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ATO Cuts Staff, Faces Automation Fallout

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A strategic shift by the Australian Taxation Office (ATO) more than a decade ago is now under intense scrutiny, as a series of official reports reveal the lasting consequences of trading staff for automation.

In 2013, the ATO responded to federal government demands for cost savings by significantly reducing its workforce and increasing reliance on digital systems. Then-Prime Minister Tony Abbott's administration introduced an "efficiency dividend," requiring government departments to operate with reduced funding. Under Commissioner Chris Jordan, the ATO slashed nearly 6,000 positions between 2013 and 2019, close to a quarter

of its workforce, while investing in automated tools designed to process returns, detect fraud, and collect tax.

The most affected divisions included fraud detection and debt collection, with the indirect tax department responsible for GST and Customs excise losing over 1,000 staff, or about half its employees.

Jordan, who stepped down in 2023, advocated a vision of a “digital revolution” that would allow taxes to “just happen,” minimizing the need for human interaction. However, critics argue that this transition compromised oversight and accountability.

Recent investigations by the Australian National Audit Office, the Inspector-General of Taxation, and the Australian Public Service Commission have raised red flags about the effectiveness and transparency of the ATO’s operations. These reports portray an agency struggling to maintain service quality and detect compliance issues due to the decline in experienced staff.

The ATO, often regarded as one of the federal government’s most opaque institutions, has faced allegations of using confidentiality provisions to avoid external scrutiny. The newly released findings provide rare insight into the agency’s internal challenges and raise concerns about the long-term sustainability of a tax collection system increasingly dependent on automation.

While technological adaptation is a common theme in public revenue services worldwide, Australia’s experience highlights the risks of reducing human oversight too quickly. The efficiency-driven cuts made in the early 2010s may have delivered short-term savings, but they also left the system vulnerable to oversight gaps and operational strain.

As new leadership takes charge at the ATO, the agency faces mounting pressure to restore public confidence and strengthen internal capabilities, particularly in areas critical to fraud prevention and revenue collection.