



IGTO launches ‘own initiative’ investigation into tax identity fraud - Understanding the extent of identity and financial fraud in the Australian tax system

IGTO seeks to know if you have been a victim of identity and/or financial fraud that is committed through the tax system – or know someone who has been?

15 December 2023

The Inspector-General of Taxation and Taxation Ombudsman (**IGTO**) is concerned about ongoing media reports of increasing instances of tax identity and financial fraud.

Our Office has held recent discussions with complainants and tax practitioners confirming taxpayers have been experiencing heightened instances of identity and financial fraud in relation to their tax affairs and accounts. This includes those relating to the ATO’s systems and processes to address these issues. As a result, the IGTO has commenced an ‘own initiative investigation’ into the important area of Tax Identity Fraud.

Purpose of the Investigation

The investigation will address concerns which go wider than the concerns raised in a significant number of GST refund fraud cases (Operation Protego) as recently reported. They also differ from the allegations of tax fraud in Operation Elbrus, which was the subject of an IGTO review investigation in 2018.ⁱⁱⁱ

Importantly, the IGTO recognises that we are all potentially vulnerable to tax identity and financial fraud.

Since 1 July 2022, the IGTO has received more than 130 complaint cases about the ATO’s actions relating to compromised tax accounts and tax identity fraud – for income tax, Business Activity Statements and GST returns. Based on these complaint investigations, we have some idea and views about what is happening. However, we want to hear what the community is experiencing.

We need your help to investigate the identity and financial fraud being committed through the tax system.

This might include instances where:

- you become aware of refunds being claimed in your name without your authorisation and your bank account details have been changed;

- As a tax agent, you have seen suspicious activity on your client's accounts such as refunds being claimed that do not align with their business or personal situation;
- email or phone contact from individuals purporting to be representatives of the ATO and seeking personal identity and other information in order to commit a fraud; and
- SMS texts requesting that you update your contact details by clicking a Link – This is a Scam – and then making amendments to your tax affairs without your knowledge.

What is your experience? What are you seeing?

We want to hear from you. Please contact us if you have stories or accounts of identity and financial fraud perpetrated through the tax system. This will help us to better understand the issues involved for the purposes of our investigation. Specifically, we would like to understand:

1. What happened ... for the fraud to take place?
2. Was the fraud or suspected fraud reported to the ATO?
3. Was the ATO and tax system response effective?
 - and if so, why? and
 - if not, what should have been done?
4. Were the ATO contact arrangements after the compromise of tax identity and fraud appropriate and sufficient?
 - and if so, why? and
 - if not, what should have been done?

You can contact us as follows:

1. Complete our ID Fraud response template and forward it to IDFraudreview@igt.gov.au
2. Complete our ID Fraud response template and email it to your professional membership body if you do not wish to be identified.
3. Email us with your contact details and we will call you back on a recorded telephone line.

The terms of reference for the review (as currently drafted) are summarised in Attachment A.

You can submit your experiences up until 15 February 2024.

The IGTO report with findings and recommendations is planned for release in June 2024.

If you suspect that you have been the victim of tax identity or financial fraud

We advise you to call the ATO's Client Identity Support Centre (CISC) on 1800 467 033 if you know or suspect that someone has stolen your tax file number (TFN) or is using your tax-related information illegally. More information can be found on their website [Help for identity theft | Australian Taxation Office \(ato.gov.au\)](#).

You can also lodge a complaint with the ATO if you have been unsuccessful in trying to resolve the issue with the ATO. Please see their website for more details [Complaints | Australian Taxation Office \(ato.gov.au\)](#)

If you have already lodged a formal complaint with the ATO and were unable to come to a resolution, you can lodge a complaint with the IGTO using our online webform. Please see our website for more details [How to lodge your complaint with us - IGTO](#)

For further information – Contact

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About the IGTO

The Inspector-General of Taxation and Taxation Ombudsman (**IGTO**) has been supporting the integrity of the taxation and superannuation systems for over 20 years – as the Inspector-General of Taxation since 2003 and additionally as the Taxation Ombudsman since 2015. The IGTO provides an important safety net service in the tax system. Independent investigation of taxpayer complaints enhances community confidence in the integrity and fairness of the tax system and provides assurance to taxpayers in the fairness of their outcomes. This helps to enhance voluntary compliance. The IGTO also provides independent advice and assurance to Government on the taxation administration laws and systems.

Since 2015, the IGTO has performed dual roles, which complement each other:

The Taxation Ombudsman provides independent assistance and assurance directly to taxpayers and tax professionals and investigates taxation complaints about the actions and decisions of the Australian Taxation Office (**ATO**) or the Tax Practitioners Board (**TPB**). The Taxation Ombudsman, also conducts investigations of actions that have broader community impact or are commonly observed in a number of complaints to identify wider system improvements that address the causal issues.

The Inspector-General of Taxation undertakes investigations of actions, systems and taxation laws (to the extent they deal with tax administration matters).

Attachment A – Terms of Reference

To investigate the ATO's systems that prevent, detect and respond to identity and related financial fraud, and the impact of those measures on affected taxpayers and their representatives including:

1. What controls and security measures the ATO has in place, including modifications implemented since Operation Protego, to prevent and detect identity and financial fraud or identity theft from occurring on taxpayers' ATO accounts;
2. What communication measures and tools are relied upon to prevent, detect and respond to treating identity and related financial fraud;
3. Whether the ATO makes effective use of information that taxpayers and tax practitioners provide which indicate potential weaknesses in the ATO's approach to addressing identity and related financial fraud, for example:
 - a) quickly acting on taxpayers' enquiries that indicate potential compromise of accounts, and analysing them to detect potential new and emerging fraud methodologies;
 - b) quickly acting on concerns raised by tax practitioners about potential weaknesses in administration and inter-agency interactions and using them to test and update the ATO's fraud detection methods;
4. Whether the ATO quickly and effectively treats instances of identity and related financial fraud when notified, for example, by:
 - a) immediately stopping any affected refunds that are due to issue;
 - b) immediately preventing further unauthorised dealings with the taxpayer's account and protecting it against future financial damage;
5. Whether the ATO has appropriately considered the impact that security settings (especially ongoing security settings) placed on compromised ATO accounts may have on affected taxpayers and their representatives, such as:
 - a) where the ATO imposes protection measures on a compromised account, the ease with which affected taxpayers and tax practitioners can access their accounts to fulfill their tax obligations, and the alternative measures that are open to the ATO;
 - b) the speed at which tax returns and notices issued for affected taxpayers will be assessed; and
 - c) the treatment of debts on affected taxpayer accounts pending the outcome of investigations into the alleged identity and related financial fraud.

Attachment B – ID Fraud response template

This short form response template will be sent to the professional associations for their members to provide feedback on regarding this issue. We can also have a copy of this on our website for reference.

Please tell us any stories or accounts of tax identity or financial fraud you have seen or experienced, so that we may better understand the issues involved for the purposes of our investigation.

Firstly, we would appreciate your answers to the following questions. This will help us gauge the level of response and urgency which the ATO may have applied in your circumstances, if applicable.

1. Please indicate what type of taxpayer you are:

- Individual Taxpayer not represented by a tax agent.
- Individual Taxpayer represented by a tax agent.
- Business Taxpayer (not sole trader) represented by a tax agent.
- A tax agent.

2. Please indicate if this has happened to yourself or is something you have witnessed:

- Personal account.
- Something I have witnessed.
- One of my clients (if you are a tax agent).

3. In your view, what was the *estimated* amount of the fraud that has occurred:

- Less than \$10k.
- More than \$10k but less than \$100k.
- More than \$100k but less than \$1m.
- More than \$1m.

1. In your view, what happened as to allow the fraud to take place?

(please limit your answer to 400 words or less)

The Fraud occurred _ _ _ _

2. Was the fraud or suspected fraud reported to the ATO:

- Yes.
- No.
- Don't know.

3. Was the ATO and tax system response effective?

- If so, why?
- If not, what should have been done?

(please limit your answer to 400 words or less)

The ATO's response was effective because _ _ _ _

The ATO's did not respond well to _ _ _ _

4. Were the ATO contact arrangements after the compromise of tax identity and fraud appropriate and sufficient?

- If so, why?
- If not, what should have been done?

(please limit your answer to 400 words or less)

1. After the compromise (ID theft/tax fraud) the ATO took appropriate actions to _____

2. After the compromise (Identity theft/Tax fraud) the ATO **did not** take appropriate actions to _____ and should have _____

EndNotes

ⁱThe 2018 IGTO Review Investigation - *Review into the Australian Taxation Office's Fraud Control Management*. On 20 June 2017, the Senate Economics References Committee requested that the Inspector-General of Taxation (IGT) examine how the Australian Taxation Office addresses the risk of fraud and associated issues. This request followed recent events including those relating to Operation Elbrus and allegations of tax fraud that may be linked to abuse of position by a public official. These events attracted significant media attention and have led to calls for an independent review of the ATO's fraud control framework and, particularly, how it responds to inappropriate behaviour by its own staff.

ⁱⁱ The terms of reference for the 2018 review investigation were set by the Committee and are reproduced below:

A review to examine how the Australian Taxation Office addresses the risk of fraud and associated issues, including:

- the practices, procedures and structures to detect and act on fraudulent activity or potentially fraudulent activity, with a focus on staff conduct;
- whether risk assessment techniques for identifying fraudulent activity or potentially fraudulent activity are adequate, with a focus on staff conduct; and
- potential improvements to the practices, procedures and structures to detect and act on fraudulent activity or potentially fraudulent activity.