

15 January 2009



Mr John Hawkins
Committee Secretary
Senate Economics Committee
Department of the Senate
PO Box 1600
Parliament House
CANBERRA ACT 2600

Dear Mr Hawkins,

Re: Inquiry into Tax Agents Services Bill 2008

The National Institute of Accountants (NIA) welcomes the opportunity to respond to the request for submissions to the Inquiry into the *Tax Agents Services Bill 2008* (the Bill).

The NIA is one of the three professional accounting bodies in Australia, representing over 20,000 accountants, tax agents, business advisers, academics and students throughout Australia and internationally. The NIA prides itself in not only representing the interests of accountants but also small business and their advisors. The NIA was founded in 1923 and is a full member of the International Federation of Accountants.

The NIA welcomed the release of the Bill following many years of consultation and protracted discussions. This included extensive liaison between tax professionals, Australian Government Treasury and the Australian Taxation Office. This process has fallen victim to other initiatives, however we are extremely pleased that through a concerted effort, the Bill has been presented and is being considered by the Federal Parliament.

While the NIA encourages the adoption of the new regime, given the opportunity presented by the Senate Economics Committee inquiry, there are a small number of issues that the NIA would like to submit to the Committee for consideration.

The first issue of concern for the NIA is that the Bill was introduced without the accompanying Regulations that make the system function. This has made it hard to fully assess the Bill, given the axiomatic provisions of the Bill and the relationship with the Regulations. This has caused some concern with our membership as there is a general feeling that members are being asked to take the Bill and its provisions on good faith. The NIA would encourage that the accompanying regulations to the Bill be issued as a matter of urgency to fully inform practitioners.

Members have also raised concern that they will still be required to "audit" the work of contractors, even where those contractors are licensed under the proposed regime. Following extensive consultation with our members, they have clearly indicated that to ensure the system functions efficiently, that it would be too costly and time consuming to review the work of third parties who are registered under the proposed regime unless an issue arises that is brought to

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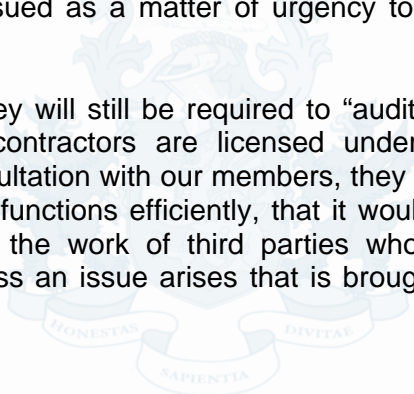
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their attention. Our members feel the proposals set out in the Bill could result in them becoming liable for the errors of others.

There is support from some commentators for the retention of the reference to the reporting entity concept in the accounting standards. In some instances the support is because commentators holding this view

Other matters relating to the practical application of the new regime may or may not be addressed in the regulations and as such remain of concern.

These include:

- Some members have raised concerns that the Bill does not provide effective mechanisms whereupon a sole practitioner dies while in practice and how their clients are to be dealt with;
- The issue of supervision and control remains of concern, in particular how the new Board would realistically interpret this; and
- Some firms have raised concerns as to the new Board's criteria in determining the sufficient number of registered tax agents for a given size of practice and how the divergent nature of each practice will be taken into account in determining the right number of registered tax agents and other related practical issues.

We believe that these issues can be addressed either through the regulations or through administrative guidelines issued by the new Board and look forward to working with it to ensure that they are.

In particular, throughout the consultation process, the NIA has strongly advocated for a practitioner-based standing consultative committee to help inform the work of the new Board. To this end, the NIA has advocated for a model similar to the National Taxation Liaison Group to be established to ensure a structured line of communication is in place, particularly during the formative stages of the new regime.

We also welcome any opportunity to address the Inquiry, together with our colleagues from the other accounting bodies, should the Inquiry consider such necessary.

The NIA would like to reiterate that we support the passage of the Bill and we look forward to the commencement of the new regime in the not too distant future.

Should you have any further queries, please contact either our Senior Policy Adviser (Tax) – Vicki Stylianou on (02) 6260 8619 (vicki.stylianou@nia.org.au) or (if before 23 January 2009) our Technical Counsel – Reece Agland on (03) 8665 3115 (reece.agland@nia.org.au).

Yours sincerely



Roger Cotton
Chief Executive Officer

