliance liabilities \$m	Within year compliance cash collection \$m	GST cash collection rate %	Total compliance cash collections \$m
Construction	1,690	1,226	72.6	1,391
Administrative and Support Services	559	421	75.4	441
Professional, Scientific and Technical Services	456	332	72.8	376
Financial and Insurance Services	449	334	74.4	355
Rental, Hiring and Real Estate Services	261	199	76.1	235
All Other	1,992	1,459	73.2	1,618
Total	5,407*	3,971	73.4	4,414

Notes: Compliance liabilities are the net value of debit and credit amendments from active compliance intervention and exclude penalties and interest. Due to the running balance account, collections are determined using a combination of actual collections and estimates of collections based on sampling. The cash collection rate from client engagement activities is based on those collections within the year that relate to the liabilities raised in that year only. Total cash collections (excluding penalties and interest) are estimated within the year and can include collections that relate to compliance liabilities raised from previous years.

* This includes GST liabilities of \$2,226 million relating to Operation Protego (GST refund fraud), which includes \$1.7 billion stopped prior to issue.

Table 5b: Strike rate by client experience

	2017-18 %	2018-19 %	2019-20 %	2020-21 %	2021-22 %
Small business	–	–	–	87	95
Privately owned and wealthy groups	–	–	–	66	62
Public and multinational businesses*	–	–	–	75	53
Not-for-profit*	–	–	–	81	35
Other	–	–	–	85	92
Overall	69	79	80	86	94

Note: The strike rate (percentage of cases leading to re-assessment) is an OECD measure that can indicate the effectiveness of case selection in detecting non-compliance. Strike rate was reported by client experience for the first time in 2020-21.

* The strike rate for client experiences with low case numbers can fluctuate dramatically from one reporting period to the next.

Table 5c(i): Refund integrity active compliance liabilities raised by client experience

	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m
Small business	–	–	–	374	2,688
Individuals	–	–	–	18	388
Privately owned and wealthy groups	–	–	–	66	86
Public and multinational businesses	–	–	–	19	23
Not-for-profit	–	–	–	4	10
Other	–	–	–	2	2
Total	352	506	306	484	3,198*

Note: Refund integrity active compliance liabilities raised was reported by client experience for the first time in 2020-21.

* This includes GST liabilities of \$2,226 million relating to Operation Protego (GST refund fraud), which includes \$1.7 billion stopped prior to issue. These liabilities are included against the small business market, notwithstanding they are not considered to be genuine small business.

Table 5c(ii): Refund integrity strike rate by client experience

	2017-18 %	2018-19 %	2019-20 %	2020-21 %	2021-22 %
Small business	–	–	–	95	98
Individuals	–	–	–	98	97
Privately owned and wealthy groups	–	–	–	74	70
Public business and multinational*	–	–	–	85	50
Not-for-profit*	–	–	–	92	36
Other*	–	–	–	92	40
Overall	68	77	85	94	97

Notes: This measure applies to cases where a refund has been held by the ATO. Significant costs are incurred by both government and business because of the time lag involved when a refund is stopped; for example, delayed cash flows and GST administration costs. When considered over time, this measure will indicate if improvements have been made to the ATO's risk-based audit selection strategy. Strike rate was reported by client experience for the first time in 2020-21.

* The strike rate for client experiences with low case numbers can fluctuate dramatically from one reporting period to the next.

Table 5d: Compulsory GST registrations compared to potential GST registrations

	2017-18 %	2018-19 %	2019-20 %	2020-21 %	2021-22 %
Compulsory GST registrations compared to potential GST registrations based on income tax returns data	95.1	95.1	94.9	94.7	93.7

Note: We are comparing the number of entities that declare business income (in excess of \$75,000) in their income tax returns with the number of compulsory registrants. This indicator is reported one year in arrears due to reliance on corresponding income tax data.

Table 5e: BAS lodgment

	2017-18 %	2018-19 %	2019-20 %	2020-21 %	2021-22 %
Lodged (monthly)	93.4	93.0	90.8	89.9	88.9
Lodged (quarterly)	85.4	85.6	82.3	81.9	80.9
Total BAS lodged (including annual BAS)	87.7	87.7	84.6	84.1	83.1
Lodged on time (monthly)	83.7	83.4	81.8	78.5	76.1
Lodged on time (quarterly)	73.9	73.1	71.0	67.3	67.9
Total BAS lodged on time (including annual BAS)	76.6	76.0	74.0	70.3	70.1

Note: This measure has 2 components – the first measures the percentage of BAS lodged at a given time (30 June in each respective year), while the second measures the percentage lodged on time.

Table 5f: Return on investment from compliance activities

	2017–18	2018–19	2019–20	2020–21	2021–22
Return on investment – BAU (ratio)	–	–	7.0:1	7.9:1	10.4:1
Return on investment – GST Compliance Program (ratio)	–	–	15.5:1	11.3:1	30.1:1*

* This includes GST liabilities of \$2,226 million relating to Operation Protego (GST refund fraud), which includes \$1.7 billion stopped prior to issue.

Supplementary client engagement indicators

Table 6a: Voluntary compliance ratio by number of taxpayers

	2016–17 %	2017–18 %	2018–19 %	2019–20 %	2020–21 %
Voluntary compliance ratio by number of taxpayers (strict)	44.8	43.8	44.7	29.7	26.5
Voluntary compliance ratio by number of taxpayers (relaxed)	79.2	78.6	82.7	78.3	75.3

Note: The strict VCR does not give any consideration to minor unintentional late payments or lodgments.

The relaxed VCR adjusts for:

- taxpayers who have no total business income in the year; that is, a nil BAS
- taxpayers who are only considered non-compliant due to a single BAS lodged late and/or a single late payment.

Table 6b: Voluntary compliance ratio by value of GST

	2016–17 %	2017–18 %	2018–19 %	2019–20 %	2020–21 %
Voluntary compliance ratio by value of GST	81.6	82.3	81.9	74.6	73.8

Table 6c: GST total revenue effects

		2017–18 \$m	2018–19 \$m	2019–20 \$m	2020–21 \$m	2021–22 \$m
Excluding penalties and interest	Audit actions/incorrect claims stopped	1,447	1,223	1,070	1,132	3,389
	Lodgment actions	1,205	1,350	1,221	702	1,025
	Preventative actions and sustained compliance	165	253	370	426	390
	Sustained lodgment compliance	696	707	477	370	224
	Total	3,512	3,533	3,139	2,631	5,028
Including penalties and interest	Audit actions/incorrect claims stopped	1,513	1,244	1,162	1,157	3,451
	Lodgment actions	1,308	1,408	1,264	727	1,052
	Preventative actions and sustained compliance	165	253	370	426	390
	Sustained lodgment compliance	696	707	477	370	224
	Total	3,682	3,612	3,273	2,679	5,117

Notes: Audit yield is now broken down into the categories of audit actions, incorrect claims stopped and lodgment actions. Total revenue effects categorisations were updated in 2021–22. Audit actions and incorrect claims stopped was previously categorised as audit yield. Preventative actions and sustained compliance were previously categorised as wider revenue effects. Lodgment actions and sustained lodgment compliance were not previously separately reported in this table but were included across the audit yield and wider revenue effect categories. Results for previous years have been retrospectively split into these new categories for comparative purposes.

Table 6d: Tax assured – proportion of the GST base where the ATO has justified trust that the amount of GST is correct

	2016–17 %	2017–18 %	2018–19 %	2019–20 %
Tax assured – proportion of the GST base where the ATO has justified trust that the amount of GST is correct	1.2	8.1	5.8	1.1

Supplementary dispute resolution indicators

Table 7a: Number of objection cases created

	2017–18 no.	2018–19 no.	2019–20 no.	2020–21 no.	2021–22 no.
Number of audit-initiated objection cases created	–	–	421	267	528
Number of client-initiated objections created	–	–	124	138	137
Other	–	–	–	2	–
Total number of objections created	906	643	545	407	665

Note: The process for identifying GST-related objections improved in 2020–21 so as to capture all GST-related work items. Previously only cases where GST was the primary revenue product in dispute were included.

Table 7b: Number of objection cases resolved

	2017-18 no.	2018-19 no.	2019-20 no.	2020-21 no.	2021-22 no.
Number of audit-initiated objection cases resolved	–	–	–	426	413
Number of client-initiated objections resolved	–	–	–	386	122
Other	–	–	–	1	–
Total number of objections resolved	774	591	512	813	535

Table 7c: Audit to objection transition rate

	2017-18 no.	2018-19 no.	2019-20 no.	2020-21 no.	2021-22 no.
Audit to objection transition rate (per thousand)	76	52	95	56	11*
Audit to audit-related objection transition rate (per thousand)	–	–	62	37	9*

* In 2021-22, the audit to objection rates decreased substantially. This is due to the increase in the number of audits following the commencement of Operation Protego and the recommencement of firmer action. In 2020-21, 7,304 audits were finalised with a financial adjustment, compared to 61,439 in 2021-22.

Table 7d: Number of new Part IVC litigation cases

	2017-18 no.	2018-19 no.	2019-20 no.	2020-21 no.	2021-22 no.
First Instance cases created	46	60	60	41	47
Appeal cases created	3	1	3	4	5
Administrative matter cases created	5	5	0	0	0

Note: Part IVC First Instance cases are those where the taxpayer lodges an Administrative Appeals Tribunal or Federal Court application when they are dissatisfied with the Commissioner's objection decision.

Table 7e: Number of new Part IVC litigation resolved

	2017-18 no.	2018-19 no.	2019-20 no.	2020-21 no.	2021-22 no.
First Instance cases resolved	51	42	50	45	59
Appeal cases resolved	2	1	2	5	4
Administrative matter cases resolved	6	2	0	2	0

Table 7f: Proportion of objections to new Part IVC litigation cases

	2017-18 no.	2018-19 no.	2019-20 no.	2020-21 no.	2021-22 no.
Proportion of objections to new Part IVC litigation cases (per thousand)	65	108	117	49	88

Table 7g: Litigation outcomes

	2017–18 %	2018–19 %	2019–20 %	2020–21 %	2021–22 %
Percentage of decisions in courts/tribunals that wholly support the ATO position	60	67	85	55	67
Percentage of decisions in courts/tribunals that partially support the ATO position	10	11	0	9	11
Percentage of decisions in courts/tribunals that wholly support the taxpayer position	30	22	15	36	22

Cost-effective administration

Core indicators

Table 8a: Cost as a percentage of GST revenue

	2017–18 %	2018–19 %	2019–20 %	2020–21 %	2021–22 %
Cost of collection as a percentage of revenue (cash)	1.07	1.01	0.92	0.71	0.87

Note: This measure equates to the cost of collecting \$100 of GST revenue. In 2021–22, the cost of collecting \$100 GST revenue was \$0.87.

Table 8b: Cost per GST registrant

	2017–18 \$	2018–19 \$	2019–20 \$	2020–21 \$	2021–22 \$
Cost per GST registrant	250	232	198	176	201

Note: The calculation is based on total administration costs divided by the total registered active GST client base.

Table 8c: Total registered client base by client experience

	2017–18 million	2018–19 million	2019–20 million	2020–21 million	2021–22 million
Small business	–	–	–	2.40	2.51
Privately owned and wealthy groups	–	–	–	0.40	0.47
Public and multinational businesses	–	–	–	0.08	0.08
Not-for-profit	–	–	–	0.07	0.07
Other	–	–	–	0.12	0.13
Total registered client base	2.75	2.84	2.91	3.08	3.25

Note: This is the total registered population as of 30 June in each respective year. Over time this measure will show how fluid the client base is through GST registrations. Total registered population was reported by client experience for the first time in 2020–21.

Table 9a: Variation of GST administration costs from agreed budget (total administration budget)

	2017-18 %	2018-19 %	2019-20 %	2020-21 %	2021-22 %
Variation of GST administration costs from agreed budget	8.5	10.0	-10.9	-13.4	-3.4

Note: This measure reflects the percentage that the actual GST product cost varies from the agreed budget, as specified in Schedule B. It is reported retrospectively.

Table 9b: Client engagement costs as a percentage of total administration costs

	2017-18 %	2018-19 %	2019-20 %	2020-21 %	2021-22 %
Total client engagement costs as a percentage of total administration costs	48.7	53.4	52.9	57.8	59.7
GST Compliance Program operating costs as a percentage of total administration costs	12.9	12.8	20.2	21.5	18.0

Notes: The percentage is calculated as compliance costs divided by total GST administration costs. GST Compliance Program costs only include operating funding.

Supplementary indicators

Table 9c: Electronic activity statements are finalised in 12 business days

	2017-18 %	2018-19 %	2019-20 %	2020-21 %	2021-22 %
Proportion of electronic activity statements are finalised in 12 business days	99.7	99.7	99.7	99.2	98.7

Note: This is a service commitment. A 94% target applies.

Table 9d: BAS lodgment method – percentage of BAS lodged electronically

	2017-18 %	2018-19 %	2019-20 %	2020-21 %	2021-22 %
Monthly remitters	80.5	83.7	87.4	92.2	93.3
Quarterly remitters	80.7	83.6	88.2	88.4	92.1
Annual remitters	89.1	91.0	91.3	95.0	95.5
Overall	81.0	83.8	88.2	88.9	92.3

Table 9e: Written technical advice

	2017-18 %	2018-19 %	2019-20 %	2020-21 %	2021-22 %
Taxpayer guidance requests are finalised within 28 calendar days of receiving all necessary information	95	97	98	95	90
Private rulings are finalised within 28 calendar days of receiving all necessary information	95	98	98	99	96

Note: This is a service commitment. An 85% target applies for general taxpayer requests and an 80% target applies to private rulings.

Table 9f: Quality of technical advice

	2017-18 %	2018-19 %	2019-20 %	2020-21 %	2021-22 %
Percentage of technical advice cases reviewed that are rated as 'achieved' regarding the accuracy of the technical decision/s	98.5	97.6	94.4	100	97.0

Note: Cases are assessed against 4 criteria: Service, Accountability, Accuracy, and Performance. For 2021-22, 198 cases were sampled.

Table 9g: Registrations

	2017-18 %	2018-19 %	2019-20 %	2020-21 %	2021-22 %
Australian resident Australian Business Registry Services (ABRS) registrations are finalised in 20 business days	99	99	99	99	99

Note: The taxpayer charter standard of 93% target applies. The percentile has remained steady and continued to exceed the target.

Table 9h: BAS filed by intermediaries or tax agents

	2017-18 %	2018-19 %	2019-20 %	2020-21 %	2021-22 %
BAS filed by intermediaries or tax agents	52.5	53.7	55.5	56.6	56.6

Note: This is an international benchmark measure that indicates the usage of tax intermediaries and/or tax agents for filing GST (or value-add) tax returns.

Department of Home Affairs

Table 10a-c: Management of GST revenue collection

	2017-18	2018-19	2019-20	2020-21	2021-22
GST liability assessed (\$b)	32.2	33.3	32.3	33.6	42.1
GST collected (\$b)	3.9	4.2	4.2	4.8	5.7
Total value of Tourist Refund Scheme (TRS) claims paid (\$m)	228.3	256.8	197.6	21.2	47.2

Table 11a-f: Maintain compliance

	2017-18	2018-19	2019-20	2020-21	2021-22
Cost of compliance (\$m)	35.9	35.6	34.2	33.0	37.7
Compliance coverage – TRS (%)	100	100	100	100	100
TRS claims rejected (%)	1.6	3.0	1.6	1.7	1.7
GST adjustments – underpaid GST revenue (\$m)	31.1	91.5	109.6	145.6	190.2
Value of TRS claims rejected (\$m)	3.0	2.5	1.8	0.3	0.4
Total GST adjustments (\$m)	34.0	94.0	111.4	145.9	190.6

Table 12a-k: Cost-effective administration

	2017-18	2018-19	2019-20	2020-21	2021-22
Costs of import processing (\$m)	19.4	20.3	22.6	21.2	28.3
Costs of export processing (\$m)	0.2	0.3	0.2	0.2	0.4
Costs of import and export compliance (\$m)	19.8	18.2	15.6	18.9	20.7
Costs of administering the TRS (\$m)	16.1	17.3	18.6	14.0	16.9
Total costs (\$m)	55.6	56.2	57.0	54.5	66.3
Import declarations processed (million)	4.1	4.2	4.0	4.3	4.4
Export declarations processed (million)	1.4	1.4	1.4	1.3	1.3
Total TRS claims processed (thousand)	1,010	1,071	766	50	138
Total costs as a percentage of total GST liability assessed (%)	0.2	0.2	0.2	0.2	0.2
Total costs as a percentage of total GST collected (%)	1.4	1.3	1.3	1.1	1.2
Compliance yield (ratio)	0.98:1	2.64:1	3.26:1	4.42:1	5.06:1

Schedule B: GST budget and administration activities

This part of the report addresses our performance in relation to [Schedule B](#) of the Performance Agreement. The GST administration cost statement is a special purpose financial report. The statement is prepared using statements of accounting concepts and on an accrual basis.

Program framework deliverables

		2021–22 Actual \$m	2021–22 Schedule B \$m	2022–23 Endorsed estimate \$m
1.1	Policy advice and forecasting	4.2	5.3	5.3
1.2	Design and build administrative solutions	31.2	52.8	53.3
1.3	Input into law design	0.9	1.8	1.8
1.5	Law assurance	0.9	4.3	4.2
1.6–1.7	Cross-agency support and government and stakeholder relations	1.3	4.0	3.9
2.1	Registrations	28.9	32.0	32.2
2.2	Processing and accounts	14.5	35.9	36.2
2.3	Customer service	28.7	31.5	31.5
2.4	Manage payment and debt	82.1	84.1	84.7
2.5	Interpretative assistance	24.4	20.6	20.5
3.1	Marketing and communication	11.3	11.9	11.6
3.4	Client engagement (ATO)	292.5	271.9	271.9
3.4	Client engagement (Home Affairs)	56.0	55.8	56.3
3.5	Compliance intelligence and risk management	41.4	28.3	28.3
5.1	Resolve disputes	23.9	22.7	22.5
5.2	Prevent disputes	2.0	2.0	2.0
Program 2 – Tax Practitioners Board		1.3	6.9	6.9
Program 3 – Australian Business Register		7.4	4.0	3.9
Total		653.0	675.7	677.2

Schedule C: Monitoring and review arrangements

[Schedule C](#) of the Performance Agreement deals with monitoring and review arrangements. It is designed to ensure appropriate alignment of ATO parliamentary reporting responsibilities and reporting responsibilities under the agreement. It also provides an opportunity for the ATO to report information on an ad hoc basis; for example, ATO community surveys.

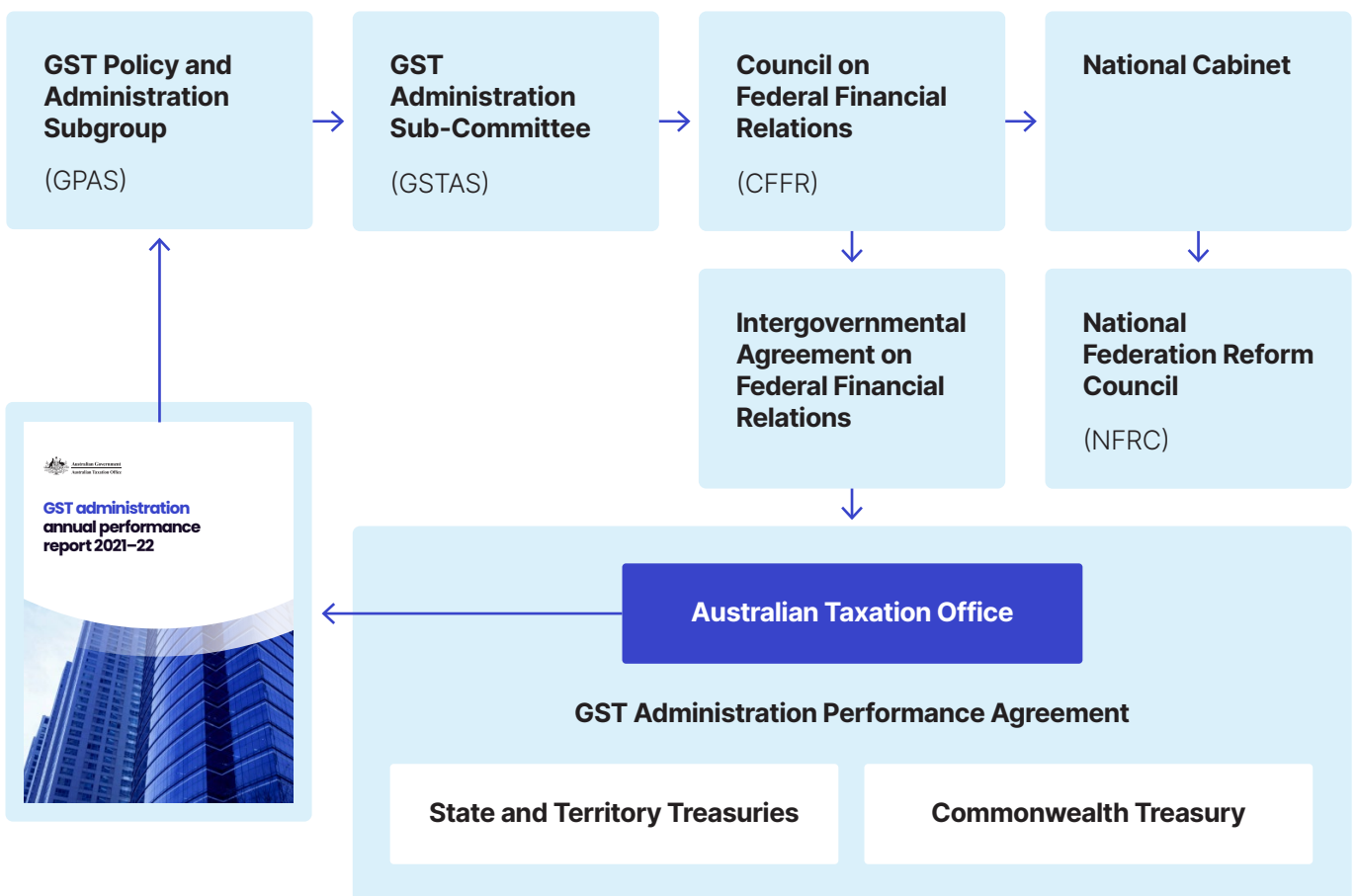
Governance arrangements with federal, state and territory governments

The ATO's responsibilities and formal accountabilities under the framework established by the Council of Australian Governments (COAG) include specific reporting on GST administration.

We report through governance forums, escalating through to the Council on Federal Financial Relations (CFFR). The accountability mechanisms and forums are depicted in Figure 11.

To provide assurance to the CFFR that the ATO is achieving the agreed performance outcomes, the ATO reports to GSTAS (through GPAS) at least twice yearly, in the form of annual and mid-year reports. In addition, the ATO provides a brief quarterly overview for the September and March quarters.

Figure 11: Accountability framework



Governance arrangements within the ATO

As the GST Product Owner, the Deputy Commissioner, Small Business has overall responsibility for the administration of the GST product across the ATO.

The ATO GST Product Committee (GSTPC) provides the highest level of GST product governance via committee. It oversees the strategic direction, effectiveness, efficiency and sustainability of the GST product across the ATO as set out in the Performance Agreement.

The GSTPC is chaired by the Deputy Commissioner, Small Business, and its members include:

- Deputy Commissioners from each business line involved in administering the GST product
- Assistant Commissioner, GST Program, Small Business
- Assistant Commissioner, Corporate Budget and Financial Reporting, ATO Finance.

The GST Program branch provides leadership, governance and assurance to ensure the ATO delivers on the Performance Agreement. This includes a focus on the whole of GST product risk, strategy, capability and resource management.

Audit arrangements

The ATO has arranged for the Australian National Audit Office (ANAO) to conduct an annual special purpose audit of GST costs and the systems for control of GST costs. The ATO will provide a copy of the audit report to GSTAS (through GPAS).

Client and community confidence

Throughout 2021–22, our focus on building trust and community confidence has continued. Regular research has been conducted to measure the level of confidence the general community and clients who have recently interacted with us have in the ATO. A score of 50 indicates a neutral response, with higher numbers indicating a favourable opinion (and lower numbers representing less favourable views). Our target is 65.

The overall result for client and community confidence for 2021–22 was 66 (compared to 68 in 2020–21).

GST complaints

The ATO continues to focus on improving the experience of our clients.

Complaints provide valuable insights that help to enhance our services. In 2021–22, we received 264 complaints relating to GST, compared to 61 in 2020–21. Of the 264 complaints, 179 were associated with Operation Protego.

The majority of complaints were in relation to:

- processing and timeliness of GST audits
- the outcome of GST audits being either disputed by the clients, or requesting to have further substantiation considered
- claims of hardship relating to financial institutions that have frozen suspected fraudulent amounts in bank accounts.

Complaints continue to represent a very small proportion of our interactions with clients. Our service commitment target of 85% was exceeded, with a complaint finalisation result of 88% resolved in 15 business days or within the date negotiated with the client.

Schedule D: Budget measure – GST Compliance Program

[Schedule D](#) of the Performance Agreement – this measure was previously known as the GST Compliance Program ‘Working together to improve voluntary compliance’.

Additional liabilities raised from compliance activities planned

Key objective	2020–21		2021–22	
	Planned \$m	Actual \$m	Planned \$m	Actual \$m
1. Ensure taxpayers are correctly registered	13.1	–	13.8	40.9
2. Ensure correct reporting focused on tackling refund exploitation and dealing with systematic or deliberate under reporting of GST	283.9	509.1	317.2	2,009.6
3. Large market compliance	132.2	178.7	137.6	146.4
4. More direct contact between the ATO and non-lodgers	225.5	410.5	381.8	743.0
Total	654.7	1,098.3	850.4	2,940.0

Additional cash collections from debt activities

5. More direct contact between the ATO and taxpayers with a GST debt	244.4	335.5	250.5	782.1
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Total costs and return on investment of GST Compliance Program

Key objective	2020–21		2021–22	
	Planned	Actual	Planned	Actual
Total costs of the program (as per Budget Papers) (\$m)	115.6	115.6	116.0	116.0

Expected return on investment per compliance sub-program

1. Ensure taxpayers are correctly registered (ratio)	4.0:1	–	4.1:1	12.2:1
2. Ensure correct reporting focused on tackling refund exploitation and dealing with systematic or deliberate under reporting of GST (ratio)	7.1:1	12.8:1	7.9:1	50.2:1
3. Large market compliance (ratio)	7.4:1	10.0:1	7.5:1	8.1:1
4. More direct contact between the ATO and non-lodgers (ratio)	9.1:1	16.6:1	9.5:1	29.9:1

Expected return on investment per debt sub-program

5. More direct contact between the ATO and taxpayers with a GST debt (ratio)	13.3:1	18.3:1	13.6:1	42.4:1
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