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Australian Taxation Office

Data Matching - Program Protocol

Security Industry Data Matching Project

Australian Taxation Office



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1. OVERVIEW

The Federal Privacy Commissioner's Guidelines on Data-matching in Commonwealth Administration specify that a program protocol be prepared by agencies running significant data matching programs. The Australian Taxation Office (Tax Office) complies with these guidelines.

As part of the Tax Office's focus to improve compliance with taxation obligations of particular industries/groups of taxpayers, the Tax Office proposes to match the information provided by security licensing bodies against the Tax Office's records. This work will focus on the Security firms and then their sub contractors.

Data matching programs enable the Tax Office to both assess the overall level of compliance of various high risk populations in the community and to take action against individuals and entities who are either not within the system or have compliance problems. This particular proactive approach by the Tax Office is designed to identify registered security firms and their sub contractors and ensure they are properly compliant with their registration, reporting, lodgment and payment obligations. Previous compliance activity undertaken within the Security Industry suggests that risks to the Tax Office revenue and reputation exist and, as such, this Australia wide project is being undertaken.

Cases identified by the data matching process may be referred to other areas of the Tax Office for enforcement of taxation obligations.

2. OBJECTIVES

The overall outcome to be achieved from this project is to identify and address non-compliance with taxation obligations.

The objective of the proposed data matching program is to:

- obtain intelligence about the Security Industry and identify risks and trends of non-compliance.
- identify entities that may be completely outside the tax system
- identify a range of compliance activities appropriate to address risks in the industry.
- work with Security Industry representatives to obtain a better understanding of the issues identified as risks and trends of non-compliance.
- gain industry support and input on compliance strategies to minimise the future risk to revenue.
- promote voluntary compliance and strengthen community confidence in the integrity of the tax system by publicising the outcomes of the data matching.

In light of this, the Tax Office is seeking external data which it can cross-reference with its internal data to identify relevant cases for administrative action, and implement appropriate educational campaigns.

3. AGENCIES INVOLVED

The Tax Office is the matching agency, and the only user agency. The data matching program will be run on the Tax Office computer facilities in accordance with Tax Office approved policies and approaches. The Tax Office data consists of information previously provided to the Tax Office by taxpayers.

The source governing bodies will be:

- Victorian Police Licensing Services Division
- New South Wales Police Security Industry Registry
- Northern Territory Office of Racing, Gaming and Licensing
- ACT Department of Fair Trading
- Tasmanian Office of Consumer Affairs
- Queensland Department of Fair Trading
- Western Australia Police Commercial Agents
- South Australia Office of Consumer and Business Affairs
- The Australian Crime Commission

4. DATA ISSUES

It is anticipated that up to 38,000 businesses and individuals could be affected by this program. It is intended that the following information types will be obtained from the Security Industry Registry for the period from 1/7/2007 to 30/06/2008:

- FULL NAME. (SHOWING SURNAME AND OTHER NAMES);
- RESIDENTIAL ADDRESS (INCLUDING POSTCODE);
- DATE OF BIRTH;
- BUSINESS NAME;
- DATE OF REGISTRATION;
- BUSINESS ADDRESS (INCLUDING POSTCODE);
- AUSTRALIAN BUSINESS NUMBER (ABN);
- CONTACT TELEPHONE NUMBER;
- LICENCE NUMBER
- LICENCE TYPE
- EXPIRY DATE

4.1 DATA QUALITY

The Tax Office expects that the data acquired from the source bodies will be of high quality because there are a number of legal requirements for security firms and their employees to be registered with the governing bodies in each state and territory.

This data will be captured and transferred to the Tax Office's mainframe systems. Before any data matching is undertaken checks are performed to ensure that the data contains the required information.

4.2 DATA INTEGRITY

For those records for which further administrative action is proposed, checks are undertaken to ensure that we have correctly identified the entity.

These entities will be given the opportunity to verify the accuracy of the information obtained prior to any action being undertaken.

4.3 DATA SECURITY

Tax Office staff are subject to the secrecy provisions of the Income Tax Assessment Act 1936 and the Taxation Administration Act 1953. The business process for identification matching is designed to allow only a small number of staff from the Data Matching and Integrity (DMI) area to access the programs. Access to the Data Warehouse, where the information matching is executed, is strictly controlled, and its security system provides protection, control and audit trails of data set access and system program integrity. The security features include logon identification codes, passwords and security groupings.

Once it has been ascertained that data can be collected in an appropriate format, by virtue of sampling extraction techniques, copies of the required data will be requested either by CD-ROM or DVD-ROM. All data transferred will be password protected, with the password provided under separate cover.

The Tax Office will utilise appropriate courier services that comply with all privacy and security legislation to transfer the data from the source organisation to the Tax Office. This is in accordance with the 'Information pack for external bodies supplying data to the Tax Office for data matching purposes.'

Appropriate data destruction practices are in place (see Section 7).

5. THE MATCHING PROCESS

The identity matching process executed on the data obtained from the Government Agencies will identify entities in the security industry. This process will take place in the Tax Office's mainframe environment. The data will then be transferred to the data warehouse where information matching will occur. Profiling techniques will be employed to cases at risk. The selected cases will then be loaded back to our mainframe environment where, following risk analysis, a decision will be taken to either take administrative action or destroy the data.

The data obtained from the source bodies may be matched on more than one identifier. That is, where an Australian business number, tax file number, name and address data is available, all will be used in order to match records. Very high quality matches will occur where all identifiers match. Data matches on the name and address fields alone will still provide for a high quality match. Some of the data is expected to be matched at lower confidence levels due to missing data fields, or differences in fields between the source organisations and Tax Office data.

6. ACTION RESULTING FROM THE PROGRAM

- A compliance profile of entities in the security industry will provide pertinent statistical information to the Tax Office to determine appropriate educational and compliance strategies for the Security Industry. This profile will assist in addressing registration, debt and lodgment compliance risks.

- Taxpayers identified as being non compliant with regards to their taxation obligations may be referred to the relevant field area of the Tax Office for appropriate follow up action. These cases will be actioned through both compliance and education activities, Action resulting from the program will be to ensure that industry participants:
 - are correctly registered for GST,
 - are meeting lodgment obligations,
 - are correctly reporting for GST purposes,
 - are adhering to payment obligations, and
 - are meeting other required taxation obligations.

- Taxpayers identified as having outstanding taxation obligations may be referred to the appropriate areas of the Tax Office for follow up action (i.e. to follow up non lodgment and non payment related to the obligations listed above).

Before any administrative action is taken, clients will be given the opportunity to verify the information collected by the Tax Office. For example, if the matching process output suggests that a particular entity identified from source data may not be meeting its taxation obligations, but are in fact reporting these obligations under another entity name, they will be given an opportunity to provide this information. An example of the kind of letter to be sent to clients can

be found in Appendix A. Clients will be given at least 21 days to respond before any administrative action is undertaken.

In cases where entities fail to comply with obligations, even after being reminded of them, escalation to appropriate areas of the ATO may follow.

7. TIME LIMITS APPLYING TO THE CONDUCT OF THE PROGRAM.

The matching program will be run once for each database. This is expected to occur in the period from September 2008 to June 2009.

- Data (input data) which does not lead to a match is destroyed as soon as practicable and no later than 90 days after the matching process has been completed
- For the data which leads to a match, decisions on administrative actions in relation each individual will be made within 90 days after the matching process has been completed.
- Data which leads to a match and where a decision of no further action was made will be destroyed within 14 days after the date of that decision.

All data to be destroyed will be handled securely under the supervision of the Tax Office's IT Trusted Access branch and in accordance with the ATO's *Security Procedures Table* for In-Confidence Material. Any non-electronic data will be destroyed in accordance with the guidelines provided in the *Tax Office Records Disposal Authority 1194*.

8. PUBLIC NOTICE OF THE PROGRAM

The Tax Office will publish a public notice in the Commonwealth of Australia Gazette, GN 31, on 6 August 2008. A copy of the notice can be found at Appendix B. The Tax Office provides a copy of the notice to data sources. A copy of the notice is also provided to the Privacy Commissioner's Office, under separate cover.

After any decision is made to seek and use data from additional source organisations, the Tax Office will publish a notice about the proposed data use in the Commonwealth Gazette, as discussed in Section 3. A copy of each notice (once published) will be provided to the Federal Privacy Commissioner, under separate cover. A copy of the proposed notice can be seen at Appendix B.

9. RELATIONSHIP TO LAWFUL FUNCTIONS AND ACTIVITIES

The Commissioner of Taxation has responsibility for ensuring that taxpayers meet their taxation obligations. Taxpayer compliance with tax obligations is a matter of concern to the Commissioner and failure to address issues of this nature could potentially undermine community confidence in the integrity of the tax system.

The data matching program is part of the Tax Office's focus on addressing the issues raised by non compliant behaviour. Data matching will provide a degree of assurance that classes of taxpayers are meeting their taxation obligations.

10. LEGAL AUTHORITY

The information sought from Security Industry governing bodies will be acquired under:

- Section 264 of the *Income Tax Assessment Act 1936*
- Section 353-10 of Schedule 1 of the *Taxation Administration Act 1953*

These provisions relate to information to be used by the Tax Office for Income Tax and GST purposes (respectively). The Tax Office will use the information for taxation compliance purposes. This use is within the limits on the use of personal information imposed by Information Privacy Principle (IPP) 10, contained in section 14 of the *Privacy Act 1988*.

11. ALTERNATIVE METHODS

The Tax Office has considered a range of alternatives to the data matching program to reduce the risk of revenue as it is related to the Security Industry. A comparison of alternatives is listed in the tables below:

Utilising internal data from IT returns	
Advantages	Disadvantages
Medium level of accuracy and relevancy.	Focuses on those clients who have taken a positive action to file income tax returns or activity statements, and not those who do not file or who delay filing returns. Reliance on possible inaccurate registration of ANZSIC codes.

Utilising internal data from Business Activity Statements (BAS)	
Advantages	Disadvantages
Medium level of accuracy and relevancy	Focuses on those clients who have taken a positive action to file income tax returns or activity statements, and not those who do not file or who delay filing returns. Reliance on possible inaccurate registration of ANZSIC codes.

Utilising external data from external organisations	
Advantages	Disadvantages
Focuses on those clients outside the reporting loop	Some nominal costs
High return on investment	Public perception towards data matching
High level of education value	Time restrictions
Promotes long term networking with industry representatives	

Using external data from external sources, combined with Tax Office data, is the preferred method of the alternatives outlined above. Using only Tax Office data is limited by the following factors:

- Some entities do not use the correct ANZSIC code when applying for an ABN or lodging IT returns. Also, where an entity is conducting more than one business activity, they would register under the ANZSIC that is representative of the main business activity. Hence the Australian Business Register (ABR) may not identify all those in the Security Industry.
- The Tax Office data only covers entities that have an ABN or Tax File Number (TFN). This data will not identify entities which have never registered for an ABN or TFN and are operating outside the taxation system.

12. PILOT PROGRAMS

No pilot programs have been initiated, however, through evidence gathered from compliance activities, risks to revenue and reputation have been identified within the security industry.

13. COSTS AND BENEFITS

13.1 BENEFITS

While the costs are minimal, the benefits that can be expected are high, and include:

- Integrity of the tax system – The ANAO in a report to Parliament in November 1999 indicated that there are risks to the integrity of the tax system when people don't comply with their tax obligations including those operating outside the tax system. This matching program will enable the Tax Office to identify those entities which are operating in the Security Industry but are not meeting their taxation obligations.
- Reduce risk to taxation revenue – Those operating outside the tax system pose a threat to IT and GST revenue raised each year.
- Enabling enforcement and recovery of taxation revenue – Identify entities not complying with their taxation obligations and correcting that non-compliant behaviour. We have empirical evidence of non-compliance in the Security Industry which leads to incorrect

payment of GST and IT. We can have no assurance that a wider risk to revenue does not exist without carrying out this process.

- Community confidence – Maintaining community confidence is seen as critical to the ongoing role of the Tax Office. This program will highlight actions being taken by the Tax Office in relation to registration, lodgment and correct assessment and completion of BAS.

13.2 COSTS

The main cost of the data matching exercise is the cost of obtaining the data. There are further internal data warehouse costs but these costs will be incidental to the total revenue protected.

APPENDICES

APPENDIX A – SAMPLE CONFIRMATION OF AUDIT LETTER WITH VARIATIONS

Dear <Name>

The Australian Taxation Office is conducting a data matching project on the security industry. Your name and address has been identified from the data obtained (*identify the source if appropriate*). We have not been able to confirm your details with Tax Office records.

Please call (0x) xxx xxxx to discuss this matter. If we have not had a response to this letter within 21 days a field officer may visit you to confirm your Tax Office record details or an audit may be started without further notice.

The Taxpayers' Charter outlines your rights and obligations under the law as well as the service and standards you can expect when dealing with the Tax Office. You can obtain a copy of the charter by visiting www.ato.gov.au or by calling (02) 937 42111.

If you do not speak English well and want to talk to a tax officer, phone the Translating and Interpreting Service on **13 14 50** for help with your call.

Yours faithfully

(insert signature block)

APPENDIX B - GAZETTE NOTICE**Commissioner of Taxation
NOTICE OF A DATA MATCHING PROGRAM**

The Australian Taxation Office (Tax Office) will request and collect names, addresses, business and licence details of entities within the Security Industry from the following sources:

Victorian Police Licensing Services Division
New South Wales Police Security Industry Registry
Northern Territory Office of Racing, Gaming and Licensing
ACT Department of Fair Trading
Tasmanian Office of Consumer Affairs
Queensland Department of Fair Trading
Western Australia Police Commercial Agents
South Australia Office of Consumer and Business Affairs
The Australian Crime Commission

These will be electronically matched with certain sections of Tax Office data holdings to identify non compliance with registration, reporting, lodgment and payment obligations under taxation law. Approximately 38,000 records relating to registered entities within the Security Industry from all governing bodies will be matched.

This program is called the Security Industry Data Matching Project and it enables the Tax Office:

- To address non compliance with registration, reporting, lodgment and payment through electronic bulk matching data to identify potential Tax Office activity; and
- To be more strategic in its approach to Tax Office business activities.

A document describing this program has been prepared in consultation with the Office of the Privacy Commissioner. A copy of this document is available from:

Security Industry Data Matching Project
Australian Taxation Office
PO Box 9990
Moonee Ponds VIC 3039

Or by phoning 03 9275 5092.

The Tax Office complies with the Privacy Commissioner's *Guidelines on Data Matching in Commonwealth Administration* which includes standards for data matching to protect the privacy of individuals.