

Extending Tax File Number quotation

- 7.1 In their report, the ANAO suggested a number of ways in which TFN quotation could be extended. These options are investigated in this chapter.
- 7.2 In evaluating any decision to extend the TFN system, a range of issues need to be considered, including possible increases in compliance and the collection of tax revenue, the cost of implementation, reporting costs, fairness and privacy.
- 7.3 The significance of privacy issues are reflected in the claim by the Australian Privacy Foundation that ‘this is as much, if not more a general civil liberties issue as it is about privacy’¹.
- 7.4 The Committee also notes that the TIA was strongly opposed to any extension of the TFN system while the current failings of the system continued. Mr Cooper, the President of the TIA, told the Committee that:
- ... the report recommendations for expansion of the system are not necessarily justified on the basis of the potential revenue to be raised, so long as there continue to be significant concerns regarding the integrity of the TFN system.²

1 Australian Privacy Foundation, Submission No.16, p.2.

2 Transcript, p.65.

Unique numeric identifiers in the public and private sector

- 7.5 Unique numeric indicators attached to financial transactions, and the computer based data matching and analysis associated with them, can generate substantial benefits in both the public and private sectors. Commonwealth experience of the TFN during the past decade demonstrates this. The benefits arise from the detection and elimination of fraud and waste, improved validity of transactions³, the improved integrity of systems and higher grades of client service.
- 7.6 Major institutions in the private sector almost universally use unique numeric identifiers. In contrast, the use of such numbers in the public sector is significantly more restricted. For example, there are large classes of relevant transactions currently outside of the TFN system. This is in part due to the more rigorous privacy controls for use of information in the public sector. It may also be a product of history, with legislative change not having kept pace with the change in transactions and services that could be covered by such a number.
- 7.7 The implication of this for the Commonwealth is that it is not achieving the full advantages of unique numeric identifiers, and in particular of the TFN. Extending the use of the TFN has the potential to make a significant contribution to the Commonwealth's budget through:
- the collection of additional revenue due to the Commonwealth under existing law. By identifying revenue in relation to these transactions to which TFN quotation arrangements do not, but could, apply; and
 - the more exact targeting of financial benefits and improved administrative efficiency of Commonwealth administration.
- 7.8 The remainder of this chapter outlines ways in which TFN quotation could be extended.

3 Improving the validity of transactions means that only those that are entitled to receive the benefits or entitlements receive them and that any change in the circumstances of persons in receipt of benefits or entitlements that render them ineligible are readily known to authorities. In relation to revenue systems, improving the validity of transactions means that all those persons obliged by law to pay the Commonwealth do so and that the revenue due is collected in a timely and cost-effective manner.

Other financial transactions

7.9 The ANAO recommended that:

...the ATO examine the risk to the integrity of tax administration and to the collection of revenue arising from transactions ... being outside the TFN withholding arrangements.⁴

7.10 In making this recommendation, the ANAO listed a range of transactions that are currently not covered by TFN quotation arrangements and that it considered were worth examining⁵. The Committee has examined the areas of AUSTRAC reported transactions and real estate transactions in detail, as outlined below.

7.11 The Committee notes the concerns with regard to extending the TFN system that have been brought to its attention. In particular the Committee notes TIA president, Mr Cooper's concerns about privacy, and his view that 'it is when TFNs have to be provided to other parties that the concern arises'⁶. In addition, Mr Woods from the ABA stressed the need for cost-effectiveness noting that he was 'not so sure that after the costs involved of getting all that information it is going to be outweighed by any benefits'⁷.

7.12 As noted above, increasing the efficiency of the TFN system and reducing taxation fraud needs to be weighed up against privacy concerns and community attitudes. This is particularly important in considering extending the TFN system. The Committee considers that there is broad community support for reducing tax fraud and ensuring an efficient and fair tax system, however the benefits need to be clearly demonstrated and should not be at the expense of individual privacy or the imposition of complex reporting arrangements. To this end, proper evaluation of options by the ATO and Parliament is crucial.

7.13 Discussion of possible extensions to the TFN system have been ongoing, with recommendations raised internally in the ATO, and through external reports. As noted by the ANAO, this has included internal discussion papers⁸, a 1997 ATO workshop on TFN issues⁹, a 1991 report by the House

4 ANAO Audit Report No.37 1998-99, *Management of Tax File Numbers*, Recommendation 4, p.23.

5 ANAO Audit Report No.37 1998-99, *Management of Tax File Numbers*, para 3.30, p.65.

6 Transcript, p.76.

7 Transcript, p.103.

8 ANAO Audit Report No.37 1998-99, *Management of Tax File Numbers*, p.64.

9 ANAO Audit Report No.37 1998-99, *Management of Tax File Numbers*, pp.64-65.

of Representatives Standing Committee on Finance and Public Administration¹⁰ and a 1998 report by the Cash Economy Taskforce¹¹.

- 7.14 Despite significant discussion, this issue has not been properly evaluated by the ATO and hence has not progressed. The ANAO consider that the appropriate response to these recommendations would have been the development of 'an estimate of the additional revenue collectable, and of the administrative efficiencies achievable'¹².
- 7.15 **The result of ATO inaction has been poor quality policy advice to the government. Despite ATO claims to 'never rule out taking a case to government to extend the regime'¹³, they have failed to investigate and advise on this issue in a timely manner. Similarly, the ANAO considered that 'the ATO could have been more proactive in advising government about problems with the TFN system and options to address these'¹⁴.**

AUSTRAC transactions

- 7.16 The Australian Transaction Reports and Analysis Centre was established in 1988 as 'one of Australia's primary anti-money laundering and anti-tax evasion agencies'¹⁵.
- 7.17 Through the collection, analysis and dissemination of Financial Transactions Reports (FTR) information, AUSTRAC has made a significant contribution to the enforcement of taxation laws.

The ATO has advised that during the year ended 30 June 1999 the use of FTR information was directly responsible for over \$46 million in assessments issued by the Australian Taxation Office (ATO). In addition, substantial indirect contributions were made towards the ATO collecting revenue in a wide range of its business areas¹⁶.

- 7.18 However, the ANAO have identified that it is possible to improve on these results by extending TFN quotation to AUSTRAC transactions. The

10 House of Representatives Standing Committee on Finance and Public Administration. 1991. *Follow the Yellow Brick Road The Final Report on an Efficiency Audit of the Australian Taxation Office: International Profit Shifting*. Canberra, Australian Government Publishing Service, xxi 72p.

11 Exhibit 3. Australian Taxation Office. 1998. *Improving Tax Compliance in the Cash Economy*. Canberra, Australian Taxation Office, iv 68p.

12 ANAO Audit Report No.37 1998-99, *Management of Tax File Numbers*, p.65.

13 Transcript, p.5.

14 ANAO Audit Report No.37 1998-99, *Management of Tax File Numbers*, p.14.

15 AUSTRAC, Submission No.9, p.1.

16 AUSTRAC, Submission No.9, p.2.

ANAO have noted that the scope of AUSTRAC reported transactions, namely 'that 200 000 AUSTRAC transactions were reported in 1995 with a total value of \$4 billion'¹⁷, means that there may be significant revenue gains from this proposal.

7.19 This issue was also raised in a report to government by the Cash Economy Task Force. This Task Force, drawn from government departments, academia, business and community groups, was set up to examine the cash economy and additional compliance measures that could be taken by the ATO. In its second report to the Commissioner of Taxation, the Task Force noted that 'to maximise the effectiveness of financial transaction reporting there is merit in considering upgrading the current reporting requirements under the FTR Act'¹⁸. The Task Force recommended that:

... careful consideration should be given to extending financial reporting requirements under the FTR Act [to] ... require cash dealers to report TFN details in conjunction with reports where the TFN is held (for example, banks) by the cash dealer.¹⁹

7.20 Despite being a member of the Task Force that made this recommendation, and despite recognising that 'the present name and address matching of FTR information with taxation information has certain limitations'²⁰, AUSTRAC has made little progress on evaluating this proposal.

7.21 The Committee notes the concerns raised by AUSTRAC, namely the possible costs to cash dealers and AUSTRAC of collecting and including TFNs in reports, particularly due to system reengineering requirements, and privacy concerns in the community about this extension of TFN quotation²¹.

7.22 These concerns were echoed in other evidence to the Committee. Mr Woods from the ABA noted concern about the cost and customer service impacts of this proposal for financial institutions, including significant systems implications²², and considered that the real problem was with ATO internal matching, rather than with the level of information available to the ATO²³. Mr Chapman from Westpac raised the issue that

17 ANAO Audit Report No.37 1998-99, *Management of Tax File Numbers*, p.68.

18 Exhibit 3. Australian Taxation Office. 1998. *Improving Tax Compliance in the Cash Economy*. Canberra, Australian Taxation Office, p.47.

19 Exhibit 3. Australian Taxation Office. 1998. *Improving Tax Compliance in the Cash Economy*. Canberra, Australian Taxation Office, p.48.

20 AUSTRAC, Submission No.9, p.6.

21 AUSTRAC, Submission No.9, p.4.

22 Transcript, pp.99-100.

23 Transcript, p.103.

banks do not obtain TFNs for transactions carried out for non-customers and the systems complexity of attaching TFNs in those cases where a TFN is held by the bank²⁴.

- 7.23 AUSTRAC has outlined a consultation process that it considers is important for the development of this option. The need for consultation was raised by the Cash Economy Task Force in their report in early 1998 and yet, over two years later, no progress appears to have been made.
- 7.24 The Committee agrees that consultation with industry groups is an important component of assessing the impacts, costs and benefits of this proposal, and ensuring that any proposal that is taken forward builds on existing systems and processes in a practical way.
- 7.25 AUSTRAC and the ATO should commence negotiations with relevant industry groups on ways in which this proposal could be taken forward. This could start with discussion around those transactions which the ATO considers are 'capable of attaching a TFN' – namely Significant Cash Transaction Reports, International Funds Transfer Reports and Suspect Transaction Reports²⁵.
- 7.26 There is also a need for analysis of the magnitude of revenue potentially at risk under current arrangements and 'the percentage or quantum of AUSTRAC reports that, potentially, would carry a TFN if the proposal is successful'²⁶.

Recommendation 22

- 7.27 **That the Australian Transaction Reports and Analysis Centre and the Australian Taxation Office:**
- **analyse the revenue at risk from Australian Transaction Reports and Analysis Centre transactions being outside Tax File Number quotation arrangements;**
 - **consider the proportion of Australian Transaction Reports and Analysis Centre transactions to which a Tax File Number may be able to be attached; and**
 - **undertake a consultation process with industry to develop a detailed option for attaching Tax File Numbers to Australian Transaction Reports and Analysis Centre reported transactions.**

24 Transcript, pp.105-106.

25 ATO, Submission No.30, p.9.

26 ATO, Submission No.30, p.9.

Real estate transactions

7.28 The purchase, sale and renting of real estate were listed by the ANAO as financial transactions that posed a potential risk to revenue collection due to being outside TFN withholding arrangements and that should be investigated.

7.29 In their report, the ANAO make reference to research conducted by the ATO in 1994 'on the collection of tax of non-resident property owners in the Australian residential real estate market'²⁷. As noted by the ANAO, this study was conducted in response to a report by the House of Representatives Standing Committee on Finance and Public Administration²⁸ and ATO concerns about non-compliance in this area.

The research indicated high non compliance rates, around 65 per cent for non return of rental income and 80 per cent for non return of capital gains tax. The research indicated \$250 million of income and capital gains not being returned annually.²⁹

7.30 The Committee commends the ATO's efforts in providing an updated estimate of exposure from real estate transactions. The ATO have advised the Committee that:

Since the 6 December hearing, the ATO has worked productively with the ANAO to clarify the revenue estimate associated with extending the TFN system to real estate and rental transactions. ... An order of magnitude estimate of the revenue at risk for all property transactions currently outside of the TFN quotation arrangements is agreed to be \$280 million to \$350 million.³⁰

7.31 The ANAO have advised the Committee that this estimate could be further refined through a sensitivity analysis of reported gross rents and sales against actuals. This would mean comparing gross rent and Capital Gains Tax (CGT) reported on tax returns with an estimate, based on ABS and real estate industry data, of gross rental income received from all landlords and turnover from sales for CGT purposes. This approach could be augmented by the use of more exact data on actual rents and sales available from State government authorities and real estate agents, however this would be more time intensive.

27 ANAO Audit Report No.37 1998-99, *Management of Tax File Numbers*, p.67.

28 House of Representatives Standing Committee on Finance and Public Administration. 1991. *Follow the Yellow Brick Road The Final Report on an Efficiency Audit of the Australian Taxation Office: International Profit Shifting*. Canberra, Australian Government Publishing Service, xxi 72p.

29 ANAO Audit Report No.37 1998-99, *Management of Tax File Numbers*, p.67.

30 ATO, Submission No.30, pp.9-10.

7.32 In relation to options for extending the TFN system, Mr Woods from the ABA stated that:

Our view is that we would have thought that the real property transaction is the one to obviously target. ... real property has not been touched at all by the ATO. I do not believe there is any overview or filtering of property data at all.³¹

7.33 In his comments on this proposal, Mr Crompton, Federal Privacy Commissioner considered there were two questions that needed to be considered. Firstly, 'to what extent the system would actually be improved and be leak proofed'³² or whether people would actually just change their behaviour and find other means of avoiding tax. Secondly was the question of whether the community thought that increases in revenue collection were worth the trade off of the ATO knowing 'a great deal about many Australians and a great deal of information about transactions that would never have any tax implications'³³.

7.34 Of significance in considering extending TFN quotation to real estate transactions is the current process of business tax reform. The ATO noted that:

The evaluation will also need to take account of the Business Tax Reform, (Ralph Review) recommendation for a broader non-resident withholding tax. This recommendation seeks to address low non-resident compliance and applies to Australian source payments to non-residents without a permanent presence in Australia. It includes non-residents deriving rental income from Australian properties.

In terms of this Ralph Review recommendation, the Government has indicated in principle support but final decisions have not been taken.³⁴

7.35 The Committee considers that the considerable revenue risk, being \$280 million to \$350 million, resulting from real estate transactions being outside TFN withholding arrangements means that this proposal warrants close consideration. The level of revenue risk remaining in this area after business tax reform will be a crucial input to reaching a final decision on the appropriate balance between privacy concerns, compliance costs and efficient public administration.

31 Transcript, p.99.

32 Transcript, p.46.

33 Transcript, p.46.

34 ATO, Submission No.30, p.10.

Recommendation 23

- 7.36 **That, after the proposed business tax reforms have been introduced, the Australian Taxation Office investigate the remaining risk to revenue from real estate transactions being outside Tax File Number withholding arrangements and take appropriate steps to address this risk.**

Business with government

- 7.37 In their report, the ANAO has noted that:

There are other areas of Commonwealth administration with functions similar to those in which the TFN is now used. These include:

- the collection of revenue by Commonwealth agencies other than the ATO;
- the payment of grants, subsidies and other payments (including those of indigenous affairs and employment assistance) by Commonwealth agencies; and
- the payment of income support assistance by Commonwealth agencies other than Centrelink and the DVA.³⁵

- 7.38 In 1997-98, these functions accounted for the collection of \$25 billion in revenue and payments of \$1.3 billion³⁶. Since this time, the excise revenue collection function has been transferred to the ATO, resulting in a reduced but still significant level of revenue collection by agencies other than the ATO. While the ANAO have not estimated revenue gains from including these transactions in the TFN system, they do note that 'it is reasonable to expect that there could be financial gains from widening the scope of the TFN system'³⁷.

- 7.39 Such an extension of the TFN system would be similar to the situation in the United States, where all federal agencies are required to obtain Taxpayer Identification Numbers from the taxpayer in all cases in which the taxpayer makes payments or may obtain some benefit (broadly defined) as a result of doing business with the Government. 'Doing

35 ANAO Audit Report No.37 1998-99, *Management of Tax File Numbers*, p.91.

36 ANAO Audit Report No.37 1998-99, *Management of Tax File Numbers*, p.91 – based on 1997-98 figures quoted in the '1998-99 Estimates reported in Budget Paper No.4 of the Budget'.

37 ANAO Audit Report No.37 1998-99, *Management of Tax File Numbers*, p.91.

business with the Government' is broadly defined in US legislation to include virtually all dealings with the US Federal Government that involve obtaining a benefit, making a payment of any kind, or being part of an arrangement by means of which the US Government underwrites a risk or incurs a contingent liability.

- 7.40 The equivalent definition applied to the Commonwealth Government would mean mandatory use of the TFN whenever an individual or entity applies to enter into a transaction with the Commonwealth in any one of the following five categories. Note that, as outlined in paragraphs 7.47 to 7.49, it should not be taken that the Committee necessarily endorses all of these.
- 7.41 ***Financial benefits from the Commonwealth.*** This category includes all financial benefits provided by the Commonwealth to others for which the quotation of the TFN is not yet required. Examples include: the payment of grants, rebates, subsidies, bounties, and the like. A significant group within this category are those that are taxable, that is, tax legislation requires that the financial benefits received from the Commonwealth are assessable income and should be included in tax returns. This group of benefits is referred to as Assessable Government Payments (AGP).
- 7.42 ***Purchase of services by the Commonwealth.*** This category includes all instances where the Commonwealth purchases services directly or through third parties. Examples include: the engagement of contractors or service providers, including those that provide services on behalf of the Commonwealth. All income received from the Commonwealth arising from transactions in this category would be taxable and should be included in tax returns.
- 7.43 ***Payments to the Commonwealth.*** This category includes the making of payments of various types (other than taxes administered by the ATO) to the Commonwealth. Examples include: payments to the Commonwealth by way of levies, charges, royalties, fees, fines, or penalties and taxes not collected by the ATO.
- 7.44 ***Entitlements and other rights granted by the Commonwealth.*** This category includes all instances in which the Commonwealth assigns entitlements, rights and the like, sometimes for a commercial fee. Examples include: the issuing of visas, passports, licences, permits and other legislated rights. Apart from the intrinsic value of the rights, the Commonwealth raises revenue from their sale.
- 7.45 ***Commonwealth contingent liabilities.*** This category includes all those instances in which the Commonwealth enters into a transaction with another party according to which the Commonwealth incurs a contingent liability as a result of, for example, of issuing a loan, underwriting a risk, acquiring a

financial obligation or contingent liability provided for under legislation, deeds, contracts, or correspondence. Examples include: loans, trade insurance, and the provision of Commonwealth guarantees, indemnities and the like.

- 7.46 Under current arrangements, Commonwealth administrative systems are not sufficiently robust to provide the assurance that the Commonwealth receives the tax due to it on all of the taxable payments and like benefits it makes. Extending TFN quotation to all transactions by means of which the Commonwealth disburses taxable income and like benefits would provide that assurance (subject to the points raised in paragraph 7.47). It would also remove the serious inequity of the current arrangements whereby some recipients of Commonwealth taxable benefits are required to quote TFNs as a condition of receiving such benefits whereas others are not.
- 7.47 The question of extending TFN quotation arrangements to some or all of the above categories would hinge largely on the extent to which there was scope to improve the efficiency and cost effectiveness of administrative systems, improve levels of compliance and accrue additional financial benefits for the Commonwealth. It would also depend on the extent to which the mandatory use of the ABN by those entities that are required to have one secured the desired improvements. As entities with ABNs would be involved in each of the above categories, a key issue to address is the extent for additional improvements beyond those secured by the ABN that could be secured by the TFN.
- 7.48 There are significant concerns with extending TFN quotation to all areas of business with government. Implementing such a system is likely to impose a large administrative burden, particularly for Commonwealth agencies. There would also be significant privacy concerns in such a dramatic increase in TFN coverage.
- 7.49 Extending TFN quotation to some of these areas would also result in very limited financial benefits. This is particularly the case in the areas of certain entitlements and other rights granted by the Commonwealth and Commonwealth contingent liabilities.
- 7.50 While the Committee notes that it may be useful for the Treasury to more closely examine all five of the categories of 'business with government' listed above, it considers that the strongest case for extending TFN quotation is in the area of financial benefits provided by the Commonwealth, and in particular for Assessable Government Payments. This category of transactions appears to be the highest risk and offers the greatest potential improved integrity of Commonwealth systems, improved compliance with Commonwealth law and increased for

financial benefits to the Commonwealth. In addition, there is already general community acceptance that it is reasonable for the attachment of conditions to payments from the government. For example, TFN quotation is already a condition for income support payments and the Higher Education Contribution Scheme.

Recommendation 24

- 7.51 That the Treasury investigate extending Tax File Number quotation and withholding arrangements to include business with the Commonwealth Government, particularly in the case of Assessable Government Payments.**

Mandatory TFN quotation

- 7.52 Currently legislation provides that quotation of the TFN is optional for taxpayers in respect of a wide range of financial transactions. In these circumstances, Australia is unique amongst OECD jurisdictions with TFN type identifiers.
- 7.53 However, since 1990, legislation governing the use of the TFN for the receipt of most Commonwealth income support payments has required that people claiming, or in receipt of, this assistance have to provide a TFN as a condition of receiving such payments. Similarly TFN quotation is a condition of the Higher Education Contribution Scheme. Withholding tax arrangements act as a sanction against non-quotation in relation to a very wide range of specific financial transactions, resulting in 'the imposition of the maximum marginal taxation rate of 48.5 per cent'³⁸.
- 7.54 The ANAO have noted that:
- There are a number of consequences arising from non quotation of TFNs including:
- higher compliance costs for clients and the community;
 - incomplete revenue collection;
 - increased outlays on income support and similar programs; and
 - increased administrative costs for the Government.³⁹

38 ANAO Audit Report No.37 1998-99, *Management of Tax File Numbers*, p.94.

39 ANAO Audit Report No.37 1998-99, *Management of Tax File Numbers*, p.93.

- 7.55 In considering the possibility of mandatory TFN quotation, the Committee notes that there is already some concern that the penalties and benefits attached to TFN quotation (or non-quotation) mean that TFN quotation is effectively mandatory in a number of situations. M/- Clarke considers that this is a 'denial of ... "Privacy Rights"'.⁴⁰
- 7.56 Mr Crompton, the Federal Privacy Commissioner has advised the Committee that he considers that:
- ... one of the most fundamental principles behind the tax file number system in Australia is the voluntary quotation principle. Introduction of mandatory quotation would represent a fundamental change in the underlying policy.⁴¹
- 7.57 Added to this is the need to consider the currently high levels of voluntary compliance with TFN quotation arrangements, a point emphasised by the Australian Privacy Foundation⁴². The ANAO have stated that:
- ... amongst clients generally, there is a high degree of adherence with the TFN quotation arrangements. In most instances the incidences of voluntary compliance is greater than 90 per cent.⁴³
- 7.58 While the Committee considers that this issue warrants ongoing monitoring, it does not consider that there is currently a strong case for moving to a system of mandatory TFN quotation.**

Client Service Number

- 7.59 The ANAO have noted in their report that:
- It could now be an opportune time for the ATO in conjunction with other agencies to research and report upon to the Government and the Parliament a range of possibilities for the management of a cost-effective, client centred identification agency which would have due regard to privacy considerations.⁴⁴
- 7.60 The effect of implementing this type of proposal would be to introduce a client service number (which could be the TFN) for use across Commonwealth agencies and to give responsibility for issuing of this number to a single agency. This, in many ways, would reflect the current

40 M/- Clarke, Submission No.11, p.2.

41 Federal Privacy Commissioner, Submission No.19, p.9.

42 Australian Privacy Foundation, Submission No.16, pp.2-4.

43 ANAO Audit Report No.37 1998-99, *Management of Tax File Numbers*, p.92.

44 ANAO Audit Report No.37 1998-99, *Management of Tax File Numbers*, p.50.

situation in most OECD nations, which use a CSN managed by a non revenue agency⁴⁵. The Committee notes that development of a CSN and establishment of a Commonwealth Identity Data Agency are both elements of the ATO's PoI hierarchy of solutions⁴⁶.

7.61 Introduction of a CSN would have clear benefits for public administration in terms of improving efficiency, increasing compliance and reducing fraud, simplifying PoI processes and improving client service. These benefits were acknowledged by a number of Commonwealth departments, including the ATO, FaCS, the CSA, Centrelink and the DHAC.

7.62 The ANAO considered in some detail the Dutch use of a CSN, which was seen to be representative of the use of CSNs in European nations. The ANAO have reported that:

The Dutch experience is that the use of a CSN, known as a SOFI (social and finance number), does present substantial benefits to both individuals and the community. Individuals benefit through the efficiency of being able to quote one number to government for a range of services. Communities benefit by Government being able to test the compliance of people with the law⁴⁷.

7.63 The ANAO has also noted the parallels between an ABN and a CSN, in terms of simplifying access to government services⁴⁸.

7.64 In considering a proposal to introduce a CSN, there would be a number of crucial decision points, including:

- the level of privacy controls in the system;
- whether the private sector would be able to use the CSN (as in the case of North America);
- which agency would manage the CSN;
- the point in time at which a CSN would be issued to an individual (a number of OECD countries issue the CSN at birth);
- the extent to which information would be shared between agencies (for example this could be restricted to identity data only); and
- whether the system was optional or mandatory.

45 ANAO Audit Report No.37 1998-99, *Management of Tax File Numbers*, pp.49-50.

46 ATO, Submission No.17, p.13.

47 ANAO Audit Report No.37 1998-99, *Management of Tax File Numbers*, p.50.

48 ANAO Audit Report No.37 1998-99, *Management of Tax File Numbers*, p.51.

- 7.65 There are also a number of significant concerns about the introduction of a CSN, as noted by Commonwealth agencies. In particular, these concerns relate to the issues of privacy and cost.
- 7.66 In relation to privacy, the comments by Mr Crompton, Federal Privacy Commissioner are significant.
- I do not believe that its issuing at birth and its use for all interactions with government would be acceptable to the people of Australia, if you go by the measure of the Australia Card debate 10 years ago and the speed with which the issue flared up two weeks ago (in response to the Axiom database).⁴⁹
- 7.67 There is also likely to be a significant cost in implementing a CSN. Depending on the model adopted, this could involve significant change and the need for large systems investments across the Commonwealth. In addition, there is a possibility that agencies could decide to operate dual systems if they felt the need to retain their own identification system in order to ensure confidentiality. This issue was raised in relation to the operation of Centrelink⁵⁰ and the HIC⁵¹. This would reduce the administrative efficiencies gained from introducing a single CSN.
- 7.68 While the Committee acknowledges the benefits possible through the use of a CSN, it considers that significant work would be required on developing and evaluating a proposal for a CSN before any decision could be made in this regard.

49 Transcript, p.48.

50 FaCS, Submission No.21, p.4.

51 DHAC, Submission No.36, Att A, p.1.