

COMPLIANCE STRATEGY 2018–20



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Introduction

- The State Revenue Office (SRO) is the Victorian Government’s major tax collection agency and is responsible for administering a range of state taxes, duties, grants and levies, collecting in excess of \$19.4 billion annually.
- Fundamental to the equitable administration of these functions is the need to ensure everyone pays the correct amount of tax when it is due, and that those receiving a grant or rebate are entitled to do so.
- In order to achieve these outcomes, a strong focus on compliance is adopted with planned and targeted compliance programs aimed at achieving maximum voluntary compliance and detecting non-compliance. Details regarding our areas of focus can be found at sro.vic.gov.au/compliance.
- The purpose of this Compliance Strategy is to articulate our approach to compliance over the next three years.

Strategic Goal

- One of the organisation’s strategic goals is to: **Maximise Compliance**
- The pursuit of this goal is aimed at protecting government revenue and encouraging voluntary compliance by building community confidence in a Victorian taxation system that is widely complied with.

Meaning of Compliance

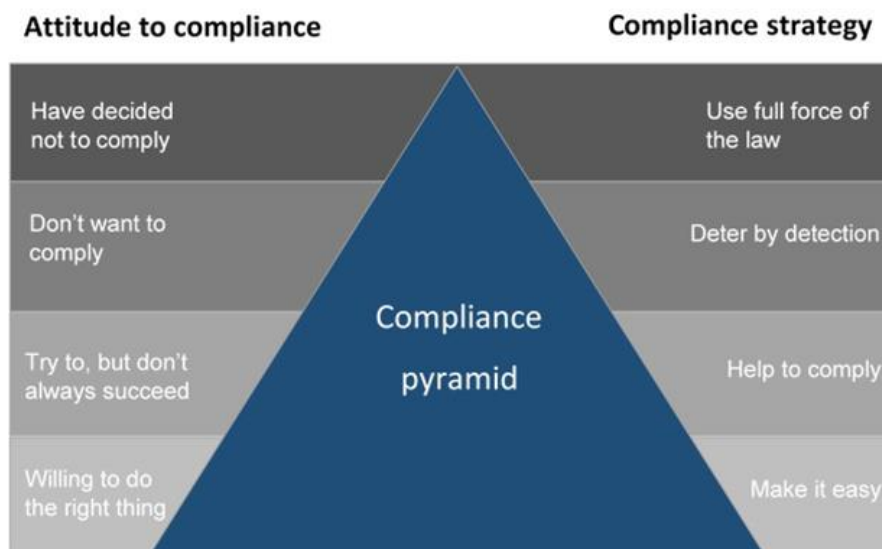
- **What is compliance?** Compliance is the degree to which taxpayers observe or fail to observe applicable taxation laws.
- The degree of non-compliance is referred to as the tax gap and represents the amount of tax liability faced by taxpayers that is not paid on time.
- **What is front-end and back-end compliance?** By front-end compliance we mean taxpayers meeting their tax obligations at the point they arise, and preferably doing so voluntarily. This is contrasted with back-end compliance where various investigative methods and tools are deployed to detect non-compliance after the obligation to pay tax arises but has not been paid.

Our Compliance Methodology

Our approach is aimed at:

- Customers achieving maximum compliance with Victorian taxation laws.
- Providing customers and their advisors with easy access to information to enable them to identify an obligation to pay tax.
- Making it easy for customers to comply by providing them with efficient and cost effective electronic channels that promote voluntary compliance.
- Adopting an intelligence led approach to compliance through data matching and other forensic tools.
- Identifying non-compliance.
- Recovering unpaid taxes from non-compliant customers.

- The SRO recognises that the majority of taxpayers are willing to do the right thing and take the necessary steps to meet their taxation obligations. A lesser number of taxpayers want to comply but don't always succeed, and an even fewer number either don't want to comply or have decided not to comply.
- Our compliance methodology seeks to reflect a structured means of understanding what motivates people to comply, or not to comply and it assists us to tailor our responses and interventions so that we can influence taxpayer behaviour in a positive way.
- We adopt a compliance approach that is responsive to the various categories of taxpayer behaviour and that seeks to influence that behaviour by encouraging and assisting voluntary compliance.
- We do this by ensuring taxpayers understand their rights and responsibilities by providing them with accurate and timely information, by clarifying the law and by clearly expressing our view on the law.
- We will discourage non-compliance by enforcing penalties.
- Our compliance approach draws on the ATO's compliance model (below) that recognises different taxpayer attitudes to compliance, extending from *willing to do the right thing*, to *have decided not to comply*, and that taxpayer behaviour is influenced by a range of factors, including the actions of the revenue authority.



- The compliance pyramid demonstrates the attitudes of taxpayers and the corresponding revenue office strategy to mitigate that position.
- The core principle is a graduated response depending on the willingness of the taxpayer to comply.
- Most taxpayers fall in the bottom two sections of the pyramid and are willing to do the right thing. It is within these sections that compliance is the most cost effective for both the taxpayer and the SRO and is therefore the preferred behaviour.
- Progressively smaller numbers of taxpayers make up the top two sections where taxpayer behaviour becomes less compliant, corresponding with the SRO's actions becoming stronger.
- Accordingly, our compliance function is to apply pressure downwards and move taxpayers towards being willing to do the right thing voluntarily.

Education and Information

Strategic objective: To provide clear and effective communication channels to customers, enabling them to readily identify a liability.

- Our front-end compliance strategy delivers a range of education and information channels to assist customers in recognising when they have a liability. These include:
 - A comprehensive website with detailed information about the various state taxes and circumstances in which a tax liability will arise.
 - Our interpretation of the state tax laws expressed in publicly accessible revenue rulings and publications.
 - Online calculators enabling taxpayers to determine the amount of tax payable.
 - A subscription service in which professional advisers and members of the public can register to receive our free publications.
 - Regular webinar programs enabling taxpayers, advisers and members of the public to participate electronically in seminars from the comfort and convenience of their office or home.
 - Highly skilled and knowledgeable staff committed to educating and assisting taxpayers to identify and meet their taxation obligations.
 - A private rulings service whereby taxpayers can apply for a determination as to whether their circumstances have incurred a tax liability.
 - A series of seminars and presentations on topical tax issues for the public and private groups.
 - A dedicated team of compliance officers to assist taxpayers and their advisors with specific high value duty transactions.
 - A Customer Contact Centre to answer less complex customer queries.

Ease of Compliance

Strategic objective: Make it easy and less costly for customers to comply.

- Paying a tax liability is easy and our strategy is to continue to make it easier with the introduction of simpler and more efficient payment methods. It is no longer necessary to attend personally to pay a liability or go to the trouble of writing and posting cheques.
- Assistance to comply is provided through a range of channels including education and information, the use of up-to-date technology, modern and efficient processes and the convenience of 24/7 self-service options.
- We will continue to expand our range of e-business transactions.
- We will promote the use of self-explanatory and interactive smart forms as well as communications through our online portals.
- Reducing the costs of complying is an important objective.
- Our aim is to positively engage and assist customers in meeting their taxation obligations and to provide them with an opportunity to voluntarily disclose, either before or during an investigation, to access concessional rates of penalty and interest.
- Our aim is to receive and make all payments electronically.

Forensic Tools

Strategic objective: To deploy the latest forensic analytical tools to identify and target non-compliance.

- We will adopt an intelligence led approach to compliance activities.
- We will use the most efficient means to conduct our compliance activities. In most cases this means using electronic tools to identify non-compliance.
- We will, where possible, make use of the latest forensic intelligence tools and techniques.
- We will use a wide range of data sources in the course of our forensic analysis. To the extent permitted by law, this will include data received from and shared with other revenue offices and government agencies.
- We aim to achieve high strike rates with our compliance programs, thereby engaging only those taxpayers who are non-compliant and avoiding the imposition of distractions on compliant taxpayers.

Risk Based Approach

Strategic objective: We will take a risk based approach to compliance and target the areas of greatest exposure.

- Our assessment and management of risk is based on the standards contained in the ISO 31000:2018 Risk management - Guidelines, ASO ISO 19600:2015 Compliance management system – Guidelines and IEC/ISO 31010 Risk Assessment Techniques.
- Our approach is to identify those aspects from each revenue line that pose the greatest risk to compliance and channel our resources and efforts into those areas. We will do this by applying forensic intelligence to identify the areas of greatest exposure. Our compliance programs will directly target any such exposure.
- We will regularly review our compliance risks as new information and evidence is identified. This may result in us, from time to time, focusing on particular industries or market sectors.
- Information on identified or suspected areas of risk will be shared with inter-jurisdictional State and Territory taxing authorities to ensure emerging revenue risks are identified and actioned quickly.

Enforcement

Strategic objective: To discourage non-compliance and recover unpaid taxes.

- Taxpayer behaviour represented in the upper sections of the pyramid calls for more assertive actions by the SRO. Such behaviour will be identified using a range of compliance tools including advanced business intelligence and data matching technology, employing skilled investigators and sharing information with other government agencies as permitted by law.
- Our strategy also seeks to discourage non-compliance by imposing and collecting penalties reflective of the taxpayer's level of culpability.
- Taxpayers will be encouraged to comply voluntarily by having in place mechanisms that make it easy to comply.
- In circumstances where people deliberately seek to evade or exploit the system, we will use the full force of the law to achieve compliance.
- Enforcement measures include:
 - The registration of charges against land subject to unpaid land tax or reclaimed First Home Owner Grants.
 - Wind-up proceedings commenced against corporations trading while insolvent and bankruptcy proceedings against individuals.
 - Recovery proceedings in the Victorian Magistrates' Court or other courts of competent jurisdiction.
 - Prosecution, where warranted.

Resource Acknowledgements

This strategy draws on the ATO paper *Developing Effective Compliance Strategies — Guide for Compliance Officers* and the *State Revenue Office Tasmania Compliance Strategy 2014*.



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