



## Second Commissioner of Taxation

Mr Ali Noroozi  
Inspector-General of Taxation  
GPO Box 551  
SYDNEY NSW 2001

Dear Ali

### **Review into Future of Tax Profession**

Thank you for the opportunity to comment on your final draft of your report on the review into the *Future of Tax Profession*.

We appreciate the Inspector General of Taxation undertaking this review requested by Chris Jordan, Commissioner of Taxation and appreciate the efforts and research conducted for this report. We also valued working with the office of the Inspector General of Taxation in reviewing and writing the set of recommendations.

We note that there are 28 elements to the recommendations of which 3 are matters for Government and 6 are matters for the Tax Practitioner Board. Of the 19 elements relating to the ATO, We agree with 4 of the elements and note that 7 have either already been implemented or they are existing programmes of work.

For the purposes of this response an “existing programme of work” is considered to be: “Where the intended result of the recommended element is being or will be achieved through a programme of work that is currently in existence and is planned to continue into the future.”

We disagree with 8 of the elements of the recommendations.

We disagree with the following elements of the recommendations:

- 4.1(a)(i) - Given the work currently being progressed we do not see benefit in the development of a separate roadmap and framework.
- 4.1(a)(ii) - Although we can provide general information to help tax practitioners we are not able to be directly involved in managing their businesses.
- 4.2(a) – We have already developed the ATO’s 2024 Vision and Technology Strategy to streamline and automate our services to clients. The ATO also has an obligation to provide no-cost digital services to the community to ensure the community can quickly and easily satisfy their tax and superannuation obligations.
- 4.2(g) – The ATO is developing target service standards which are aspirational targets and does not agree that it is appropriate to operate under commercial service

standards. There is an existing compensation scheme available for situations where a loss as a direct result of outages or system failures occurs.

- 4.2(i) – The ATO only raises concerns when we have robust and properly tested data supporting those concerns.
- 5.1 - The ATO has recently implemented a refreshed Enterprise Risk Management Framework. Mechanisms to monitor and identify emerging risk, including the technologies or innovations contemplated by this recommendation form part of this framework
- 5.4(a) – The ATO already has robust and effective Cyber Security practices in place that are regularly reviewed.
- 5.4(b) – The ATO already provides extensive information and support to tax practitioners but the ultimate responsibility lies with the practitioner.

Our detailed response to your recommendations is attached at Annexure 1.

Finally, I would like to acknowledge the efforts of all involved in undertaking this review.

If you require further information on our response, please contact Colin Walker on ph. [REDACTED].

Yours sincerely

[REDACTED]

**Neil Olesen**  
Second Commissioner  
26 October 2018

## IGT Review into Future of Tax Profession– Annexure 1

### Potential Recommendation 4.1

The IGT recommends that:

(a) the ATO:

- i) in collaboration with its staff and the unions, develop a roadmap outlining its current position, desired future state and how it intends to make the transition from one to the other, including redeployment and upskilling options for staff and support them through the transition;
- ii) in consultation with recognised professional associations, offer assistance to tax practitioners who may wish to develop their own roadmaps to transition from the current to future states; and
- iii) engage with the professional associations, tertiary institutions or other education providers to co-design training programs and courses to upskill ATO staff for the roles of the future; and

(b) the TPB:

- i) implement a framework to periodically review its workforce capability needs to meet future regulatory and compliance challenges; and
- ii) in consultation with recognised professional associations, offer assistance to tax practitioners by, for example, providing advice on whether their future plans meets the ongoing obligations of the Tax Agent Services Act 2009.

### ATO response

#### (a)(i) Disagree

Workforce planning is an ongoing part of our corporate planning and strategy development. A new workforce planning program is underway that is considering capability retention and development of staff across the workforce taking into account the changing operational environment, budgetary considerations and government priorities. Consultation and engagement form key components of our workforce planning approach. Given the work being progressed we do not see benefit in the development of a separate roadmap and framework.

#### (a)(ii) Disagree

The ATO can provide general information and support relating to the services and products it delivers but cannot be directly involved with the practitioner in managing their business or their practice.

**(a)(iii) Existing Programme of Work**

The ATO will continue to work with the professional associations, educational institutions and other relevant parties to assist the ongoing development of staff who choose or need to transition to other roles. Solutions may vary from standard offerings through to tailored solutions, based on identified needs.

**(b)(i) and (ii) Matter for the TPB**

## **Potential Recommendation 4.2**

The IGT recommends that the ATO:

- a) conduct a cost-benefit analysis on the design and production of its own software solutions as compared to outsourcing the work to the private sector;
- b) in collaboration with the relevant professional bodies, implement a communication strategy to inform tax practitioners of its research and adoption of new technologies that may impact on them and their business;
- c) expand its beta testing program to reach as wide a spectrum of tax practitioners as possible, particularly those operating small businesses or who are remotely located;
- d) assess the number of taxpayers who will continue to require access to traditional methods of communication, and use that research to develop a plan for meeting the needs of those taxpayers in the future;
- e) determine the effectiveness of automated decision making tools to minimise the risk of under compliance or over compliance and ensure they are periodically tested to produce accurate outcomes;
- f) consider whether it can devolve some of its functions to tax practitioners with appropriate safeguards;
- g) align its service standards for the performance of its systems with those of commercial providers, including a dedicated scheme for compensation where outages or system failures result in loss for the users;
- h) engage with the tax practitioner community to develop an action plan to bolster the stability of systems which enable them to assist the community to comply with their tax obligations, including an updated timeframe for the migration of the Tax Agent Portal functionality to ATO Online; and
- i) ensure that any future messaging regarding concerns it may have with the tax profession is appropriately considered and accompanied by robust and properly tested data.

## **ATO response**

### **(a) Disagree**

The ATO's 2024 Vision and Technology Strategy will make it easy to comply, and hard not to, by leveraging technology services and natural systems to streamline and automate services for clients. The ATO is a world-leading Government agency in the number of Application Programming Interfaces (API's) offered to Digital Service Providers, and we will continue to expand this service offering to enable the market to provide value-adding software solutions to the community. We have however, an obligation to provide no-cost digital services to the community to ensure the community can quickly and easily satisfy their tax and super obligations.

## **(b) Existing Programme of Work**

The ATO currently undertakes research into new and emerging technologies to assess their impact on the tax and super ecosystems and our clients. We will continue to communicate, co-design and consult with the profession when considering new technology.

## **(c) Implemented**

The private Beta for Online services for agents has been expanded to 600 users who are to the extent possible representative of all segments of the agent population. This ensures a representative sample of the tax profession is able to provide feedback on the new system prior to its public beta release in late 2018 to all tax and BAS agents.

More broadly, the ATO already aims that with any private beta, a representative cross-section of the agent population should be involved in testing and given an opportunity to provide feedback.

## **(d) Existing Programme of Work**

The ATO is focusing on assisting taxpayers to transition to digital channels whilst supporting those unable to transition. The ATO will continue to work with the Tax Profession, their associations and other relevant parties to communicate and support them (and their clients) with the digital transition and education.

## **(e) Agree**

There are currently no automated decision making tools that the ATO utilises to assess the legitimacy of taxpayer entitlements claims. We will continue to refine our data analytics capability to support voluntary compliance.

## **(f) Agree**

## **(g) Disagree**

We have approved Target Service Standards – these aspirational targets will be implemented by the Improving Services Program to assist with delivering quality experience.

It must be made clear that service standards are aspirational targets and are not a formal agreement between the ATO and the community or tax profession. Where the ATO does not meet its service standards, the ATO has relief provisions to support the community. Examples of these include waivers to penalties or extensions of lodgment dates for returns.

With regard to compensation, the community and the tax profession can, through the Compensation for Detriment caused by Defective Administration (CDDA scheme), seek compensation for situations where they incur a loss as a direct result of outages or systems failures.

#### **(h) Existing Programme of Work**

The ATO has already put in place an extensive programme to provide stability to our systems and has communicated this to the tax practitioner community. The ATO will continue to monitor its systems and communicate any impacts to the tax practitioner community.

The ATO has also been providing regular updates as to the progress of the private Beta testing of ATO Online for Tax and BAS agents and an indicative timeline for progressing to the public Beta.

#### **(i) Disagree**

The ATO only raises concerns when we have robust and properly tested data. The ATO will continue to consult (within legal boundaries) with the Tax Professional Associations and the profession on matters of concern and how to communicate them. It is not always appropriate to hold raising concerns which will alert the community until we are able to release the data.

### **Potential Recommendation 5.1**

The IGT recommends that the ATO review its current framework for monitoring and identifying new or emerging technologies or innovations to ensure that it is able to take prompt action to address any tax implications.

### **ATO response**

#### **Disagree**

The ATO has recently implemented a refreshed Enterprise Risk Management Framework. Mechanisms to monitor and identify emerging risk, including the technologies or innovations contemplated by this recommendation form part of this framework. While recognising that the ATO considers it has the right framework in place to monitor new or emerging technologies and innovations, work is continuing on how the framework is applied in practice to ensure the ATO takes prompt action to address the tax implications of these technologies and innovations.

## **Potential Recommendation 5.2**

The IGT recommends the:

- a) Government consider reform of the work-related expense deduction regime, having regard to prior reviews in this area, including the possibility of introducing standard deductions with a view to eliminating the need for most individuals to lodge income tax returns; and
- b) ATO engage with:
  - i) Third party data providers to maximise access to reliable information whilst minimising costs and disruption to their business and systems; and
  - ii) The CSIRO's Data61 group on the latter's work on machine-readability of tax laws.

## **ATO Response**

### **(a) Matter for Government**

#### **(b)(i) Existing Programme of Work**

The ATO already engages and works with third party data providers with this aim and will continue to do so.

#### **(b)(ii) Agree**

The Law Design and Policy area within the ATO has already undertaken some preliminary work for a proposed project to test and assess the feasibility of using artificial intelligence tools, underpinned by natural language processing techniques, to support the codification of tax law into machine-readable logic. The project team has engaged with the Digital Transformation Agency and Data61 to put together a comprehensive business plan.

### **Potential Recommendation 5.3**

The IGT recommends that the Government, in seeking to improve the administration of the tax system as well as public service delivery more broadly, consider whether the Digital Transformation Agency, or a similar agency, should adopt a more comprehensive role in driving the whole-of-government digital transformation.

### **Matter for Government**

## **Potential Recommendation 5.4**

The IGT recommends that the ATO:

- a) review its current internal arrangements for identifying and responding to cyber security risks to ensure efficiency, effectiveness and, in particular, that responsible areas within the ATO are clear on their remit, communicate and share intelligence appropriately and deliver a unified and coordinated response in addressing the risks;
- b) assist tax professionals, particularly those operating in small practices, to develop and maintain their own cyber security risk management and response plans; and
- c) broadly communicate and inform the public about the measures it has implemented to mitigate risks of cyberattacks and data breaches.

### **ATO response**

#### **(a) Disagree**

The ATO has Cyber Security practices in place to support identification and protection against security threats as well as detection of and response to threats, incidents and breaches to ensure effective management of Cyber risk to our information and infrastructure. Our practices ensure we continually monitor and adapt to the ever-changing nature of the digital environment, take a coordinated approach to our business continuity and shape and deliver ongoing enhancements to further strengthen our security capabilities.

#### **(b) Disagree**

The ATO will continue to provide information and guidance but ultimate responsibility sits with the practitioner to ensure they have sufficient safe guards in their own practice systems.

#### **(c) Existing Programme of Work**

The ATO already promotes cyber security regularly and through many channels but will investigate other avenues to inform the public on how they can protect their data as well as report concerns and breaches.

**Potential Recommendation 6.1**

The IGT recommends that the TPB, in consultation with recognised professional associations, undertake research to determine if its policies and procedures appropriately cater for all tax professionals within its jurisdiction, including tax (financial) advisers.

**Matter for the Tax Practitioner Board**

## **Potential Recommendation 6.2**

The IGT recommends that the TPB:

- a) periodically review the suitability of the educational requirements of the *Tax Agent Services Regulations 2009* and its own related guidance with input from practitioners, professional associations, tertiary institutions and the ATO and act upon any findings including requesting the Government to consider legislative change where necessary; and
- b) consider whether the TASA regime provides sufficient flexibility to manage the range of professionals who may offer tax services and present its findings to Government.

**(a) Matter for the Tax Practitioner Board**

**(b) Matter for the Tax Practitioner Board**

### **Potential Recommendation 6.3**

The IGT recommends that:

- a) the Government consider increasing the range of sanctions that the TPB may impose on non-compliant tax professionals, including empowering the TPB to release information to the professional associations, in appropriate cases, to enable the latter to undertake disciplinary action against their members;
- b) the TPB undertake research to determine the extent to which tax services may be offered in the gig economy by people who are not appropriately registered and engage with other agencies, such as the ATO, the Australian Competition and Consumer Commission and the Australian Securities and Investments Commission to consider options to protect taxpayers from such service providers; and
- c) the ATO broaden the membership of its Tax Profession Future State Working Group to include new entrants into the tax profession such as digital service providers, tax (financial) advisers and their representative bodies as well as publish more comprehensive information about the work of the group.

### **ATO response**

**(a) Matter for Government**

**(b) Matter for the Tax Practitioner Board**

**(c) Agree**