



3 April 2025

Inspector-General of Taxation and Taxation Ombudsman  
GPO Box 551  
SYDNEY NSW 2001

*By email to: consultations@igt.gov.au*

## **Review of ATO letters and written communications**

The Institute of Public Accountants (IPA) welcomes the opportunity to make a submission in relation to the IGTO's *Review of ATO letters and written communications*.

The IPA is one of the three professional accounting bodies in Australia, representing over 50,000 members and students in Australia and in over 100 countries. Approximately three-quarters of the IPA's members work in or are advisers to small business and small to medium enterprises.

From the feedback we have received, we note the following key issues:

- There have been instances where taxpayers have received written communications as well as their tax agent.
- The ATO needs to improve their review procedures before communications are issued to ensure that taxpayers and their tax agents do not receive correspondence in error.
- Clearer wording as to the purpose of a communication may be necessary.
- Lack of a contact person noted in the correspondence means that practitioners find it difficult to discuss the issue with an ATO officer who has expert knowledge about the issue.

As a recent example, the work-related expense claim prompter campaign conducted in November 2024 illustrates the above principles, as disclosed to us by a member.

The ATO sent letters to taxpayers and their tax agent (our member) which appeared to reference a review of work-related expenses within 30 days. Subsequently, our member was advised that clients who had already received the correspondence were removed from the ATO's list. After some effort to follow up with the ATO, it transpired that there were problems with the letters which resulted in previously conducted taxpayers to be excluded. However, by this stage our member's many clients who received the original communication were very stressed and confused and had contacted our member. Our member was not advised of any reason as to why previously included clients were now excluded and therefore did not know what to communicate to their clients.



In addition, the correspondence gave the impression that the agent and clients were to review their deductions within a mere 28 days. The member was extremely stressed about having such a short timeframe to consider the deductions of 90+ clients. While it was a prompter campaign and not an audit, care should be taken in how messages are worded. Attention should also be given to the practical implications of requests — that is, even if there was no specific review or audit on foot, the need to merely consider dozens of clients' claims in a short timeframe was unreasonable and unworkable.

Our member found the experience extremely stressful and time-consuming. They found the lack of a specific contact person unhelpful.

We note that in the above and other situations where a practitioner has to deal with poorly executed communications campaigns, they are unable to recover the costs of resources spent on inefficiencies and attempts to sort out issues with the ATO. There may also be opportunity costs as they are required to spend a disproportionate amount of time on such administrative tasks instead of productive work. In addition, there may be an unwarranted impact on the registered agent's professional reputation — that is, clients may be given the impression that their registered agent had done something wrong, such as being incompetent or reckless in claiming expenses to which the taxpayer was not entitled.

We have also been made aware of the more recent letters advising that the taxpayer may not have included all rental income in their tax returns. Many clients receiving these letters do not own the rental property in their letter. As per the above-discussed work-related expenses communications, this has led to much confusion and stress amongst taxpayers and their registered agents. Again, practitioners must spend a lot of time and other resources dealing with these erroneous letters on their clients' behalf — and will be unable to recover much of these costs, through no fault of theirs or their clients. The rental income letters exemplify the importance of the ATO ensuring that its data is accurate and that the recipients are correctly identified before it sends out its written communications.

There may be opportunities for affected practitioners and taxpayers to claim compensation under the *Compensation for Detriment caused by Defective Administration Scheme* but this does not cover all types of losses and costs.



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Yours sincerely

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