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How can we continue to work together to help small businesses thrive and survive

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*Second Commissioner Jeremy Hirschhorn
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Introduction

Thanks for having me. I am Jeremy Hirschhorn, here on behalf of the Commissioner, who unfortunately is unwell. I know he is disappointed he cannot be here with you today because he very much looks forward to this as one of his most important speaking events every year.

But I am excited to be here on the sunny Gold Coast on his behalf and speak with you all today.

As we continue to navigate the ever-evolving pandemic and the many natural disasters that our country is experiencing, we have a key role to play in supporting Australia's economic recovery.

Today I want to speak specifically about how we can work together to support small businesses.

But before I begin, I wanted to quickly reference the importance of trust and confidence in the taxation system and recent findings from a whole of government survey. In short, I am delighted to announce that the ATO was found to be the government agency with the highest levels of trust and satisfaction, both at over 80%. Trust is critical to support voluntary compliance and willing participation in the system, so this is more than nice feedback, it is actually a self-reinforcing signal that the tax system is improving.

But this is due not just to the efforts of the ATO, but to efforts of those across the entire tax eco-system, and a fair share of the credit must go to others in the system. From the banks and other financial institutions who share information for pre-fill, through digital service providers who connect the tax system with taxpayers' natural systems, through to professionals who support Australians every day in understanding and meeting their financial reporting and taxation responsibilities, whether book-keepers, accountants, tax agents or lawyers.

As a key part of this, I would like to acknowledge the strong and trusted relationship the ATO enjoys with the Institute of Public Accountants. IPA representatives and members work closely with the ATO to help shape the administration of the tax system through membership on our key consultative forums and through strategic conversations with our leaders on key areas of interest.

I would like to thank Tony Greco and Irwin Bushnell, who are our primary tax practitioner experience representatives, for their valuable contribution and willingness to partner with us. But I would also like to thank you all here today for supporting your clients and understanding the challenges they face.

We recognise the valuable contribution that small business makes to the Australian economy. As an organisation, the ATO is committed to supporting genuine small businesses to succeed and to thrive.

The current environment

We understand how difficult the past years have been for small business owners, including many of you here in the room. They have endured the challenges of a global pandemic as well as the impacts of natural disasters which have affected businesses across our country.

We are all aware of the current challenges many small businesses are facing with countless flood events that have seen businesses forced to close their doors as flood waters rise and then face the inevitable clean up.

If your client has been affected by recent floods, we're here to support.

We understand that tax is not their number one priority when they are dealing with such an emergency. If your clients are struggling to meet their tax obligations as a result, we have a range of support options available.

Our emergency support line on **1800 806 218** is available to help you or your clients get the support they need. For some, this may be as simple as having more time to meet tax or super obligations, while for others it may involve getting help to reconstruct tax records that may have been damaged, destroyed or lost. We are committed to providing support and working with our clients with empathy and professionalism during difficult times so they can get back on track.

In working with your profession to help small businesses thrive, we need to ensure there is a level playing field. We work to protect small businesses from unfair competition and to do this we focus our efforts on addressing those that operate outside of the system and choose to operate in the shadow economy.

A good business is a business that can, and does, pay – they pay their employees, they pay their creditors, and they meet their tax and super obligations. We want to work with you to make doing that easier, to make it a part of existing systems to give small business more time to focus on what matters most – running their business.

However, we also know that not every small business will survive. When the signs of distress first emerge, it is important that a business seeks help and assistance through a tailored, empathetic, and integrated approach. For many and varied reasons, sometimes a small business will not remain viable. And on these occasions, it is important that a business can leave the system with support and with dignity.

With that in mind, today I am going to focus my remarks on 4 areas:

- where are we now – the small business tax landscape
- features of the tax system which support small business
- fairness and safeguards in the system to protect small business, and
- the road ahead – digital opportunities and challenges.

Where are we now: the small business tax landscape

What is a small business?

There are a number of different statutory definitions of what a small business is. However, for ATO purposes, we define a small business as

a sole trader, company, trust or partnership that operates a business which has an annual turnover of less than \$10 million of business income.

Small businesses are a critical component of the Australian economy.

They provide localised and tailored services, employment for their local communities; in short, they are a pillar of their local economies. But they are also a key element of the social fabric of a local community. They not only provide a service, but they give the community its character and its vitality. They are also contributors to their communities in a broader sense through the tax system: from employment taxes, to GST, to their own income tax.

At 30 June 2022 there were 4.5 million active small businesses.

Around 730,000 small business employers employ almost 7 million employees.

In addition, there are a further 2.1 million individuals linked to small businesses, including directors, shareholders, partners, and trust beneficiaries – a total of 6.6 million entities.

These 6.6 million entities account for \$68 billion in income tax, which is around 17% of the income tax collected by the ATO. They also contribute over \$19 billion in GST, which is about 28% of total ATO GST. Around 2.6 million small businesses are registered for GST.

Around 70% of small businesses have an annual business income below than \$75,000 (including 26% with \$0 or less). Contrastingly, 4% have an annual business income above \$1 million.

Tax performance

In 2019–20, we estimate small business income tax performance was about 88% – leaving a ‘tax gap’ of 12% or \$12 billion.

I want to acknowledge here that some in the small business market raise concerns that these figures are some sort of criticism of small business – I can assure you they are not.

What our tax performance estimates do provide is insight into how each market is operating and where we need to focus our attention. By publishing them we can ensure we are transparent with the Australian community with how their tax system is operating in practice.

We know most Australians running small businesses are meeting their obligations and paying the right amount of tax, or they are trying to do

the right thing. They simply don't always have the capabilities and resources like many large businesses do, so mistakes can happen.

They're also more sensitive to economic shocks caused by recent events such as the pandemic, natural disasters, and inflationary pressures, and can't bounce back as easily as larger players.

That's why we are focused on supporting them to get it right up front, and we encourage our staff to be empathetic and understanding even when things have gone wrong.

Our tax performance program also shows that the small number of small businesses operating in the shadow economy represents more than half of the overall small business tax gap. I will talk more later on what we are doing in this space.

Features of the tax system that support small business

Supporting you to run your business

The ATO is responsible for 3 tax system measures that can be accessed to boost cash flow for eligible businesses – please make sure that your eligible clients are accessing these measures!

The instant asset write-off enables businesses to immediately deduct the cost of depreciating assets less than a certain threshold. While the asset and turnover thresholds have changed over time, we have received over 2.57 million claims since it was introduced in 2011.

Two more recent measures introduced during the pandemic include Temporary full expensing and Loss carry back, both scheduled to finish after this year.

Temporary full expensing, a significant extension of IAWO, allows eligible businesses to claim an immediate deduction for the business portion of the cost of eligible assets in the year in which they are first held, first used or installed ready for use for a taxable purpose. We have received almost 200,000 TFE claims worth \$22.7 billion, relating to 2.2 million assets. If you consider the IAWO and TFE measures together the impact on small business is profound.

Loss carry back was introduced to support cash flow of previously profitable businesses that had fallen into a tax loss position during the pandemic. We have received over 30,000 claims for \$3.3 billion.

The majority of claims for TFE (80%) and LCB (74%) have been made by small businesses (by number).

I note these numbers are set to increase as the majority of businesses are yet to lodge their tax returns for the 2021–22 period.

Announced but unenacted measures

There are some other announced measures that if passed will support small business. Again, please keep an eye out for these measures, and, in the meantime, help your clients maintain appropriate records.

These include a skills and training boost measure intended to provide small business with access to a 20% tax bonus deduction for eligible expenditure incurred on external training delivered to employees by providers registered in Australia.

A technology investment boost measure is also intended to provide small business with a 20% bonus deduction for eligible expenditure incurred on business expenses and depreciating assets that support digital operation.

Public consultation on exposure drafts for both measures has now closed and we are awaiting further information.

eInvoicing

We also know for some small businesses, going digital is a challenge. But when they do, they see the benefits through productivity savings, reduction in administrative burden and reduced time spent on tax compliance.

We are playing a leading role in significant whole-of-government digital initiatives which are intended to make it easier for businesses to operate in Australia.

More than 23,000 businesses are already taking advantage of eInvoicing which makes business transactions easier and fairer, and less prone to scams (such as email take-over scams).

And while we strongly support eInvoicing as a micro-economic reform assisting business, especially small business, and have a stewardship role, we do not see it as the natural system for obtaining information about small business' tax affairs for several reasons.

Firstly, the vast majority of small businesses already accurately report to us their transactions, and those that don't are unlikely to e-invoice –

as such there is little compliance benefit. Secondly, because even those small businesses which take up eInvoicing are unlikely to put all their transactions through eInvoicing, there is unlikely to be a significant 'service benefit' by using this data to pre-fill returns. In reality, where a small business uses a quality accounting software package in conjunction with high quality advice, the natural system for reporting will be through the business' own accounting software.

Accordingly, unlike in many other countries, the ATO will not be taking this data onboard.

Addressing tax debt and payment

There has been a lot of discussion recently about the ATO normalising the level of debt collection after a pause on this due to the impacts of COVID-19 on the business community. I think most would understand that the ATO has an obligation to collect what it is owed.

We are, however, committed to engaging with taxpayers about unpaid debts and are offering tailored support and assistance to those with overdue debts. We are encouraging small business owners to engage so we can work with them. We are here to assist.

Collectable debt has grown from \$26.5 billion as at 30 June 2019, to \$44.8 billion in June 2022.

And \$29.3 billion, or 65% of this, belongs to small businesses, which comes as no surprise, because we know small business was one of the hardest hit segments in the community over this time.

But I want to dispel the myth that this growth is due to overactive compliance activity. When we refer to collectable debt, this excludes any disputed debts (e.g. subject to objection or AAT / Court cases). About 70% is primary tax that has been self-reported as per BAS statements or income tax returns – meaning it is debt that businesses have acknowledged they owe, with another 15% or so being interest on that tax. It is only the remaining 15% that relates to (undisputed or upheld) amendments, or interest or penalties on those amendments.

It also includes superannuation owed to employees. In fact, 86% (or \$1.6 billion) of outstanding super guarantee debt is owed by small businesses.

When we talk about recommencing debt collection it is incredibly important to keep in mind that it is important to Australians that we do so.

Our debt recovery actions will be underpinned by transparency and engagement.

We recognise some businesses are experiencing hardships because of recent natural disasters and the continuing impacts of COVID-19, and all the assistance we provided during the height of the pandemic remains, including deferrals and payment plans.

Our emphasis is now on keeping taxpayers engaged, getting them to lodge so they know their position, and supporting them to set up a plan to manage their payments. If your clients are in debt, help them set up a payment arrangement and encourage them to come to us earlier.

Over 22% of our debt book is now on some form of payment arrangement, which is higher than ever. Small business represents approximately three-quarters of the number of debt accounts being managed by a payment plan.

Importantly, please remind your clients not to ignore us if we reach out – that will raise a red flag. After an uncertain few years, mutual engagement and transparency are paramount.

By engaging with us, we can understand your client's situation and clarify our expectations and options available to them.

In some cases, your client's business may not be viable and we encourage you to talk to them about the streamlined restructuring or insolvency measures the government has established. We estimate \$6 to \$9 billion of our collectable debt book includes debt that will ultimately be found insolvent and may never be paid.

This is a natural and normal part of a business life cycle but it highlights the immense pressures many individuals and businesses are under.

I know how busy you are, helping your clients navigate the continued impacts of COVID-19, floods and economic pressures with staff shortages, supply chain issues and the increased cost of living.

I know your clients are coming to you worried and stressed, and that's a lot to carry.

But we are committed to working closely with you and your clients to tailor solutions that make it easier for them to meet their obligations.

And we are committed to doing so with empathy.

Managing cash flow

In supporting small businesses, we also want to help them to not only lodge and report accurately, but to increase their overall business literacy and skills. We are doing lots of work to improve our digital self-help support for small business. Catering to the information needs of small business regardless of their industry or stage of the business lifecycle is so important.

The **Cash Flow Coaching Kit** is a resource we designed for trusted advisers to help small businesses build their cash flow capability, meet financial commitments, and remain viable.

This is a flexible and practical resource that you as an adviser can use to have a cash flow coaching conversation with your small business clients.

Managing lodgment

We know the current lodgment deferrals process can be an irritant for you. We've not only listened but have actively taken steps to address your concerns.

I'm excited to announce that a new lodgment deferrals function in Online services for agents will be delivered in the first half of 2023.

It will provide a more intuitive lodgment deferral experience, that will also allow real-time visibility of requests and quicker processing times.

Fairness and safeguards in the system for small business

Minimising the impact of ATO errors

Over the last few years, we have taken to reviewing all our processes under an approach called 'Highest Client Impact Actions'.

This involved trying to identify all the things we do where a mistake could cause a disproportionate impact on a client, and to make sure we have procedural and cultural safeguards to minimise these errors.

In practice, this might mean having one more conversation to make sure that the client understands the impacts if they do not engage.

Recognising sometimes we disagree

Of course, there are instances where businesses disagree with our assessment of a tax debt. In keeping with our client-centred approach to make things easier for small businesses, we haven't just focused on making it easier to lodge and pay tax – we've also worked to make it fairer for small businesses in a dispute with us.

Firstly, in Australia, there is the right to object against an unfavourable decision, and that decision is then reviewed in a different part of the ATO, by officers who have not previously been involved in the case.

However, it was identified that there were opportunities for safeguards prior to formal making of an unfavourable decision (e.g. in the form of an amended assessment). As such, we trialled the concept of an 'independent review', quite similar to an objection process, but importantly before issue of the amended assessment. Following a successful multi-year pilot, we recently made our small business independent review service permanent. Since the pilot program started in 2018, around 1,300 small businesses have been offered the service and more than 250 have used it to gain an independent, fast, free, and fair resolution to a dispute. I'm not aware of any tax jurisdiction in the world that provides more dispute resolution options to small business taxpayers.

Importantly the AAT, and the Small Business Tax Division, are a feature of Australia's tax system which does not exist elsewhere in the world, and are often over-looked in discussions of taxpayer fairness: a truly structurally and institutionally independent, low or no cost expert review that stands in the shoes of the Commissioner and makes binding decisions.

Taking this even further, in the Small Business Tax Division of the AAT, where a small business taxpayer is self-represented and the ATO engages external legal representation, we will fund the reasonable legal costs of an equivalent level of representation to act on behalf of the small business in the Small Business Tax Division.

I'm also pleased to share that the National Tax Clinic Program has 14 universities around Australia to tax clinics. This is great news for small business owners who may not be able to afford professional advice and representation with their tax affairs, as it will allow more people to access assistance.

As advocates and champions of small businesses, I'm sure you're also aware of the recent consultation on proposed new measures to extend the power of the Administrative Appeals Tribunal (AAT) in relation to

recovery of disputed debts. This draft legislation would amend the *Taxation Administration Act 1953* and enable the AAT to pause or modify ATO debt recovery action, including:

- staying or modifying debt recovery actions in relation to tax assessments under dispute in the Small Business Tax Division of the AAT
- preventing the Commissioner from taking debt recovery actions, like commencing winding up proceedings or issuing garnishee notices, until the underlying dispute is resolved, and
- empowering the AAT to order the Commissioner to offer instalment arrangements including 50/50 payment arrangements and to accept security in lieu of immediate recovery.

Noting that the ATO generally does not seek to recover tax debts while they are in dispute, with some exceptions (particularly related to large business or where there is a suspicion of fraud and / or risk of asset dissipation), it is not anticipated that there will be many actions under these provisions, but this still provides an important additional safeguard in the system.

Protecting small business from unfair competition

An important part of supporting small business is creating a level playing field, at the top of this list is protecting small business from unfair competition. We need to ensure there is a level playing field for all to operate in.

Our focus on addressing those small businesses that operate in the shadow economy remains a priority and we will continue to focus our efforts using data and industry insights to address the small number of businesses that operate outside of the system.

In the latest Federal budget, the government extended our Shadow Economy Program for a further 3 years from 1 July 2023. This will enable us to continue a strong and coordinated focus on addressing this behaviour, protect revenue and level the playing field for those businesses that are following the rules.

Additional funding will enable us to mature cross-agency efforts to share information and leverage capability to tackle the shadow activities. It will enable us to expand our already highly visible compliance activities, leverage technology improvements and use of

data, as well as implement measures to deter people from engaging in shadow economy activity.

The funding will see the continuation of the multi-agency prescribed Shadow (previously Black) Economy Standing Taskforce. This taskforce allows for the sharing of intelligence across 11 taskforce member agencies with information disclosures made for the purpose of investigating shadow economy activities. Investment in the Illicit Tobacco Taskforce will also continue.

The ATO also uses intelligence from tip-offs as part of its approach to dealing with the shadow economy. We value all community referrals and they help us shine a light on tax avoidance and protect honest businesses. In 2020–21, we received 43,000 tip-offs from the community, with more than 90% received found suitable for further investigation or retained for intelligence purposes. This tells us that the community is not willing to accept this behaviour anymore and that they value a level playing field for all.

We continue to invest in our Tax Integrity Centre which is our central point of collection, analysis and sharing of community intelligence. It has enabled us to address shadow economy activity by:

- making it easier for the community to provide better quality intelligence to the ATO and ensure their information is taken seriously
- transforming community tip-offs into critical actionable intelligence, and
- enabling us to remain flexible and responsive to stakeholder needs in identifying and escalating emerging risks or threats to the right area for action.

Addressing the unfairness of those operating in the shadow economy is a top priority area for the ATO, and we will continue to address this behaviour across a range of risk areas predominantly in, but not limited to, the small business segment and across tax obligations and utilise the influence tax professionals and other intermediaries have on their clients. The ATO must be agile to adapt and modify compliance responses to address the shadow economy.

We are also taking significant new steps to help businesses better protect themselves by being able to make more informed decisions about who they do business with, which is particularly critical now as businesses navigate this period of post-covid recovery.

For this reason, we have begun, for the first time, to disclose the tax debt information of high-risk disengaged businesses to credit reporting bureaus; these are businesses with large debts overdue for extended periods of time, who repeatedly fail to engage with us. This is important information for others who may otherwise unwittingly deal with businesses that are poor credit risks.

This year we have written to over 38,000 businesses eligible to have their tax debts disclosed. One in three have already taken action – for instance, we now have \$2 billion of debt being managed in active payment plans that was previously being carried on our books without any engagement at all from those businesses.

For those who haven't taken action, we are progressively disclosing their information – so far we have shared information of about half a billion dollars of debt owed by disengaged businesses, whose debt information is now incorporated into their credit scores and credit rating reports.

From early next year, every business who qualifies for disclosure will automatically receive a formal notice from us, as soon as they become eligible. This notice provides a due date by which the business must take action to engage with us and advises that if action is not taken their debt will be disclosed.

When we do disclose a business' tax debt information, it has the effect of making their tax debts more visible to credit providers, insurers and to other businesses – helping to level the playing field, to protect honest businesses, and improve the integrity of the overall system.

Greater integrity of company directors

Of course, one of the other ways we are supporting a level playing field for all businesses is our role in the Australian Business Registry Service and issuing director IDs.

You would be aware that one of the features of the Australian business landscape and ensuring fair competition are the obligations and duties placed on company directors. Through the creation of director IDs we are making it harder for illegitimate businesses to game the system through dummy or straw directors.

We have already issued over 1.3 million director IDs but I would remind everyone that the 30 November deadline for most directors to get

their director ID is fast approaching. If your clients can't meet the deadline, please ask them to contact us and we will work with them.

Operation Protego and balancing convenience with integrity

You might find it surprising that I have not yet talked about Operation Protego. Working closely with other government agencies, we initiated Operation Protego in April this year in response to brazen and opportunistic GST refund fraud.

The attempted fraud involves individuals, who are not in business, applying for an Australian business number (ABN) for a business that doesn't exist, and then submitting fictitious business activity statements (BAS) to attempt to gain a false GST refund.

In response, we have had to implement some system changes that strike a different balance between making it easy for people to get into the business tax system and harder for those who should not be there.

There are a very small number of legitimate businesses that may have been adversely affected as a result of these changes (for example, having their refunds withheld). To limit the impact on legitimate small businesses due to these new processes, we prioritised our engagements with them when they contacted us. If any of your small business clients have been caught up, please reach out to us and we will work with through any impacts with you.

Holding large companies to account

In all this discussion about small business compliance, it would be remiss for me not to at least mention what we are doing at the other end of the market.

One area in which we're seeing greater compliance as a result of our sustained focus is the large business market.

Our latest **Corporate Tax Transparency report** reveals the amount of tax paid by large corporates is the highest since reporting started 8 years ago.

In 2020–21 2,500 large corporates paid over \$68 billion in income tax – which is nearly 20% more than the previous year.

In the recent Budget, the government announced an extension to the Tax Avoidance Taskforce through to 2026 and boosted our funding by

an additional \$200 million per year. This will go a long to help us continue our work in this space.

Our recent settlements with the likes of Rio Tinto, ResMed, BHP, Google, Facebook, Apple and Microsoft have locked in billions of dollars in revenue for Australia.

And many large corporations are now wearing their good compliance like a badge of honour.

I am proud of these results, but not just because of the economic impact.

It's also because it should provide the community, and more specifically your small business clients and you as their advisers, with confidence that large businesses are paying their fair share.

Looking ahead: Digital opportunities and challenges

A digital-first tax ecosystem to improve small business tax performance

I am excited about the opportunity we have to harness advancements in digitalisation and data to achieve a future state that makes it easier for honest small business to comply, harder for others to unfairly compete, takes drudge work out of the tax system, and at the same time improves the performance of the tax system.

A key focus area in this year's ATO Corporate Plan is to improve small business tax performance and participation by collaborating with partners to build a digital first tax ecosystem, enabling seamless tax and reporting from business source systems. Our key opportunity areas of tax performance improvement are to:

- place greater assurance in the system
- increase digitalisation to reduce errors and mistakes, and
- decrease new debt as payments move closer to events.

We also see the move to simplify and streamline interactions as an opportunity for professionals to spend less time on drudge work and focus even more toward value creation, which is a win-win for you and your clients.

From our perspective digitalisation means:

- integrating ATO systems with natural systems as much as possible
- moving tax reporting (and payment) closer to the tax event (which may require policy changes)
- designing the tax system around verifiable data rather than using external data to bolster the system, and
- providing transparency (often in real-time) around our risk settings to minimise errors.

It's not just Australia that is headed in this direction. In September, we hosted the OECD Forum on Tax Administration in Sydney, where the key focus was the ongoing transformation of tax administrations.

The ATO is a leader in this space, and the Commissioner has spoken recently about our new Digital Strategy that sets out deliverables for the next 2 to 3 years and a vision for 2030. Our Digital Strategy is aligned with the OECD's Tax Administration 3.0, where seamless, integrated, and automated systems allow data to flow from the systems taxpayers already use, to ours, without any extra effort or intervention from them.

It helps to think not of tax return forms but of quality assured and attested data streams.

Importantly though, the important work of ensuring that the tax law has been properly applied and that transactions are appropriately recorded in those underlying systems (and that this is attested to) will continue. Your expertise remains essential.

Rest assured; we won't be driving the design on our own. We want you in the front seat with us. You can expect to hear more about this as we start co-creating what the roadmap could look like to help increase tax performance through a digitalised system that lowers unnecessary 'paper shuffling' compliance costs.

Importantly, it does not mean that all data must sit in ATO systems and be analysed there. In fact, almost the opposite. Digitalisation requires consideration of the entire ecosystem, and also looks for the natural place for functions to sit. In many cases, it may be more appropriate to move some of our functions to the natural systems, rather than require clients to send us information. This may not only reduce data requirements, but also allow clients to minimise their chance of making a mistake and coming to our attention.

I know my recent line 'data is not gold, it's uranium' was mentioned yesterday which is great – as owners and users of data we have a shared responsibility in keeping that data secure and using it in a purposeful way.

I would also acknowledge here that we recognise not all tax professionals (or their clients) have the same level of capability or access to digital services. We have to make decisions around design and investment that we think are best for Australia's tax system into the future and align to government and community expectations. So, for those who are feeling uneasy that they will be left behind, unfortunately I don't have the answer for you today, except to say that is something we are grappling with and will continue to engage with you on into the future as we design our systems and service offerings.

Managing the downsides: Cyber threats

Operating in an increasingly digital environment means we have to consider how we safeguard our systems from ever-evolving cyber threats and fraud attempts. Importantly, do not think of fraud simply as theft of money, increasingly it is now focused on theft of information.

If the recent events with Optus and Medibank tell us anything, it's that we cannot afford to be complacent.

Protecting our data and digital systems is a massive undertaking and a responsibility we take very seriously.

We possess one of the largest and most comprehensive data stores in Australia.

We are entrusted with protecting the community's personal information and this trust underpins the whole tax system.

At the same time, we provide you, as tax agents, with trusted access to those data stores for your clients.

We've begun a fundamental shift towards embedding fraud prevention measures into systems as part of the initial design process. To protect your clients (and also to protect you from being unwittingly tricked into enabling fraud) we may need you to do more or do things differently.

Two immediate things that are very much worth thinking about: firstly, with so much personal information leaking into the public domain from Optus, Medibank and others, please be focused on new clients and whether they are who they say they are (and not using the information

from a data leak to pretend to be someone else). The more digital your client acceptance process, the riskier this can be, but even adding a Zoom call to eyeball the person can be protective. Secondly, think about the client information in your systems, and whether it is encrypted or otherwise protected from either a cyber hack, or even simply the physical theft of a laptop – and even if it is, whether you can simply and cheaply put another layer of protection over that data.

Agent linking

We have learnt from the experience of others what can happen when system vulnerabilities are exploited, or the identity of a legitimate user is taken over. It is a valuable reminder of how important protecting your personal information is, and how concerning it can be when it falls into the wrong hands.

We're seeing unprecedented, and increasingly sophisticated, efforts by criminals to impersonate legitimate users to lodge fraudulent returns or gain access to data that they can make money from. Unfortunately, tax and BAS agents are not immune to identity crime. That's why we are boosting our front-end controls.

Following a successful pilot, involving about 40,000 entities and 800 agents, we're changing the process for an agent to link to a taxpayer's account. This is to help ensure that only a client-authorised tax agent, BAS agent, or payroll service provider can link to their accounts and access their tax and super affairs. This will bring our processes more in line with best practice and community expectations.

We will be transitioning all business taxpayers into the new client-agent linking process in tranches.

For clients who are already in Online services for business, we know this change imposes an extra step for both agents and clients. Agents involved in the pilot told us their experience was a relatively simple process.

For clients who aren't already connected to Online service for business, we recognise there are additional steps involved to transition clients into a digital environment.

Over time, it will apply it to all taxpayers. The first tranche of business taxpayers will include the rest of public and multinational businesses, with our small business clients to come on at a later date. We will share more with you as soon as possible.

Conclusion

Be the adviser your small business client needs

As I near the end of this speech, I would like to talk a bit about how we must work together to support small business to thrive. A tax professional like those in this room who understands small business and the challenges they face is extremely important.

If I were a small business owner, I would be looking for an adviser who:

- knows what the ATO is talking to small business about
- has up-to-date skills and knowledge, and
- has high practice and professional standards.

I would want to work with an adviser who:

- encourages their clients to understand and embrace technology
- who asks that extra question if the position doesn't make sense, maybe even protects the business owner from themselves
- provides sound business advice (including cashflow advice) – not just tax advice
- helps their client understand where they stand in relation to their peers
- ensures that, when a client is facing a tax debt, they don't put their head in the sand but helps them engage with the system, and
- supports tax morale in the community and calls out bad behaviour where they see it.

Some of you may be aware the Big 4 firms recently published the Large Market Tax Advisor Principles in August. These principles provide their clients, the ATO and the community with confidence that they are not aiding the sale or promotion of tax avoidance or high-risk tax arrangements.

The principles are a strong sign the ethical framework around the provision of tax advice is changing. But this sort of ethical framework is not limited to the large firms – I encourage you to review the principles and consider which aspects might apply to your own practice.

Thank you for your attention and I am looking forward to your questions.

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Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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