



Letters from the ATO

Final report - July 2025

Tax 
Ombudsman

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The Tax Ombudsman acknowledges the Traditional Owners and Custodians of country throughout Australia and their continuing connection to land, sea and community. We pay our respects to them and their Elders past, present and emerging.

Artwork used with permission from Kayannie Denigan, Luritja artist

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10 things to know from our report

Letters from the ATO

1. The Australian Taxation Office (ATO) sends over 144 million letters and messages to Australians each year and invests considerable resources into drafting, designing and delivering them. Despite this, some taxpayers find the letters confusing or too technical, and their tone can feel too forceful or accusatory, causing anxiety and distress.
2. The ATO has a comprehensive framework to help make its letters clear, accurate and useful, but the results are mixed. Some parts of the framework, like user testing, are not used all the time, so the quality of letters is not consistent.
3. The ATO uses different teams to help draft letters. Some teams are experts in tax and law, while others specialise in communications. These skills are complementary, but not always used together effectively to produce letters which are both easy to read and technically correct.
4. The ATO's drafting of letters appears to focus on what the ATO wants to say, not what the taxpayer needs to know. They assume a level of knowledge, including a proficiency in English, and a familiarity with tax terminology that is not reflective of the average Australian.
5. Although letters from the ATO demonstrate some good communication practices, like clear structure and flow, they also appear to lack empathy in some circumstances. Their efforts to improve clarity and directness can sometimes seem threatening and imply guilt or assign blame to the reader. Saying "you must act" or "you didn't report correctly" seems to reflect the ATO's focus on driving compliance rather than making it easy for people to comply.



The ATO does not have a separate process for writing to people with diverse needs, such as First Nations taxpayers, people with disability or those from culturally and linguistically diverse backgrounds.



6. The ATO does not have a separate process for developing letters sent to people with diverse needs, such as First Nations taxpayers, people with disability or those from culturally and linguistically diverse backgrounds. Some letters include extra information for these groups, but this is not done consistently.
7. The ATO has a working group which reviews letters and provides feedback, but only from the perspective of tax professionals, so it does not reflect the views of everyday taxpayers. Not all letters are reviewed by the group. There is potential for the group to provide greater value to the ATO.
8. It can take several years for feedback about the quality of communications to be considered and for changes based on that feedback to be implemented. This can lead to very slow improvements.
9. The ATO needs better data to measure how clear its letters are. Only 41% of the ATO's letters have an effectiveness measure, so it is hard to know if a letter has had the intended effect. The ATO has call centre data and voice analytic tools which can analyse phone calls for signs of confusion, but these tools are not being used regularly to see which letters are leading to more calls.
10. The ATO usually sends letters based on communication preferences, but workarounds used by taxpayers or agents can cause letters to go to the wrong place or sometimes the ATO does not follow communication preferences due to legal reasons or due to system restrictions. The ATO can work with taxpayers and agents to make sure letters are sent to the right address.

Why we undertook this review

Letters from the ATO must be accessible and easily understood by all Australians.

The ATO sends millions of messages to Australians each year. Many of these are simple reminders, acknowledgements or contact requests. Others inform taxpayers about their tax and superannuation obligations and what they need to do to comply.

Our framework of 9 principles of good administration starts with accessible and clear communication. The ATO has a responsibility to engage with taxpayers in a way that makes it easy for them to understand their obligations and any actions they need to take or choices they have to make. For people who do not use a tax professional, those communications must be self-explanatory and include information about support, guidance and other resources available to help.

The ATO Charter states that they will provide taxpayers with “timely, accurate, simple and accessible” information. This is important because effective communication provides certainty and helps the reader understand their rights and obligations. Without it, community trust and confidence in the ATO and the tax system can be damaged. When taxpayers feel confused, anxious or stressed they may make mistakes or disengage altogether.

Example: debts “on hold”

In 2023, the ATO wrote to taxpayers to remind them of their old tax debts, which had been “on hold”, and how their refunds would be used to pay these debts down. The letters did not clearly explain why or what, if anything, the taxpayers needed to do. This created surprise, confusion, uncertainty and fear; the ATO was ultimately forced to pause the campaign.

In 2023, in response to the community feedback about the ATO’s ‘debts on hold’ communication campaign, we jointly released a set of best practice principles, with the Commonwealth Ombudsman, for all agencies to consider when telling people they owe the government money. Amongst other things, the principles noted the need to ensure written communication is personalised, tailored to the recipient’s needs and uses accessible language.

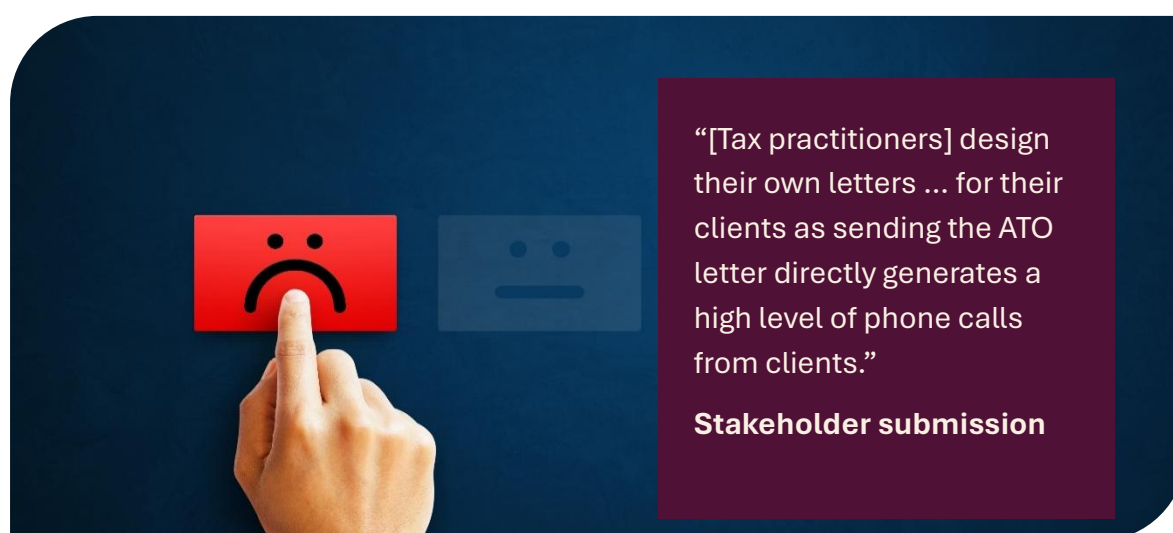
Diversity adds richness and complexity

The rich diversity of Australian society adds complexity when writing letters to Australians:

- 44% read at a low literacy level (year 10 equivalent or below)
- 21% have a disability, including visual impairment
- 20% were born in countries where English is/was not the predominant language
- 3% identify as being of First Nations origin.

Letters from the ATO must be written in ways that allow everyone to interact with the tax system, whatever their origin, background, education or circumstances.

Feedback about the ATO's letters



“[Tax practitioners] design their own letters ... for their clients as sending the ATO letter directly generates a high level of phone calls from clients.”

Stakeholder submission

Some of the ATO's letters are not meeting the needs of all users. Taxpayers and practitioners have told us that:

- some of the ATO's letters are wordy, confusing, and too technical
- it can sometimes be unclear what the letter is asking them to do
- the tone of certain letters from the ATO can be unnecessarily aggressive
- the ATO sometimes send letters to the incorrect recipient
- there is little to no consistency in whether letters are sent to the taxpayer or to their agent
- dealing with poor ATO communications costs agents time and money because they must seek clarification from the ATO and address confusion from their clients; this also impacts their reputation and weakens the trust that clients place in them, and
- letters on certain superannuation topics are particularly difficult to understand.

Engagement of a plain language expert

We asked a plain language expert to assess some of the ATO's letters against the principles set out in the Australian Government Style Manual. We provided two versions of letters from each of three key areas that were identified to have caused confusion, namely:

- Division 293 notice of assessment
- Pay as you go (PAYG) instalment welcome letter
- Excess non-concessional contribution determination

In particular, the expert was asked to assess each of the letters to determine whether it is written clearly and in simple language, so that recipients can easily understand what they need to do.

The expert's review report is available on our website.

The scope of our review

Our focus in this review is on bulk letters issued by the ATO. These high-volume letters are often based on templates, issued automatically and impact many taxpayers. There are almost 3,000 communication templates currently in use by the ATO. We selected a sample of six letters to examine the ATO's letter creation and sign-off processes. These letters vary in complexity. They are sent to different types of taxpayers, like individuals, small businesses, and Self-Managed Super Fund (SMSF) trustees. They cover various topics. Some of these letters have been confusing to people, according to feedback.

This review does not consider other forms of written communications such as custom or bespoke letters (for example, audit or objection decisions or private rulings), ATO web guidance, emails to taxpayers or public rulings. It also does not consider the effectiveness of the ATO's use of communication channels (i.e. paper vs electronic means). These topics may be investigated as separate stand-alone reviews, subject to further stakeholder consultations.

Structure of our report

Our report is structured as follows:

- Chapter 1 examines the ATO's processes for drafting, designing, and signing off bulk letters.
- Chapter 2 considers consultation and user testing of bulk letters.
- Chapter 3 is about how the ATO collects feedback and measures the effectiveness of its letters.
- Chapter 4 discusses the process to select recipients and addresses for bulk letters.

What did we review?

Division 293 notice of assessment

Issued to advise an individual that they owe extra tax because their income and before-tax super contributions exceed the threshold.

PAYG instalment welcome letter

Issued when taxpayers enter the PAYG instalment system

Excess non-concessional contribution determination

Issued to advise an individual that they have contributed more after-tax money into their super than the allowed limit and they need to make an election as to how the excess will be taxed.

Data matching (employment income) letter

Issued when the employment income reported on a tax return does not match the data the ATO received from the employer.

Data matching (other income) letter

Issued when non-employment income reported on a tax return does not match the data the ATO received from third parties.

SMSF disqualified person warning letter

Issued to taxpayers who were disqualified as self-managed super fund trustees but may still be acting in this capacity.

Acknowledgement

We acknowledge the contributions of stakeholders who have generously shared their time, expertise and insights with us. We also thank the various ATO officers who have been involved in this review for their time, assistance and professional engagement.

The ATO's response to this review is in Appendix A of this report.

List of recommendations

Recommendation 1

The ATO:

- a) review its letter design framework to set clear expectations about when the process is to be activated, teams to be involved, and joint sign off processes for disagreements including a point of escalation and resolution, where required;
- b) strengthen mutual understanding and collaboration between business areas and specialist communications teams to ensure their respective skills are used effectively during the letter drafting process; and
- c) update letter templates to include standard information about support options for culturally and linguistically diverse taxpayers and those with disabilities.

Recommendation 2

The ATO develop a framework for consultation and user testing all template letters including:

- when consultation or testing is required, and outlining priorities if not all templates can be tested;
- who should participate in consultation or testing (including participants who are representative of the affected taxpayer population and those who are culturally and linguistically diverse);
- expected timeframes and funding; and
- how validation of changes to letters is to be conducted with participants.

Recommendation 3

The ATO:

- a) evaluate options for gathering direct feedback on letter clarity and comprehension, with the aim of implementing simple, effective mechanisms where appropriate;
- b) explore opportunities to make greater use of data and analytic tools to understand which letters are driving call volumes; and
- c) adopt a structured, proactive approach to the periodic review of correspondence based on usage volume, complexity, and potential for confusion.

Recommendation 4

The ATO:

- a) promote the correct use of communication preferences and address fields; and
- b) review how taxpayers and tax agents' communication preferences are applied across all letter templates, with the aim of ensuring these preferences are followed unless there are strong reasons not to.



1. Drafting, design and sign-off

Drafting, design and sign-off

The ATO has a thorough process for developing bulk letters for taxpayers. The process may involve different teams across the ATO. These teams include those with tax technical expertise, communication and plain language writing skills and experts in behavioural science. However, their involvement varies. There can also be tension between the teams when seeking to produce letters that are both easy to understand and technically accurate.

What we found

Drafting and design involves multiple authors

The key ATO areas that may be involved in the drafting and design of a bulk letter are:

Business lines

They own their letter templates, decide when a new letter is needed, or changes are required to an existing letter. They typically develop the initial draft. All templates or changes must be approved by a senior officer within the business line. Minor changes (such as punctuation, spelling, or formatting) may be endorsed by less senior officers.

A deputy commissioner must approve any proposed changes that may increase cyber security risks.

Communications specialists

They include the ATO's Outbound Capability team and Marketing and Communication team. The Outbound Capability team has an important role in creating and updating letter templates. They include staff who are trained in writing and designing client communications. They review letters and give feedback on ATO communication requirements, including the ATO Style Guide.

Depending on business needs, the Marketing and Communication team may also give advice when letter templates are created or updated. This team includes professionals in communications, marketing and media. They provide feedback on use of channels, drafting of key messages, and design principles.

Legal or technical specialists

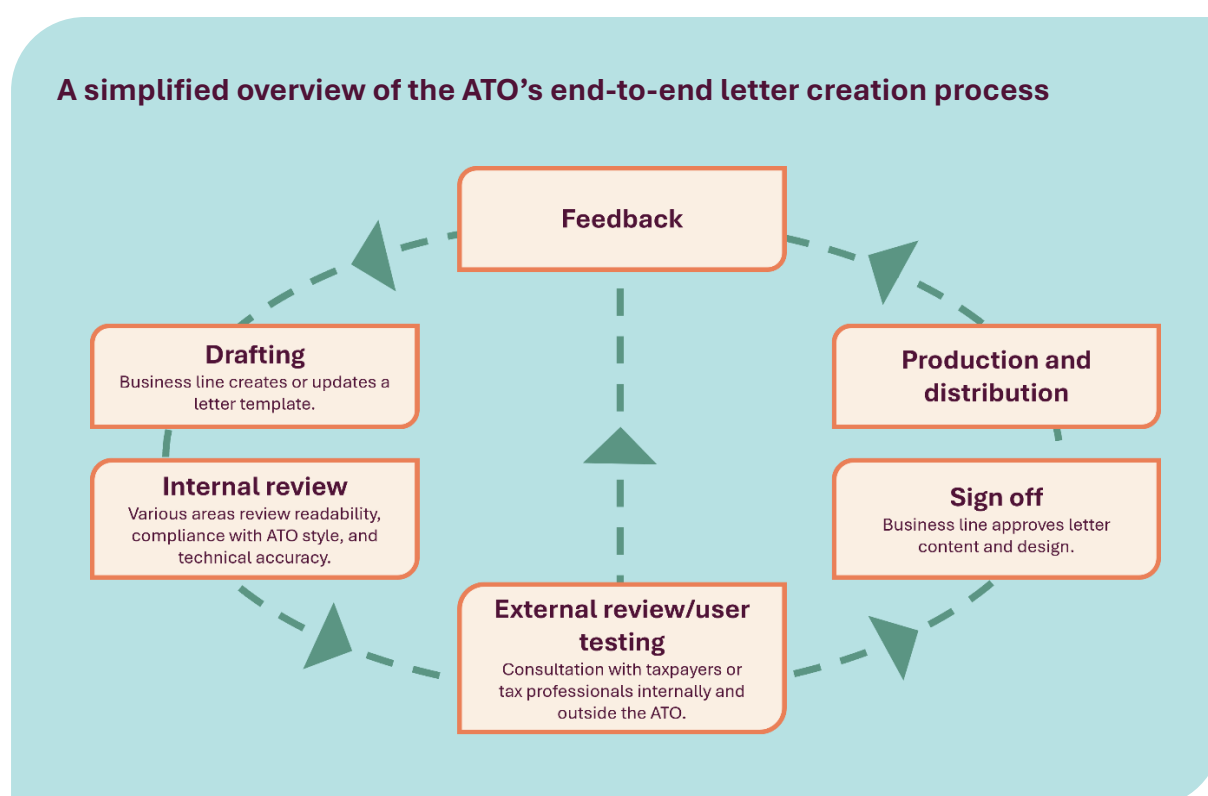
They review letters to ensure content is technically and legally correct.

Behavioural Insights Unit

Depending on business needs, the template owner may seek input from the Behavioural Insights Unit. This team specialises in testing behavioural approaches to understand and improve how taxpayers respond to ATO programs or communications.

Technology team

The Technology team is responsible for building or implementing the template in ATO systems, accessibility testing and verification checks before and after deployment.



Source: IGTO diagram based on ATO information

Staff training on writing skills

The ATO has a corporate writing skills program through self-paced videos. This training is voluntary. There is no business-specific training or skill requirements for staff in business areas who draft or approve letters. The level of training, experience, and skill varies across business lines.

The Outbound Capability team has its own mandatory writing skills program that all team members must complete.



ATO policies, guidance and procedures for drafting and designing bulk letters

The ATO aims to ensure that its communications are clear and simple.

The ATO has multiple guidance and procedures to help officers when drafting or developing communications. These include:

- instructions from the Commissioner about public communications,
- a style guide that is based on the Australian Government Style Manual, and
- other specific guidelines relating to matters such as editing, design and testing principles, as well as accessible communications.

We identified eight pieces of guidance totalling more than 380 pages.

The ATO also has an Aboriginal and Torres Strait Islander Protocols Guide to show staff how to behave, communicate, and show respect for the diversity of First Nations cultures and histories.

Drafting letters for diverse needs

The ATO does not have data on taxpayers' diverse needs or preferred languages. Therefore, it generally does not have correspondence targeting or tailored to these taxpayers.

General tax and super information is available in various formats and channels, like website, video and audio. It is also provided in several community languages on the ATO website. The ATO is making this information available in Indigenous languages as well.

Although the ATO does not have a general framework for designing tailored correspondence, we have seen examples where the ATO adjusted letters for diverse audiences.

Example 1: Remote zone tax offset letter

The ATO sends this letter to people living in certain remote parts of Australia to let them know they may qualify for a tax offset. It consulted with the National Indigenous Australians Agency, Services Australia, and community groups to ensure the letter was clear and culturally appropriate for First Nations people. It also ensured that these trusted community organisations and agencies were aware of the program to answer questions from the community.



As part of our review, we received feedback that while the ATO has indicated that it had received and incorporated the participants' input, they were unclear about how their feedback had been adopted because they did not receive the final letter version from the ATO.

Example 2: Vacancy fee final warning letter



Foreign investors may be required to pay a fee and lodge a return relating to their vacant residential property. This letter is sent to foreign investors who have not lodged their vacancy fee return on time.

About 65% of intended recipients (around 20,000 clients) were Chinese nationals who either use English as a second language or do not speak or read English at all.

The ATO included Chinese-language content in the letter to guide clients to translating and interpreting services. Native Chinese speaking employees within the ATO were asked to test the translated content before it was added to the final letter.

Our observations

The ATO's letters must be clear to prevent unnecessary confusion or distress. This is a key principle in our framework of good tax administration. It is also a key commitment in the ATO Charter – to give all taxpayers information that is correct and easy to understand. To do so, the ATO has developed a comprehensive process for designing and drafting letter templates. However, our review has found that the quality of letters and taxpayers' responses to them are variable.

Technically correct versus easy to read

The ATO's process for developing bulk letters involves writing specialists and tax technical officers working together. The ATO designs this structure to balance readability and technical accuracy, but it can cause tension due to differing focus and priorities and compromises that don't meet community need.

Where the business line does not accept plain language drafting suggested by the Outbound

Capability team, and the disagreement is not resolved, it can result in letters being finalised and issued which are not as clear and accessible as they could be.

Our plain language expert reviewer identified and provided two examples of lengthy, complex sentence structures and illustrated how they reduce readability.

Example 1: Additional tax on super contributions

Original ATO wording

There is an additional tax on super contributions which reduces the tax concession for individuals whose combined income and contributions are more than the [\$] threshold.

(Readability score ~18)

Suggested wording

You will need to pay an additional tax on your super contributions. This applies when your combined income and contributions exceed [\$]. This extra tax reduces the tax benefits you would normally receive on your super.

(Readability score ~10)

Example 2: Deductions from a superannuation account

Original ATO wording

If we have exhausted all amounts from your super accounts and your only super interest left is held in a Defined Benefit Fund and the fund cannot or will not voluntarily release, we will send you an excess non-concessional contributions tax assessment.

(Readability score ~24)

Suggested wording

If there's no money left in your super accounts and your remaining super is in a Defined Benefit Fund that won't release funds, we'll send you a tax bill for your excess after-tax super contributions.

(Readability score ~18)

In these instances, the ATO template owners may be focusing on what the ATO needs or wants to say rather than what the taxpayer needs to understand. There is a level of assumption that the taxpayer can understand the language and knows some of the more tax technical terms used in the letter.

The ATO could reframe its language to be more empathetic. Emphatic language such as 'you must' or 'you didn't report correctly' is clear and direct, but it can come across as threatening or implying guilt.

Additional Information

Calculating the amount you pay

As a PAYG instalments payer, you can choose from one of two options to work out how much to pay, which will apply for the income year. We will include these options on your BAS or instalment notice. You need to make your choice before the due date of your next quarterly BAS or instalment notice.

Option 1 - Instalment amount

We calculate the instalment amount using the business and investment income from your latest tax return. The benefit of this method is that you will know the amount you need to pay each quarter, without having to work it out yourself. This can help you plan and budget for the payment.

Option 2 - Instalment rate

This option allows you to calculate your PAYG instalment amount based on your actual income for that period, multiplied by a rate we provide you. Your instalment rate is **12.63%**. The benefit of this method is that your instalments are based on your income as you earn it, instead of an estimate based on your latest tax return. You may prefer this method if your income changes throughout the year.

You can find more information about these options on our website at ato.gov.au/paygoptions

You can choose to pay your instalments annually

If you want to pay one instalment each year, you can find out how to do this on our website at ato.gov.au/paygiannual

What if your situation changes

If your circumstances change, you can vary your PAYG instalment. **You must do this before the due date.** You may also be eligible to exit the PAYG instalments system.

You can find more information about varying instalments or exiting the system on our website at ato.gov.au/paygi

Due dates for quarterly instalments - for most taxpayers

The table below shows the due dates for quarterly instalments that apply to most taxpayers. We will include your instalment due date on your BAS or instalment notice.

Quarter	Period	Due date
1	July - September	28 October
2	October - December	28 January
3	January - March	28 April

Sample ATO letter

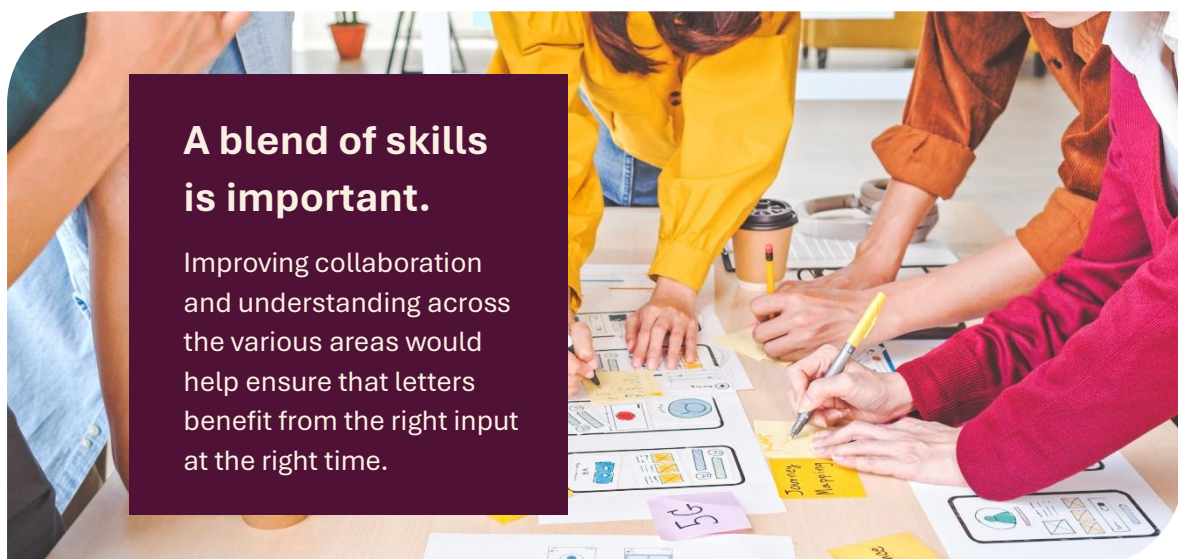
Our plain language expert reviewer also suggested that the ATO reframe its language to be more empathetic. While emphatic language such as 'you must' or 'you didn't report correctly' is clear and direct, it can come across as threatening or implying guilt. This tone may reflect a focus by the ATO business lines on driving compliance outcomes rather than communicating with empathy. The tone of communications was frequently raised with us by stakeholders during our consultation.

We have seen examples of both styles in letters that tell taxpayers the ATO may have found underreported income using data matching. Some letters are direct and say the ATO believes they have underreported income. Others use a softer tone, asking taxpayers to review their lodgements. The approach can depend on the reliability and completeness of the data. More complete and accurate data gives a greater basis for clear language. But data matching is never 100% accurate – so, letters based on it should encourage the taxpayers to correct any misunderstandings as much as correct their lodgement, if appropriate. The tone should also be less accusatory.

Under the present ATO framework, business line owners have the final say on letters. This means they do not have to accept the Outbound Capability team's feedback, so disagreements between the areas are not always resolved in a way that supports the best communication practices.

The ATO should instead introduce a shared sign-off process for letters so that the requirement for clear, accessible communications is not treated as secondary to the requirement for technical accuracy. A point of resolution or escalation is needed where agreement can't be reached, and a compromise is not the best for the taxpayer. A technically correct letter has little value if the recipient cannot understand it.

Making best use of skills within ATO



The blend of skills across the areas involved in producing the ATO's letters is valuable. The Outbound Capability team is good at plain language writing and knows the ATO's style. They focus on making letters clear and accessible. Business line officers, along with legal and technical specialists, are tax experts who have the skills to make letters technically correct. The Behavioural Insights Unit adds further value by providing advice on how communication can be designed to help taxpayers meet their obligations.

Each area brings important expertise, but their involvement varies. For example, the Behavioural Insights Unit usually reviews manual letters rather than bulk letters.

Similarly, while the Outbound Capability team offers drafting advice, business lines are currently not required to adopt it.

Improving collaboration and understanding between these areas would help ensure that letters benefit from the right input at the right time. This includes recognising what each team can contribute and involving them appropriately during the drafting process. One way to achieve this would be to give business drafters and the specialist teams opportunities to be immersed in each other's work, see their approach and perspectives and understand their different priorities.

Drafting letters for diverse needs

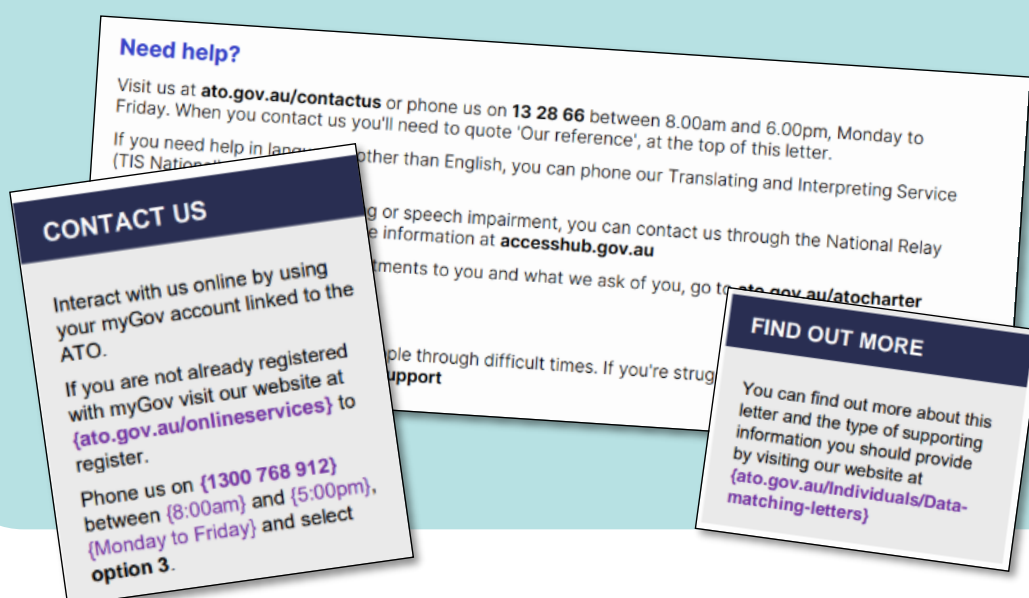
We have seen that the ATO may adopt a more tailored approach to developing letters aimed at certain communities. However, we did not see a clear framework for how the ATO identifies when it will develop a tailored design and engagement approach.

Most of the ATO's letters include a 'Need help?' section, which directs readers to support options or further information. For example, the letter 'You now have to pay PAYG instalments' includes phone numbers for the ATO and external translating and interpreting services, links to the ATO Charter, ATO support options webpage, and National Relay Service for taxpayers who have hearing or speech impairment.

By contrast, the letter titled 'We have found an error in your income tax return' does not have a 'Need help?' section. Instead, it has a 'Contact us' section and a 'Find out more' section, which provide only the ATO phone number and website.

Where should you go for help?

How the ATO explains what help is available varies from letter to letter, meaning the help you get depends on the message you receive.



A standardised addition to highlight support services for culturally or linguistically diverse taxpayers or those with disabilities would ensure consistency for all taxpayers. Additional, more bespoke support options may be added where they are available to the communities being contacted.

ATO resources for drafting bulk letters

The ATO has many resources to help staff write clear, inclusive, and accessible communications, including bulk letters. However, the large number of guidance documents can be overwhelming, and some of them overlap.

For example, several documents cover plain language, accessibility and inclusion, ATO letter components and layout requirements. The ATO may wish to consider consolidating these materials into a centralised place, to help staff access the right guidance more easily.

Rationale for change

While the ATO has a thorough process for designing and drafting letters, the involvement of specialist teams in the process appears to vary from letter to letter. It is unclear when and how bespoke arrangements are to be used.

These processes are only effective if they are used consistently, and the officers involved have the required skills. The overall consistency of the ATO's approach will improve if there are clear parameters for when the full process or tailored engagements are needed.

Furthermore, improving understanding and collaboration across the key areas involved in the design of letters will help the ATO to produce letters that are both clear and accurate. This is likely to build community trust and increase taxpayer engagement.

Recommendation 1

The ATO:

- a) review its letter design framework to set clear expectations about when the process is to be activated, teams to be involved, and joint sign off processes for disagreements including a point of escalation and resolution where required;
- b) strengthen mutual understanding and collaboration between business areas and specialist communications teams to ensure their respective skills are used effectively during the letter drafting process; and
- c) update templates with standard information about support options for culturally and linguistically diverse taxpayers and people with disability.



2. Consultation and user-testing

Consultation and user-testing

User testing is an important component of any design process as it provides valuable insights into how users are likely to perceive or respond to a product. For the ATO's letters, effective user testing will likely identify potential confusion before letters are issued.

What we found

The ATO does not have a formal framework or guidelines for user testing of its template bulk letters. What is tested and how it is tested depends on the project needs and is typically reserved for larger initiatives or where significant risks have been found. The ATO said that it couldn't user test all written correspondence due to time or resource constraints.

The ATO uses different methods for user testing, for example:

- working with community organisations to leverage their insights and relationships with the target audience, or
- engaging paid research providers to facilitate targeted focus groups or surveys to assess message clarity and effectiveness.

The ATO may also consult with the Communication Content Working Group or internal ATO networks such as diversity advisory groups or multicultural staff members on the content or design of its letters.

Consultation with the Communication Content Working Group

The main external forum where template letters are consulted on appears to be through the Communication Content Working Group. The group helps the ATO develop suitable communication solutions such as website and letters for registered agents and their clients. It currently has 13 members: two from the ATO and 11 professionals working in tax, accounting or bookkeeping who participate on a voluntary basis.

The role and purpose of the working group and expectations of its members and the ATO are not clear. We could not find any clear guidelines about when a letter should be sent to this group for feedback. It is up to content owners to identify communications that they believe would benefit from consultation with this working group.

We have been informed that these communications generally:

- affect many taxpayers or agents or a vulnerable group
- have a long-term impact, or
- involve sensitivities and risk to ATO reputation.

The key messages published on the ATO website show that they generally provide feedback on two pieces of external communication at each meeting. These include letters but there appears to be greater emphasis on web content and other general guidance.

During the 2023 and 2024 calendar years, the ATO had 12 meetings with this group, and discussed bulk letters on four occasions:

13 Sept 2023	6 Mar 2024	3 July 2024	6 Nov 2024
Research and development tax transparency project letter	Super guarantee nudge email pilot	Client correspondence: Deregistered agent Visibility of debts on hold	Study loans: Providing feedback on the proposed bulk agent communication and web content

User testing of sample letters

We found that the ATO conducted user testing on 3 of the 6 letters we selected for sampling – being the PAYG instalment welcome letter, excess non-concessional contribution determination, and Division 293 notice of assessment.

PAYG instalment welcome letters

In January 2018, we reviewed the [PAYG instalment system](#) and found that the PAYG instalment welcome letters needed improvement. Because of this, the ATO started a project to review and improve this letter.

In July 2018, the ATO tested the PAYG instalment welcome letter with:

- seven individuals: two small business owners with employees and five self-employed individuals. Four of them were already registered for PAYG instalment, while three were not registered but knew about it
- two BAS agents
- nine tax agents ranging from practices with under 50 clients to over 5,000 clients

The business line approved changes to the letter in February 2019. Despite these changes, the summary of a 2022 consultation with the Communication Content Working Group noted that the ATO continued to receive feedback that this letter was

still confusing to taxpayers. The ATO updated the letter in 2024 – almost two years from the consultation.

Separately, in 2024, the ATO asked the Behavioural Insights Unit to help it understand and improve taxpayers' PAYG instalment compliance behaviours. In December 2024, the Behavioural Insights team made several recommendations, including ways to improve and test the PAYG instalment welcome letter. The ATO is considering these recommendations but is facing delays due to resource constraints.

Excess non-concessional contribution determination



To support the 2016-17 Budget announcement about changes to superannuation, the ATO started a project to improve the taxpayer experience by aligning communications about excess concessional contribution, excess non-concessional contribution, and Division 293 tax. This included combining determinations for individuals affected by multiple tax obligations.

In May 2017, the ATO tested these letters, including the excess non-concessional contribution determination, with:

- ten high wealth individuals (six individuals made extra contributions to their super and four had a taxable income of more than \$250,000)
- nine tax agents

The letters were re-drafted following the testing. A follow-up user testing exercise was conducted in August 2017 to assess whether the re-designed letters were easier to understand. The user testing involved:

- 7 individuals who made extra contributions to their super
- 6 tax agents
- 4 financial planners

The business line approved the updated letters in June 2019 – over two years from the first user testing.

Since 2024, the ATO has been reviewing the excess contribution suite of letters. This included working with the Behavioural Insights Unit. The ATO is considering feedback from the Behaviour Insights Unit and will undertake external stakeholders testing before finalising any changes.

Division 293 notice of assessment

The ATO started a project to improve Division 293 correspondence in 2017. This included user testing conducted in March and April 2017. The testing involved:

- three high wealth individuals who had a taxable income of more than \$250,000
- two high wealth individuals who had a taxable income of more than \$100,000
- eight tax practitioners and 7 members of tax practitioner consultative forums

The project concluded in 2019, over two years after its commencement.

Our observations

User testing is important to ensuring the intended recipients can easily and correctly understand the ATO's letters. Testing with people who are similar to the intended audience ensures ATO communications are accessible, meaningful and effective to those who will receive them. Provision should also be made to account for recipients who may be from culturally or linguistically diverse backgrounds, First Nation taxpayers, and people with disability.



The ATO lacks a formal and consistent approach to user testing and validating changes with those users. ATO website content appears to be tested with at least 25-30% of the users from culturally and linguistically diverse backgrounds. There are no similar requirements for testing bulk letters.

The examples of ATO user testing provided highlight some common themes:

- a) lack of consistency in user testing approaches
- b) a large proportion of feedback being received from tax, accounting or financial professionals
- c) lengthy periods of time between consultation/feedback and updating of the letters (2 years).

Ideally, all ATO communications should be user tested.

The ATO has highlighted resourcing as a constraint to user testing. In reality, not user testing is likely to cost it more in handling additional enquiries or non-compliance. All policy changes or projects should include in their resource and time estimates the need for user testing to avoid such downstream costs and impacts.

The ATO needs to know when user testing is necessary. If testing is not done when it is needed, or not done properly (for example, not having an appropriately representative user group), it reduces effectiveness and can lead to poor outcomes.

In relation to the PAYG instalment welcome letter template, we note that the ATO consulted with both the Communication Content Working Group (in 2022) and the Behavioural Insights Unit (in 2024). Despite reviewing the same letter template, the 2024 consultation did not reference or build upon the feedback gathered in 2022. This lack of continuity and coordination likely delayed further improvements to the letters and reflects a fragmented approach to consultation and continuous improvement.

With respect to the Division 293 notice of assessment, despite improvement to the letter following user testing conducted in 2017, it remains complex and confusing, based on feedback we have received. For example, this letter is headed: “Additional tax on concessional contributions (Division 293) notice for 2023-24”. While Division 293 and “concessional contributions” are well understood in the tax community, it is meaningless to most everyday taxpayers, even high-income earners.

Consultation with the Communication Content Working Group



The purpose and use of the Communication Content Working Group does not appear to be clearly defined or agreed. The group has not been used in the review of some of the more recent contentious letters (e.g. data matching on rental income) and is mostly used to review website content. Members believe the group could be better utilised. The group’s value is also limited by the restriction of membership to tax professionals, meaning it cannot represent the views of unrepresented letter recipients and those

most likely to struggle to understand or be concerned by a letter from the ATO. The ATO should be mindful of this risk when considering whether feedback from other perspectives or broader user testing is needed.

We looked at summaries of discussions about two letters from two working group meetings. Some of the feedback focused on structure and style like re-arranging or bolding certain texts, but most of the discussion was about what was being said rather than how it was being said. In one summary, a member pointed out that “the language we like is not always the language people on the street like.”

The ATO told us that the contributions of the working group in co-designing and testing communications has been valuable. However, the capacity of the membership leads to a limit on how much content they can review and test. It seems that without a clear framework to guide the workings of the group, their limited time and participation are not being used as effectively as they could be. It would be helpful for the ATO to discuss with the group members about how to make the best use of their time and explore ways to improve the consultation process. This could help the ATO get more value from the group’s input.

Rationale for change

User testing ensures that messages are clear and easy to understand for the intended audience, especially when dealing with complex and important information like tax obligations. A specific framework for user testing of communications that sets out criteria for use testing, forums and audience for user testing purposes would improve the ATO’s overall approach in this area.

Recommendation 2

The ATO develop a framework for consultation and user testing all template letters including:

- a) when consultation or testing is required, and outlining priorities if not all templates can be tested;
- b) who should participate in consultation or testing (including participants who are representative of the affected taxpayer population and those who are culturally and linguistically diverse);
- c) expected timeframes and funding; and
- d) how validation of changes to letters is to be conducted with participants.



3. Measuring effectiveness

Measuring effectiveness

Given the reliance of the ATO on bulk letters, evaluating their effectiveness is essential, but not always straightforward. Bulk letters are one of the main ways the ATO communicates with taxpayers. While the ATO can often track whether a letter prompted an action, like a payment or lodgement, this does not always show whether the message was clear. This chapter looks at how the ATO measures the effectiveness of its letters and explores the difference between a taxpayer taking action and them actually understanding the communication.

What we found

Measuring effectiveness of letters

ATO business areas are responsible for measuring the effectiveness of their letters, where possible. Methods include tracking taxpayer actions, analysing sentiment data and spikes in website traffic and running focus groups or surveys.

However, the ATO cannot easily tell which letters cause the most calls. Matching call records to letter recipients is possible, but system and resource limitations mean it is only done occasionally.

The ATO has set itself an internal target for 40% of letter templates to have an effectiveness measure. As of 4 June 2025, 40% of templates (791 out of 1,960 reviewed) had such a measure.

Many business areas measure effectiveness at the program level, rather than by individual letter. For example, the ATO assessed the data matching program underlying the 'Have you included all information in your tax return' letter as highly effective because:

- 96% of recipients accepted the data matching results and had their returns automatically amended, raised \$9 million (average \$760).
- In the control group that did not receive the letter, only 0.5% amended their returns, raising \$21,000 in total (average \$7).

There is no formal rule requiring regular reviews of outbound letter templates. Business areas are encouraged to review letters every two years. However, the ATO holds nearly 3,000 active communications, and limited capacity across business areas and delivery

partners make timely review difficult. The ATO does not track how many letters are reviewed on time.

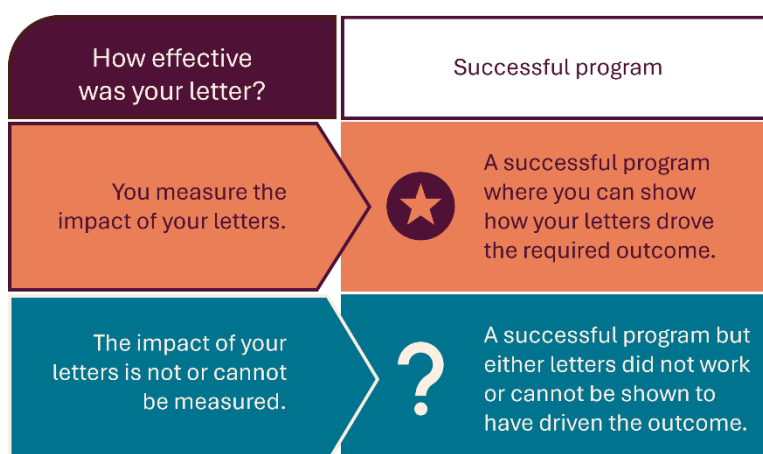
Receiving feedback

Feedback on letters is usually received through the ATO's general complaints and feedback channels. The ATO refers this to the relevant business area for consideration and response, based on the nature and severity of the issue. Feedback on website content appear to be actioned more quickly.

It is unclear how often letters have been updated due to a complaint. However, the ATO notes that concerns about letters are rarely the main issue. Most feedback on letters appears as side comments in broader complaints

Our observations

One of the ATO's main challenges is separating the impact of a letter from the overall program. The ATO can tell what a taxpayer did, but not why they did it, whether they understood the message, or whether the letter helped. This makes it harder for the ATO to know which letters worked well, and which may need to be refreshed or retired.



For example, the ATO sends a letter entitled 'Have you included all information in your tax return' letter using its data matching program to select recipients. The ATO was happy with the results of the data matching program, but it is unclear whether these results were due to the letter's quality or other factors, such as:

- accurate data matching
- a simple compliance process (recipients who agreed with the ATO did not have to do anything)
- social norms to go along with what the tax office says based on an assumption they know best, or
- a general reluctance for recipients to challenge the ATO.

This challenge is even greater for informational letters, where no action is expected. In these cases, behavioural data gives little insight into whether the letter was effective or understood. It is not surprising that most letters lack effectiveness measures, given that the ATO's tools are not well suited to evaluating clarity.

To assess clarity, the ATO needs direct feedback from recipients. Complaints do not fill this role. They are reactive, unrepresentative, and usually focused on the issue rather than the letter itself. Most confused taxpayers will not complain. They may ignore the letter, ask an agent for help, or follow the instructions without understanding.

Instead, the ATO should consider options for systematically gathering feedback. For example, myGov letters could include a one-question survey: "Was this letter clear and easy to understand?" This is simple, non-intrusive, and quick to complete.

It also shows that the ATO values feedback and wants to improve how it communicates. This helps build trust with taxpayers who may feel unsure about their obligations.

The ATO should also look for ways to use data and analytic tools to obtain feedback about its letters. Call centre data will provide real-time feedback on when enquiry calls spike following a bulk letter distribution. Frontline staff can also ask callers which letter prompted their call. Speech and sentiment analysis tools could then find out which letters are confusing and leading to more low-value calls that are not related to compliance or payments.

Since feedback may be limited for letters sent to smaller audiences or disengaged taxpayers, it should be paired with periodic review, which acts as a safeguard. Otherwise, unclear letters may remain in use simply because no one raised concerns.

Given limited resources, the ATO should prioritise reviews based on risk and volume. High-risk or high-volume letters should be reviewed more often. Lower-risk or low-volume letters could follow a lighter review cycle.

Rationale for change

Strong measures of how letters work as communication tools are essential. Community feedback and periodic reviews will give the ATO valuable insights. These can be used to improve future letters and guide training for the staff who design and write them.

Recommendation 3

The ATO:

- a) evaluate options for gathering direct feedback on letter clarity and comprehension, with the aim of implementing simple, effective mechanisms where appropriate;
- b) explore opportunities to make greater use of data and analytic tools to understand which letters are driving call volumes; and
- c) adopt a structured, proactive approach to the periodic review of correspondence based on usage volume, complexity, and potential for confusion.



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<TITLE> <FIRST NAME> <SURNAME>
<ORGANISATION>
<ADDRESS LINE 1>
<ADDRESS LINE 2>
<LOCALITY> <STATE> <POSTCODE>
<COUNTRY>

Our reference: <L
Client ID: <T
<Let

Have you forgotten to include rental income your tax return?

- > You may need to amend your return for the <CCYY> <and CCYY> income years
- > Check your records to see if you included all your rental income

FIRST NAME>

information from a wide range of third-party sources and match it
data to identify people who may not be reporting correctly.
ty sources include banks, financial institutions, property
sharing economy facilitators, bond authorities and

have included all rental income

Need help?

If you have any que
phone us on <8:00 am
<8:00 am

4. Deployment of bulk letters

Deployment of bulk letters

In this chapter, we look at how the ATO chooses:

- who receives the letter (recipient selection), and
- which address the letter is sent to (address selection).

A letter no matter how well designed and written will not be effective if it goes to the wrong person or address.

Stakeholders have told us that letters sometimes go to the wrong taxpayer. For example, several agents raised that the ‘rental income data matching letter’ had been mis-addressed and sent to an individual client, even though the properties listed in the letter were owned by a related company or trust.

The ATO needs accurate address data and clear processes to make sure letters are delivered correctly and in line with the intended recipient and delivery method. In some cases, well-designed systems are undermined by how address fields and communication preferences are used in practice. This leads to inconsistent delivery of the ATO’s letters.

What we found

The ATO issues two main types of bulk letters:

- Enterprise templates are issued automatically, and are used for recurring, high-volume letters such as the PAYG instalment welcome letter.
- Non-enterprise templates are issued manually, usually for one-off or low-volume campaigns.

Recipient selection

Each ATO business area is responsible for selecting recipients for the letters that it proposes to issue. The process can be simple or complex, depending on the letter. For example, PAYG instalment welcome letters are automatically sent to all taxpayers who meet relevant criteria based on tax return data.

In contrast, the rental income data matching letter had a more involved selection process. The ATO combined third-party property management information with tax return data to identify taxpayers who may have omitted rental income. To reduce the risk of misdirected letters, the ATO excluded certain groups such as taxpayers with self-

managed super funds (SMSFs), where rental income may be recorded under the SMSF's return, and taxpayers with 9 or more properties, who may be in the business of renting.

The ATO acknowledged limitations in the third-party data. For example, a property manager's records may list a family member as the contact person rather than the legal owner. To address this, the ATO added a line in the letter asking recipients to call if they were not the property owner. However, the overall tone of the letter remained accusatory and implied the taxpayer had done something wrong.

Feedback from this letter was used to help improve the data and guide a formal review of how well the campaign worked after 90 days.

Address selection

Once the ATO selects a recipient, it must decide where to send the letter.

The ATO holds several addresses for each taxpayer, including residential, postal, and business addresses. Some addresses are linked to a taxpayer's overall record, while others relate to specific tax accounts like income tax or business activity statements (BAS). Many taxpayers also use tax and/or BAS agents who have their own business and postal addresses.

For non-enterprise templates, business areas determine where and how to send the letter. Neither the taxpayer nor their agent has a say in this process. For the rental income data matching letter campaign, the ATO chose to send the letter to the taxpayer's postal or residential address and separately notified the agent via email.

Where should we send your mail?

Address selection can depend on a number of factors which makes communicating effectively a complex challenge.

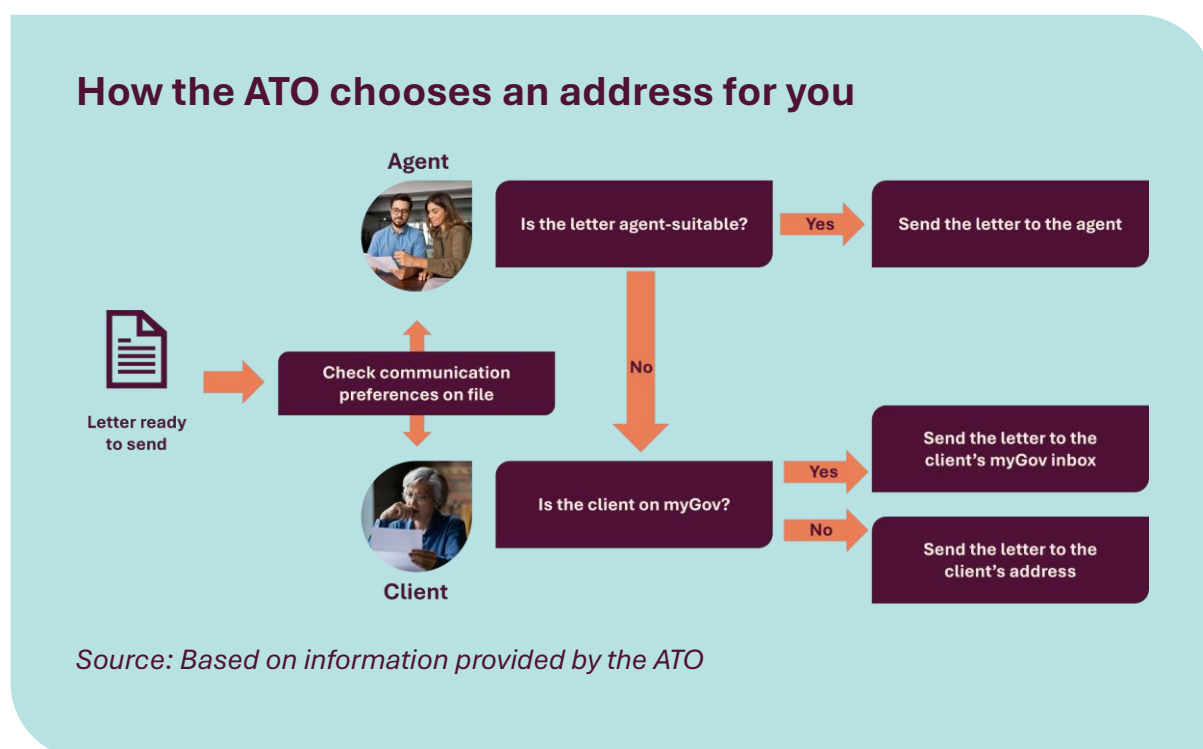
Practice	Client	
<input type="radio"/>	<input type="radio"/>	All
<input checked="" type="radio"/>	<input type="radio"/>	Income Tax
<input checked="" type="radio"/>	<input type="radio"/>	Activity Statement Related
<input checked="" type="radio"/>	<input type="radio"/>	Study and Training Support Loans
<input checked="" type="radio"/>	<input type="radio"/>	Superannuation
<input checked="" type="radio"/>	<input type="radio"/>	Debt
<input type="radio"/>	<input checked="" type="radio"/>	Employer and Business Obligations

For enterprise templates, the ATO uses a system that enables registered agents to set preferences directing the ATO to send correspondence either to themselves or to their client. These preferences can be applied across all communications or limited to specific categories.

If mail is set to go to the agent, it is delivered to the agent's client mail inbox unless doing so would not be appropriate, for example, if sending it to the agent directly would breach the law. An example of such a restriction relates to whistleblower

correspondence. Where the taxpayer has approached the ATO about unpaid superannuation, the law requires the ATO to send communications only to that taxpayer.

If mail is set to go to the taxpayer, the letter appears in their myGov inbox or is posted if they do not use myGov. The letter also appears in the communication history page for both agents and their clients, even if they are not the main recipient. If no preference is set, the letter goes to the taxpayer by default.



After determining who is the intended recipient, the ATO uses an automated address hierarchy system to select the address. The letter is sent to the first address in the sequence unless no such address exists. In those circumstances, the system attempts to deliver the letter to the next address in the sequence. This helps to keep the address selection process consistent.

However, inconsistent distribution of letters between agents and their clients remains a common concern for tax agents responding to our consultations.

The ATO is aware of a common practice where agents put their own address into their client's address field as a means of redirecting letters addressed to the taxpayer. However, this can lead to unintended consequences.

Our observations

Recipient selection

The ATO appears to have a structured approach for identifying recipients. In the rental income data matching campaign, it manually applied exclusions to manage the risk of misdirected letters and provided clear instructions for incorrectly selected recipients to respond.

The ATO cannot ensure 100% accuracy when working with third-party data and we do not expect zero errors when using this kind of information. Instead, the ATO should continue to acknowledge the inherent limitations of data matching and use appropriate controls to reduce the risk of sending letters to the wrong person. It should also apply a measured tone in its communications, especially where the data may be wrong or unclear.



Address selection

The ATO's address selection system sends letters to taxpayers and agents based on their preferences for who should receive their mail. However, this system is sometimes undermined when agents put their own address into the client's address fields rather than using the preference settings.

This creates problems because address fields are meant to show where someone is, while preferences are meant to show who should receive the letter. Mixing the two leads to inaccurate address records and inconsistent delivery. For example, a letter that the ATO should be sending to the taxpayer may be sent to the taxpayer in one case but to the agent in another, depending solely on how the address was recorded.

Verifying the ownership of every taxpayer address would be complex and costly. A better solution is to educate and nudge agents to use the preference system, rather than replacing their client's address with their own. This could include:

- educational materials
- communications through professional bodies
- in-portal messaging
- targeted reminders

For example, the ATO could introduce a soft warning when an agent enters an address for a client that matches their own: "This address appears to be your own. If you wish to receive letters addressed to your client, consider setting a communication preference

instead.” This would not stop the action but would raise awareness and promote better practice.

To reinforce trust in the communication preference system, the ATO must also use it consistently themselves. Currently, the preference system only applies to enterprise templates. Business areas may choose to send non-enterprise letters to the taxpayer, the agent, or both, even if it goes against the stated preferences.

When a letter is delivered in a way that overrides preferences without explanation, this can confuse people and reduce trust. This increases the likelihood that agents will use address overwrites as a workaround to ensure they receive all correspondence.

The ATO should only override preferences in rare cases, such as legal obligations or conflicts-of-interest. Where this happens, the ATO should clearly explain why.

Rationale for change

Bulk letters are only effective if they are sent to the right person, at the right address, and in line with the recipient’s preferences.



When communication preferences and address fields are not properly understood or applied, well-written letters can still go astray, leading to delays, confusion and mistrust. Ensuring agents are aware of their clients’ tax correspondence contributes to greater trust between agent and client, which also helps the tax system work better.

Improved education and prompts around the intended use of address fields and preference options can help agents and their clients understand what the options are for and reduce instances where addresses are incorrectly changed.

Recommendation 4

The ATO:

- a) promote the correct use of communication preferences and address fields.
- b) review how taxpayers and tax agents' communication preferences are applied across all letter templates, with the aim of ensuring these preferences are followed unless there are strong reasons not to.



Appendix A: Australian Taxation Office response



Australian Government
Australian Taxation Office

Ruth Owen
Tax Ombudsman
GPO Box 551
Sydney NSW 2001

Dear Ruth

Thank you for the opportunity to respond to the ATO letters review, which focused on six of our most complex and detailed letters. The review provides valuable insights and recommendations, some of which align with work already underway. We accept all recommendations outlined in the report and agree they will help us move to the next level of managing our communications.

The ATO manages almost 3,000 correspondence templates and issues over 140 million pieces of correspondence annually to taxpayers and their representatives across a range of topics. Our letters help people understand and meet their obligations. Last year we updated over 800 communication templates.

As your report highlights, tax is an inherently complex topic, and striking the right balance between technical accuracy and plain language is an ongoing challenge. We address this by drawing on the expertise of subject matter specialists, communication professionals, and business analysts to ensure our content is both accurate and accessible. That said, we recognise there is always room to improve clarity.

We remain committed to improving our correspondence. We look forward to using feedback from the community and the recommendations from the Tax Ombudsman to enhance our letters.

Thank you again to you, your team, and the stakeholders who contributed to this review.

Regards

David Allen

Second Commissioner
Australian Taxation Office

Friday 4 July 2025



ATO response to Tax Ombudsman final draft report – Letters from the ATO

In response to the Tax Ombudsman's final draft report, the ATO Agrees to all 4 recommendations

Preliminary report recommendations & ATO responses

Recommendation 1. The ATO:

- a) review its letter design framework to set clear expectations about when the process is to be activated, teams to be involved and joint sign off processes for disagreements, including a point of escalation and resolution where required;
- b) strengthen mutual understanding and collaboration between business areas and specialist communications teams to ensure their respective skills are used effectively during the letter drafting process; and
- c) update letter templates to include standard information about support options for culturally and linguistically diverse taxpayers and those with disabilities.

ATO response: agreed

Recommendation 2. The ATO develop a framework for consultation and user testing of all template letters including:

- when consultation or testing is required, and outlining priorities if not all templates can be tested;
- who should participate in consultation or testing (including participants who are representative of the affected taxpayer population and those who are culturally and linguistically diverse);
- expected timeframes and funding; and
- how validation of changes to letters is to be conducted with participants.

ATO response: agreed

Recommendation 3. The ATO:

- a) evaluate options for gathering direct feedback on letter clarity and comprehension, with the aim of implementing simple, effective mechanisms, where appropriate;
- b) explore opportunities to make greater use of data and analytic tools to understand which letters are driving call volumes; and
- c) adopt a structured, proactive approach to the periodic review of correspondence based on usage volume, complexity, and potential for confusion.

ATO response: agreed

Recommendation 4. The ATO:

- a) promote the correct use of communication preferences and address fields; and
- b) review how taxpayers and tax agents' communication preferences are applied across all letter templates, with the aim of ensuring these preferences are followed unless there are strong reasons not to.

ATO response: agreed

taxombudsman.gov.au

