

Palmer, Tamara (REPS)

From: Darren - Tax Services Australia <darren@taxservicesaustralia.com.au>
Sent: Wednesday, 16 September 2015 8:06 AM
To: Committee, TaxRev (REPS)
Subject: 2 Examples to Help

Attention: David Monk

Dear David

This may or may not help you and your Committee today or subsequently, but I have provided the following 'just in case'.

Further to our communications yesterday, I thought it might help to put the following 2 examples in writing to help you understand these critical issues (apart from 'Client Correspondence'), particularly in the light of my quick review of the ATO submission to you lodged last month, with the ATO pulling wool over the Committee's eyes, talking up how wonderful it is that taxpayers/users 'love' mytax/etax and why the ATO is 'achieving' such great increases in lodgements:

- On 1 September 2015 we lodged 2014 tax return for a client (not 'our fault' – client provided their information to us late, and then 'forgot' to sign and send tax return to us – another absurdity with the ATO inappropriately applying **85%** on-time lodgements, over which we have **little or no control**) – as the tax return was being lodged late, we had the client immediately pay the tax due direct to the ATO, concurrent with our lodgement. On 4 September 2015, the ATO processed '(general) interest charges' due to late lodgement/payment, of \$74.40 + 157.47. Concurrently, on the same day, both of these amounts were **remitted in-full, leaving no net interest**, on the taxpayer's account with the ATO. This sounds simple enough. We are now assisting our client, with their 2015 income tax return. We accessed relevant 2015 tax reports from the ATO's Tax Agent Portal, and two reports (including 'pre-filling') instruct us to **claim \$74.40 as a tax deduction** to the taxpayer's 2015 income tax return. For some absurd reason, the ATO system is picking up (1) **one-quarter** of the interest transactions, being one of the two charges only, ignoring/not capturing that it was remitted and blind to the other concurrent transactions and (2) picking the one transaction up **as-if it arises in the 2015** tax year (September 2015, of course, falls into the 2016 tax year). This is only \$74.40, but we have had instances where the equivalent / wrong amount is many thousands of dollars. Had our client used 'myTax', **this deduction would be been incorrectly imported and their taxable income under-stated, and tax under-paid**. We know of many other cases, where clients would be paying tax on 'fictitious' income, when the figures land the other way (for example, for our same client, we suspect the other '3' of 4 transactions might be incorrectly captured in the 2016 pre-filling report;
- Private health insurance tax offset: as you may know, they are amazingly complex calculations of private health insurance tax offsets which change each 1 April, depending upon the 'adjusted' combined family income. So when a person lodges his/her tax return, they need to reflect their spouse's income/adjusted income (including reportable superannuation contributions, reportable fringe benefits etc). If they don't, or do it incorrectly (and it can be complex), or if they don't 'admit' to having a spouse (including same-sex), then **the calculated entitlement to the tax offset will very likely be wrong**. We anticipate (nothing to 'prove') that at least 50% of tax returns lodged by 'non-experts' using myTax/etax, would be incorrect, and they are being assessed by the ATO with the wrong tax offset entitlements. Our office, in contrast, usually provides a full-page explanation of this silly system, and written reconciliation so our client understands the impact on them and their tax result for the year.

What integrity/reliability does this provide about the ATO trumpeting its **wonderful increase in the quantity** of lodgements via myTax/etax when the quality of those lodgements is significantly suspect?

Regard

Darren Hooper

Upcoming events during which our office will be unavailable:

- > Tax Institute of Australia **Victorian Forum** 8-9 October 2015
- > ATSA **2015 Forum** 12-13 October 2015
- > Tax Institute of Australia **Tax Symposium** 28 October 2015
- > Christmas-New Year **Office Closing** 18 December 2015 > **Re-opening** 15 January 2016

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