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1. TAX OFFICE A POTENTIAL CRISIS

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#Auspol #ATO #ATOCorruption

As illustrated by the ANZ's actions, step by step the banking, insurance and wealth management mire deepens.

We are now looking at a clear breakdown...



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...in bank corporate management systems.

But the good news is we can now also recognise the warnings that tell you when an organisation is being crippled by bad management. Accordingly we may know in advance the next dominoes to fall.

In essence the banking...

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...and insurance organisations set financial goals that could not be achieved in the systems that the banks had in place without management knowingly or unknowingly robbing the customers.

And the early warnings came loud and clear from the customers but...

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...were ignored by the managers, who blasted the media when they published these early symptoms of management system breakdown.

Are there other enterprises or organisations clearly caught in the same trap?

Without doubt there will be many, but the most...

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...obvious example is the Australian Taxation Office (ATO).

All the same symptoms we saw in the banks are on full display with shocking examples of totally unfair small business abuse plus great difficulty in getting the ATO to admit error...

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...and compensate fairly.

But the ATO symptoms go much further than the banks. So bad is the ATO situation that the judiciary has become involved.

One senior Federal Court Judge last year warned the tax commissioner that potentially in future...

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...he could face charges for offences that carry a 10-year jail penalty if the bad behaviour of the ATO in the courts continues.

A retired judge went further, saying there is “a mentality, maintained by too many ATO officers for too long, that...

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...taxpayers on the whole are cheats and liars and anything the ATO does to bring them to account can be justified on grounds that it is reasonable and proportionate in terms of the purpose for which the relevant power was granted”.

Both the Coalition...

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...and the ALP know that the ATO is another potential banking crisis, but neither party suggests a royal commission for fear that it would undermine public confidence in the ATO and reduce revenue.

But both the government and opposition parties...

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...also recognise that unless something is done revenue will be hit hard over time.

To their credit the ALP was the first to come up with a solution and, if it gains office, will introduce a second commissioner responsible for objections and appeals.

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The idea is that if ATO officers know they have to justify their actions before a second commissioner they will be less likely to adopt the view that “taxpayers on the whole are cheats and liars...

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...and anything the ATO does to bring them to account can be justified".

In my view the ALP proposal does not go far enough because in the end the second commissioner is still part of the ATO system that embraces those who are behaving badly.

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The Coalition went one step further, stating that it will also set up a separate appeal body, but after the announcement there was silence.

Large legal and accounting bodies that make lots of money from the ATO's bad behaviour...

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...are lobbying the Coalition heavily to make sure the "independent appeal body" is not really independent and reports to the commissioner.

They know that if that happens under both schemes the current "good times" will return.

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One day the Coalition will wake up that it needs the support of small business just as the ALP needs the unions.

Too many in the Coalition ignore their support base and don't care that it is being unfairly kicked by the ATO.

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They prefer the cocktail parties at the top end of town. I am hopeful that the Coalition will make the appeal body responsible to the Attorney-General's Department.

Even better, the Attorney-General's Department...

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...should approve all ATO prosecutions as happens with all government organisations.

Taxation Commissioner Chris Jordan came out of KPMG and has done some brilliant work on the global and large company tax stage,...

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...as illustrated by yesterday's report on the international taxation agreement.

I remember back in 2016 suggesting to Chris Jordan that a proper small business appeal body was desperately needed. He

stated in many forums...

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...that there was no need for an independent appeal system for small business. Now both political parties support an improved appeal process because the facts have came out.

Jordan must now decide whether he is the person...

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...to take the ATO in a different direction to the path he once believed was right.

A good start would be to apologise to the abused taxpayers who appeared on the ABC's @4Corners program and ask them what they think needs to be done.

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But that will not be easy because he took the reverse strategy and attacked some of them in the parliament.

It is not easy for any CEO to completely change direction although that is what is required of the bank CEOs.■■

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ROBERT GOTTLIEBSEN, BUSINESS COLUMNIST MELBOURNE

He has a place in the Australian Media Hall of Fame and in 2018 was awarded a Lifetime achievement award by the Melbourne Press Club.



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He received an order of Australia Medal in 2018 for services to journalism and educational governance. He is a regular commentator for The Australian.

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