

Thursday, 17 October 2024

Ruth Owen
Inspector-General of Taxation and Taxation Ombudsman
GPO Box 551
Sydney, NSW 2001

By email: consultations@igt.gov.au

Dear Ruth

IGTO systemic reviews: draft work plan

Chartered Accountants Australia and New Zealand and the Institute of Public Accountants (“the Joint Bodies”) welcome the opportunity to comment upon the “IGTO systemic reviews: draft work plan”.

The Inspector-General of Taxation and Taxation Ombudsman (IGTO) has an essential role in the tax system.

The Joint Bodies agree that it is important that the draft work plan identifies “topics that are most important and likely to be of the highest impact to the broadest segments of the community.” As of 30 June 2023, the total registered tax practitioner population was 71,819, composed of 45,419 tax agents, 17,065 BAS agents and 9,335 tax (financial) advisers. The most recent statistics from the ATO indicate that registered tax practitioners lodged 63% of all 2021–22 individual income tax returns and 96% of all 2021–22 non-individual income tax returns.¹

Ensuring that tax agents are appropriately resourced to assist many taxpayers that engage them should be a high priority for the IGTO. Multiple, long interactions with ATO systems create large administrative costs which result in either higher fees for taxpayers or higher costs for tax practitioners. Where the higher costs cannot be passed onto taxpayers, tax practitioners often have to make the difficult decision to disengage clients who need their services but cannot afford them.

ATO and tax agent interaction

Our members’ dissatisfaction with ATO processes and responsiveness is the highest it has been for over a decade. This dissatisfaction is broad and wide. All tax practitioner segments (multinational organisations to sole traders), all taxpayer segments (large public companies to micro businesses) and all aspects of tax administration (answering calls, resolving queries/disputes, allocation of cases and processing of forms).

¹ TPB annual report

Many of our members have reluctantly lodged complaints with the ATO complaints line to try to get matters resolved. To help prioritise the areas that need closer examination, it would be useful for the IGTO to analyse the type of complaints that have been made to the ATO complaints line so that a series of more targeted reviews can be undertaken on specific problem areas. In undertaking this analysis consideration should also be given to complaints that have been withdrawn, as members have advised that the ATO often try to have matters withdrawn from the complaints line. The Joint Bodies would appreciate the IGTO prioritising a review of the ATO complaints line or the effectiveness of the registered agent phone line.

PAYGI and tax debt

With over \$100 billion of outstanding tax debt, it is important that debt collection procedures are clear and well understood and that future tax obligations do not increase the amount outstanding. Collecting tax debt efficiently and in a timely manner will benefit all Australians by allowing the Government to provide services.

From a debt perspective, a priority item for review is how pay-as-you-go instalments (PAYGI) are issued. The inability for some tax practitioners to access notices that have been sent to clients, clients mistrust of communications due to concerns about cyber fraud and ATO administration issues may be contributing to the increasing amount of PAYGI collectable debt.

- A member whose firm lodges over 4,500 tax returns annually reports that due to an ATO administration issue² their clients never received a June PAYGI notice. These taxpayers are now receiving overdue notices and blaming their tax agent.
- The 2021 Inspector General of Taxation (IGOT) report “An investigation and exploration of undisputed tax debts in Australia” noted that “*PAYGI collectable debt increased by \$966 million (50%) from FY17 to FY19. PAYGI debt increased by a further \$1.37 billion (47%) in the year from FY19 to FY20, which outpaces the overall increase in total collectable debt over the same period*³”

Tax identity fraud

The Joint Bodies are pleased to see that tax identity fraud has been identified as a priority area for review. The proposed focus for the priority review is on ATO support for victims. ATO engagement with tax practitioners about client agent linking is listed as a long list item.

The issue with client agent linking is that it has been difficult for taxpayers to undertake the steps to obtain a digital identity and link that to associated entities and to tax practitioners. Given that client agent linking is only needed when a client appoints a new tax practitioner, the client expects the tax practitioner to assist them with this process. This process has

² see <https://community.ato.gov.au/s/question/a0JRF000000J6sv/p00260865>

³ Page 78 https://www.igt.gov.au/wp-content/uploads/2021/07/Final-Report-Investigation-and-Exploration-of-Undisputed-Tax-Debts-in-Australia_1.pdf

added hours of unrecoverable administrative time upon tax agents and has discouraged clients from changing tax agents.

In recognition of this the former IGTO commenced a self-initiated review into tax identity fraud and the ATO processes regarding how clients link to tax practitioners. This review has not been finalised and given the ATO intends to extend the client agent linking process to individuals, this review should be finalised as a priority.

Should you have any queries please contact any of the undersigned.

Sincerely,

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