



9 February 2017

Mr Kevin Hogan MP
Chair
Standing Committee on Tax and Revenue
Parliament House
Canberra ACT 2600

Dear Mr Hogan

INQUIRY INTO TAXPAYER ENGAGEMENT WITH THE TAX SYSTEM

The Tax Practitioners Board (TPB) is pleased to provide you with a submission to the Committee's inquiry.

The TPB is a national body, sitting under The Treasury portfolio, responsible for the registration and regulation of tax agents, business activity statement (BAS) agents and tax (financial) advisers (collectively referred to as 'tax practitioners'). The TPB's objective is to ensure that tax services are provided to the public in accordance with appropriate standards of professional and ethical conduct.

The Board aims to provide protection to clients of tax practitioners by reducing the level of uncertainty and risk for people through a national, independent regulatory regime.

The TPB is also responsible for ensuring compliance with the *Tax Agent Services Act 2009* (TASA), including the Code of Professional Conduct (Code).

This is achieved by:

- administering a system to register tax practitioners, ensuring they have the necessary competence and personal attributes;
- providing guidelines and information on relevant matters;
- investigating conduct that may breach the TASA, including non-compliance with the Code, and breaches of the civil penalty provisions by registered and unregistered tax practitioners;
- imposing administrative sanctions for non-compliance with the Code.

The TPB consists of a Board and Chair appointed by the Minister for Revenue and Financial Services and staff made available by the Commissioner of Taxation. Board members are appointed on a part-time basis and are responsible for the general administration of the TASA. The Board members are appointed in their professional and personal capacities and have diverse backgrounds in accounting, tax, the bookkeeping industry, financial services, law and academia.

Tax practitioner population

Prior to the TPB commencing operations in 2010 there were only 26,000 registered tax practitioners, comprised solely of tax agents.

As at 31 December 2016, there were 76,177 tax practitioners registered with the TPB, almost 55,000 of which are registered individuals with the remainder being companies or partnerships. Furthermore, of the total number there are 41,015 tax agents, 15,028 BAS agents and 20,134 tax (financial) advisers.

The role of registered tax practitioners in the tax system

Based on ATO statistics for the 2015 Tax Time period, of Australia's 13.2 million individual taxpayers, 74 per cent used a registered tax agent to prepare and lodge their income tax return. This resulted in tax agents preparing and lodging over 9.7 million individual income tax returns that resulted in net tax of over \$146 billion.

Due to the ATO's lodgement framework, less definitive numbers are available in relation to BAS agents, however, the ATO's information indicates that over 95 per cent of businesses engage a registered tax agent and/or BAS agent to assist them with meeting their tax obligations.

In a review prepared by the Inspector General of Taxation in July 2015, the Inspector stated that:

1.8 As a result, the proportion of taxpayers using tax practitioners has increased from only 20 per cent of individual taxpayers in 1980¹⁰ to over 70 per cent of all individual taxpayers (8 million) and 90 per cent of all business taxpayers (2 million) in 2013–14.¹¹ These current levels are among the highest in OECD countries, exceeding those of Canada (39 per cent), the United States of America (40 per cent), New Zealand (50 per cent) and the United Kingdom (67 per cent).¹² This highlights that tax practitioners, in Australia, have even a greater level of influence on taxpayer compliance¹.

Given the important role that tax practitioners currently play in Australia's tax system, we welcome this inquiry as it provides an opportunity to develop a more robust framework for tax payer engagement, and therefore tax practitioner engagement.

However, recognising the terms of reference of this inquiry and the high levels of taxpayer engagement with tax and BAS agents, the TPB suggests that the Committee may also wish to focus some of its review on tax practitioner engagement with the tax system as the nature of this engagement is intrinsically connected with taxpayer engagement. The TPB notes that the Inspector General of Taxation recently issued their Work Program for 2017, which includes a review of the 'Future of the Tax Profession'.²

In this regard, the TPB also wish to highlight, based on anecdotal evidence that the TPB has obtained through stakeholder engagement, some tax practitioners hold a view that increased sophistication/automation of accounting software, digitisation and the streamlining of services, such as single touch payroll and simplified BAS, could reduce the value of tax practitioners.

¹ Review by the Inspector General of Taxation 'The Australian Taxation Office's services and support for tax practitioners' – July 2015

² Inspector General of Taxation Work Program 2017 - <http://igt.gov.au/our-reviews/our-work-program/>

We would be pleased to discuss any of these issues further with the Committee.

Please contact [redacted] if you have any queries in relation to the TPB's submission.

Yours sincerely

Ian R Taylor

Chair

Tax Practitioners Board