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For the ATO the challenges of the tax avoidance scheme era of the late 1970s and early 1980s had shown that more resources had to be put into compliance, with more and better-trained staff, and that had to be matched by creating a better relationship with the taxation industry. Boucher recognized the need for change, and the schemes era provided the burning platform.

The momentum for change quickened with the introduction of self-assessment in 1986. Self-assessment required the ATO to provide taxpayers with assistance in helping them (and their agents) to fulfil their tax responsibilities.

Self-assessment was supported by the introduction of the electronic lodgement system, and also released scarce resources to field activities. These initiatives required the development of new procedures and approaches.

Reactions from taxpayers and their agents to the shift to self-assessment reinforced the need for consistency and certainty in ATO operations. This led to legislative changes to the administrative provisions of the tax law to include new interest, penalty and ruling regimes. These changes were recognized as making the system fairer and more certain for taxpayers.⁷

Today, citizens and non-resident investors seek, above all, consistency and certainty in the application of the tax law by the tax administrators of any country. Binding public ruling and private ruling systems are today regarded as best practice features of modern tax administrations because of the certainty they provide taxpayers and, especially with public rulings, because of the consistency of interpretations that is afforded

increasingly makes use of calculators and other tools to ‘mask’ the underlying complexity of the tax law.

5. A NEW TAX OFFICE FOR A NEW TAX SYSTEM

The impetus for change was not just internally driven. In the late 1990s the government released details of its tax reform package, ‘Tax Reform, not a new tax, a new tax system’¹⁷. The significant aspects of the new system were the introduction of the Goods and Services Tax (GST); an Australian Business Number that would be a single identification number for government to business and business to government activities; a quarterly business activity statement; and pay as you go instalment and withholding systems that replaced previous arrangements.

To manage the introduction of the GST and other measures, the ATO went through yet another cycle of introspection and change under the mantra of ‘A new tax office for a new tax system’.

Responding to change was becoming part and parcel of the way the ATO operated. Over the next decade the ATO responded to major legislative changes, gaining in change management expertise as it learned from experience. For example, the Report to the Treasurer, *Australia’s Future Tax System*¹⁸ resulted in further legislative priorities for the ATO. In an ATO employee engagement survey undertaken in 2011, many staff commented that change in the ATO was business as usual for them.¹⁹

The introduction of the GST in 2000 was a particularly massive challenge for businesses and their agents who struggled to cope with the requirements of the new tax. The confidence of tax agents in the ATO reached a low ebb.

The ATO also felt the strain of implementing what was a politically charged tax package. The implementation of the reform initiatives required new IT systems and major modifications to the ATO’s legacy systems; and it required new processes and procedures, new guidelines and rulings, new educational material for businesses and for other affected taxpayers. A comprehensive communication and marketing strategy was implemented, and the change necessitated significant recruitment and the intensive training of staff.

A major new tax and the difficulties associated with its implementation reduced community confidence in the ATO. Something out of the box needed to be done. But what?

6. LISTENING TO THE COMMUNITY

The ATO looked outside itself for answers. It initiated a ‘Listening to the Community’ program which coalesced around three key objectives:

¹⁷ *A New Tax System* circulated by the Honourable Peter Costello, M.P., Treasurer of the Commonwealth of Australia, August 1998.

¹⁸ Report to the Treasurer, *Australia’s Future Tax System*, December 2009, Commonwealth of Australia, 2010.

¹⁹ An echo of the sentiments in a speech by Commissioner Boucher, *‘We Eat Change for Breakfast.’*

Improved compliance;
 Increased service and certainty; and
 Making people's experience 'easier, cheaper and more personalized'.

In many ways the ambitious, risky and largely self-funded Change Program initiated by Commissioner Carmody was critical to the achievement of each of these objectives. It was intended to be and proved to be a real and substantial reinvention of the ATO. In the words of Commissioner Carmody, it was intended to be transformational for the ATO. On the completion of the Change Program in 2010 it had achieved that objective and laid a firm platform for the future.

7. THE ATO'S CHANGE PROGRAM

The ATO decided to turn the need for new IT into an opportunity, an opportunity to make very significant improvements to its products and services. The goal of the Change Program was to improve services to Australians while streamlining the ATO's operations, and enhancing the ATO's compliance and intelligence capabilities. It was delivered in three major releases, together with other system initiatives:

The Tax Agent Portal provided tax agents with a secure on-line interface with the ATO and revolutionised the relationship between tax agents and the ATO. Subsequently, the Business Portal allowed business to interact with the ATO on-line reducing compliance costs.

Release 1 of the Change Program implemented a client relationship management system that improved client experiences.

Release 2 replaced 187 case management systems with one national and integrated system with work flow capabilities which facilitated effective national risk management and monitoring.²⁰

Release 3 is the largest information technology deployment ever undertaken by the ATO. The new integrated core processing system replaced the ATO's national taxpay(w)5(i)-4(t)-4(d8A-280003 h1t4711008m 1 5t45415003781 t471100(.)] 9(-)-1

The Change Program reshaped the ATO's entire information technology infrastructure by replacing several systems (some 30 years old) with a single integrated information technology platform.

The change program has significantly revolutionised how the ATO develops and delivers its services to its customers ... [it] has provided the ATO with an integrated technology and business delivery capability that provides the basis of future efficiency dividends.²²

External reviews by Aquitaine Consulting²³ and CPT Global Limited²⁴ concluded that the change program realised the following benefits:

over \$150 million annual savings as a result of efficiency gains,
financial benefits to government through use of analytics in increased compliance and prevention of fraudulent refund payments,
ability to deliver new policy changes faster through 'in pattern' changes,
ability to resolve more client contact on 'first call' activities due to improved case management and improved analytics, and
an enhanced ability to pre-fill returns, making it easier for registered tax agents and taxpayers to comply.

The change program also provided a basis for further realisation of benefits, such as improved fraud detection and analytics; greater leveraging of pre-filing opportunities; and the development of front-end user friendly applications to meet the contemporary needs of individuals and businesses.

In terms of scale, size and timeframe, the Change Program is unique in the world. The ATO is positioning itself for organisational capability that other tax administrations aspire to.²⁵

Parliament too recognised the importance of the Change Program for future tax administration:

Overall the Committee was pleased that the investment in the change program was beginning to pay dividends in reducing processing time and in identifying potentially fraudulent claims which would improve the integrity of the system.²⁶

The changes made to the way the ATO operates as a result of the Change Program were pervasive and in their totality provided a platform for innovation and for building comparative advantage for the ATO and Australia.

The pace of innovation did not falter, and even before the Change Program was completed in 2010 the ATO was developing its new *ATO On-line Strategy 2015*

²² CPT Global Limited, 'Report on Release 3 Income Tax', 2010.

²³ Aquitaine Consulting, 'Review of the Benefits from the Change Program', 2010.

²⁴ CPT Global Limited, 'Change program benefits realisation assessment', 2012.

²⁵ Gary Pascoe, CapGemini, 2010.

²⁶ Joint Committee of Public Accounts and Audit, Report 426, Ninth biannual hearing with the Commission of Taxation 23 November 2011, Commonwealth of Australia, 2011.

(designed to improve the community's interface with the ATO and to include tools to further empower taxpayers). The ATO On-Line Strategy focused on online services but was also about championing a digital Australia. The new On-Line Strategy was complemented by a structured program for the on-going enhancement of the ATO's IT capabilities.²⁷ For example, the ATO developed specifications for the extension of *e-Tax* to web-based platforms and worked on the introduction of an Individual's Portal (which could link with whole of government initiatives designed to provide the citizen with a one-stop shop).

Nevertheless, IT platforms on the ATO Bill 2011

improvement and top down and bottom up innovation, to new thinking and new ideas, and to success. Success in turn leads to increased engagement and alignment with organisational goals and values, which in turn spin another cycle of success for the agency and the community.

An important part of this focus on values was the development of personal empathy between tax officers and taxpayers to dissolve the barriers that separated the ATO and the community, as much as possible.³² This was reflected in the ATO Strategic Statement 2010–15 and the associated linkage of proper participation in Australia's tax system with good citizenship.³³

Placing emphasis on the concept of corporate values and on trying to treat people as you would want to be treated yourself supported a culture conducive to the making

intent of the review was to provide a roadmap of progressive implementation of new standards and approaches under the banner of five service commitments:

Helpful and accurate: You help me by giving me accurate information that I can rely on and understand.

Easy to deal with: You make it easy for me to access the services and information I need.

Timely: The time taken in my dealings with you is acceptable to me.

Keep me informed: I am informed of what I need to do and you let me know of status or delays.

Be professional: You are professional because you treat me respectfully, courteously, and you are knowledgeable in my dealings with you.

12. THE 3Cs AND USER-BASED DESIGN

In seeking to make the system easier cheaper and more personalised for taxpayers, the ATO pioneered two closely related concepts:

User- Based Design; and

The 3Cs of ‘consultation’, ‘collaboration’ and ‘co-design’.

Bringing these concepts to life helps to make the tax system easier, cheaper and more personalised for taxpayers.³⁷

The 3Cs became formal elements of the ATO’s 2006–2010 Strategic Statement and were prominent in the values and themes that underpinned the ATO’s 2010–15 Strategic Statement.

As one ATO officer put it:

I think the 3Cs has improved our ability to do this and inspires confidence among those who want to know about what we do...

User-based design allows us to view the world from the taxpayer’s perspective. Using this approach we will get better outcomes because the materials we produce for the community will be written in **their** words not ours, using their thinking and not ours, and fitting with their natural systems, not ours. If we apply these principles, compliance becomes the norm because it is easy.³⁸

³⁷ Commissioner of Taxation, ‘Making a difference - the intent behind our strategic statement 2010 – 2015’, (which accompanied the release of the ATO’s Strategic statement 2010-15).

³⁸ Michael Strong, ATO National Director, Excise Change and Product Management, in Case Study— Improving our products and services through the 3Cs – consultation, collaboration and co-design, in Making it Easier to Comply, ato.gov.au.

These comments illustrate how bringing to life the ATO's corporate values in its 2010–15 Strategic Statement helped to create a community first tax administration.³⁹

13. TAX AGENT ACTION PLAN

In recent years the registration and regulation of tax practitioners in Australia has been strengthened by the introduction of a new national Tax Practitioner Board (TPB). The TPB is a national body responsible for the registration and regulation of tax practitioners and for ensuring compliance with

The ATO values as described in *'The Intent behind the 2010-15 Strategic Statement'* are also at play in the ATO's approach to compliance. For example, the ATO is using collaborative approaches, both at domestic and international levels, to contribute to breakthrough solutions. This is all part of a vision of making a difference—encouraging and supporting willing participation in Australia's tax system, protecting the community from those who are not willing to meet their civic and legal responsibilities, and continuously improving the ATO's capabilities in order to champion community interests.

16. CONCLUSION

“In 100 years Australia had changed beyond the imagining of the politicians who fought the 1910 election over issues including the land tax...It was [in 2010] an entirely different world from the one into which the ATO had been born. It had begun as a tool of social change in a world of hierarchies, controls and parochialism and survived and grown over 100 years as the result of decades of hard work and the dedication and values of its people. As a result, most Australians no longer saw the ATO as a large, alien and authoritative organisation, but as a friendly, firm but fair and necessary part of Australian life that existed to serve the community. This close

17. ATTACHMENT A: CHANGE PROGRAM TIMELINE

2002	'Listening to the community' program helped the ATO develop ideas to make it easier and cheaper for people to comply with their tax obligations.
2004-05	Business case for the change program approved in December 2004.