



24 May 2024

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Individuals and Intermediaries

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Dear Mr Watson, Ms Corsini and Ms White,

Phase 3 of ATO Client-to-Agent Linking ('CAL')

The National Tax & Accountants' Association ('NTAA') is a national member-based organisation that represents the interests of around 10,000 member firms, including taxation accountants and superannuation professionals.

The NTAA is focused on representing the interests of our members and their clients, which include small to medium-sized businesses, family trusts, and self-managed superannuation funds (collectively referred to below as 'Taxpayers').

CAL was rolled out to small to medium-sized businesses, excluding sole traders, in November 2023 (i.e., 'Phase 3' of the rollout schedule), and since then, the NTAA has received an unprecedented volume of negative feedback from our members regarding CAL. In fact, the NTAA has already received more than 500 written complaints about CAL from registered Tax Agents.

Whilst the NTAA supports measures designed to improve cyber security, including preventing situations in which a Tax Agent or client's identity is stolen by criminals, we believe that such measures must be consistent with the ATO's obligation to administer the tax system efficiently and effectively.

Unfortunately, due to some serious deficiencies in CAL for small to medium-sized Taxpayers (see below), the system promotes neither efficiency nor effectiveness in the tax system.

We believe that this situation has arisen because the design and implementation of CAL was rushed and "set in stone" despite concerns raised by professional associations over a 12 month period. The decision to use CAL seemed to be more an outcome of the ATO's current budgetary constraints rather than getting the best solution that maximises the security of the system with ease of operation for its participants.

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Post-implementation review of CAL is urgently required

In early 2024, the (then) Inspector General of Taxation ('IGoT') and Tax Ombudsman, Karen Payne, described Phase 3 of CAL as a "*poor solution*" and further stated that the IGoT would "*jump in*" if the ATO and Tax Agents were unable to resolve the problem.

To that end, we strongly recommend that the following course of action be taken now to resolve this issue:

1. Immediately **suspend** the Phase 3 rollout of CAL.
2. **Overhaul CAL or develop a new system.**

It has become clear that there are some serious deficiencies with CAL, which can only be rectified if changes are made to the system at the ATO and/or Government level.

The current system needs to be overhauled or a new system developed that finds an appropriate balance between protecting the tax system against tax-related identity fraud and making CAL a usable system for all parties involved.

This overhaul process must include meaningful consultation with Taxpayers, professional bodies, and other interested and specialist parties. The ATO should endeavour to undertake meaningful consultation to address the deficiencies identified with CAL (see below).

As a starting point, the NTAA recommends that consideration be given to the following:

- Streamline the process so that a Taxpayer is not required to work through multiple complicated systems just to appoint a Tax Agent. It is vital that the security measures adopted do not have the effect of discouraging Taxpayers from engaging with a Tax Agent or changing a Tax Agent.
- Make better use of user-friendly authentication systems such as those commonly used by banks and airlines. As these are already common in the community, they would be familiar to the vast majority of Taxpayers.

Consider providing a number of acceptable authentication methods to cater for different types of Taxpayers who wish to engage a Tax Agent in good faith (e.g., those without an Australian passport, elderly persons, and non-resident taxpayers). For example, this may include extending the identification types to include drivers' licence and Medicare numbers, visa numbers and director identification numbers.

Furthermore, it may be appropriate to offer in-person authentication in certain circumstances, such as by partnering with a government or private body (e.g., Australia Post shopfronts).

- Ensure the system is as simple as possible for Taxpayers to navigate.

Clear troubleshooting guidance must be available to assist Taxpayers when authentication and other issues arise. For example, the ATO should substantially increase its dedicated resources to ensure all CAL-related calls are answered quickly and provide dedicated ATO contact officers for Tax Agents to resolve difficulties.

The ATO should also consider the circumstances in which it is appropriate for a Tax Agent to support a Taxpayer with the process of CAL.

3. Details of any system must be **communicated** to all relevant parties. The ATO must ensure that the community is aware that a new system is in place, the reason for introducing it, and provide instructions on how to navigate it. To that end, media or internet-based guidance should be a priority of the ATO to assist in educating Taxpayers on CAL.

It is crucial that Tax Agents are able to direct potential or current clients to an ATO directive explaining the nature and reason for any change. Tax agents should not bear the burden of communicating the details of any new system.

4. **Review internal ATO processes** to boost protection against 'tax identity fraud'. By way of example, in one complaint received by the NTAA, it was brought to our attention that a client of a Tax Agent was a victim of fraud after their MyGov account access was compromised, and fraudulent returns were lodged via their MyGov account. In this case:

- The client responded to messages masquerading as ATO myGov notifications, and their MyGov account was compromised. Following this, fraudulent amended returns were submitted to the ATO.
- The fraud was quickly identified by the taxpayer's diligent Tax Agent and was notified to the ATO. This notification was made within four days of the fraudulent return being submitted, which was prior to the amended return in question being processed.
- Despite the timely intervention by the Tax Agent, the ATO processed the amended tax return and paid the refund to a fraudulent bank account.
- The ATO then pursued the client to repay the fraudulent refund.

It is suggested that more robust internal processes may help prevent these types of scenarios from occurring. For example, in the above scenario, it would have been appropriate to freeze the applicable account(s) when the suspected fraud was first reported to the ATO.

Furthermore, it is not appropriate to pursue innocent taxpayers in these types of situations where ATO systems are either compromised or are inadequate.

Unacceptable deficiencies with CAL

As noted, the NTAA has already received more than 500 written complaints from registered Tax Agents. We have compiled a summary table of all the issues raised by our members, setting out the nature and frequency of each type of complaint. Refer to **Appendix 1** below.

This table clearly illustrates the breadth and complexity of issues that Tax Agents, Taxpayers and professional associations have been left to deal with following the Phase 3 rollout of CAL.

The more common and serious concerns communicated to us include the following:

1. CAL is cumbersome and confusing.

It is untenable to have Taxpayers work through multiple complicated systems simply to appoint a Tax Agent (e.g., myGov, myGovID App, Relationship Authorisation Manager ('RAM'), and the ATO's Online services for business).

To successfully navigate these systems, Taxpayers need technical know-how and an in-depth knowledge of their tax affairs, including understanding difficult concepts such as identifying the different capacities in which a company can operate. The irony of this, of course, is that Taxpayers often appoint a trusted Tax Agent precisely because they wish to avoid this type of complexity.

2. Overreliance on Australian passports.

At present, if a Taxpayer does not have an Australian passport, they cannot appoint a Tax Agent without contacting the ATO. An expired passport can only be used if it expired no more than three years earlier.

The NTAA has been made aware that Taxpayers are having difficulties contacting the ATO due to excessive wait times on the ATO helpline and the ATO's inability to deal with calls about CAL.

Relying on Australian passports is problematic because many Taxpayers cannot obtain an Australian passport, while many others have no need for one. Obtaining a passport is a complex process that is both time-consuming and costly.

The above deficiencies with CAL create unacceptable adverse implications for all parties involved with this system, as follows:

- (a) **Taxpayers** – CAL is too complicated and cumbersome for many Taxpayers to navigate, particularly those who are less technologically inclined, non-resident taxpayers and those who do not have an Australian passport. Our early feedback from members has revealed that many Taxpayers have been unable to lodge returns on time, leading to the imposition of penalties.

Our concern is that over time, the system's lack of usability will change Taxpayers' behaviour. For example, we are already hearing that some Taxpayers wishing to appoint a new Tax Agent are choosing to retain their existing Tax Agent simply to avoid having to engage with CAL.

The stress of navigating CAL may cause some Taxpayers to choose to disengage from the tax system. Naturally, such an outcome would have adverse implications for both the Taxpayer and the tax system.

- (b) **Tax Agents** have been burdened with explaining the complex online CAL system to potential new clients as well as the process that needs to be followed to appoint a Tax Agent. Tax Agents have reported that CAL is proving to be time-consuming and costly for them, as the time spent on such administrative tasks is not charged to the client.

Most Taxpayers are not aware of CAL or why this system has been introduced. Given the prevalence of online scams, it is not at all surprising that Tax Agents are being met with scepticism when dealing with potential new clients (or when they provide new services to existing clients).

The NTAA is concerned that CAL will undermine the important relationship between Taxpayers and their trusted Tax Agent, with many viewing CAL as an attack on the tax agent profession.

It is also important that the ATO does not overlook or dismiss the impact that CAL is having on the mental health of Tax Agents (and Taxpayers). In relation to this issue, one of our members noted:

“the frustration and anxiety created for compliant tax agents is beyond comprehension”.

- (c) **ATO** – Our member feedback indicates that CAL is impacting ATO resources. This is evidenced by the excessive wait times on the ATO helpline and the reporting of instances where the ATO was unable to assist Taxpayers and Tax Agents with their CAL-related queries.

We expect that these issues will compound over time, with further ATO resources required to administer and enforce increasing overdue lodgments and outstanding payments.

The ATO should also be concerned that the complexity of CAL may cause some Taxpayers to choose to disengage from the tax system.

It is clear to us that any increased security that Phase 3 of CAL provides comes at too great a cost to Taxpayers, Tax Agents, and the tax system itself.

We are also concerned that the situation with CAL will only worsen with time as more Taxpayers seek to appoint a Tax Agent and/or otherwise navigate the system for another purpose.

As such, the NTAA considers the overhaul of CAL to be of the utmost priority, and we would be pleased to assist in any way we can with a post-implementation review of CAL.

We would appreciate a response to the concerns raised above.

Yours faithfully,



Geoff Boxer
Chief Executive Officer, NTAA

Complaint Raised	Number of times complaint was received	Observations
<p>1. CAL is cumbersome and too complicated</p>	<p>284</p>	<p>Tax Agents:</p> <ul style="list-style-type: none"> • are finding CAL complicated, cumbersome and disruptive to workflow scheduling / onboarding processes. • are finding it difficult to explain the purpose of CAL and the process to Taxpayers. This makes the Tax Agent look incompetent. • need to invest a significant amount of time and resources to support Taxpayers with CAL. This is leaving less time for Tax Agents to advise their clients and manage lodgments (leading to late lodgments). • are suffering a financial impact due to time being invested in CAL that cannot be reasonably invoiced to the client. One tax agent in rural Queensland had to drive over 5 hours to the client, spend several hours helping the client to implement CAL, then drive another 5 hours back to the office. None of this was chargeable. • are either questioning the value of engaging with new clients or are unable to accept new clients due to CAL being costly and ineffective. • have attempted to complete CAL personally and have been unable to nominate a Tax Agent.
<p>2. Taxpayers do not understand CAL</p>	<p>223</p>	<p>Taxpayers:</p> <ul style="list-style-type: none"> • are finding CAL too complicated and do not understand the process or the need for the process. This includes highly educated individuals such as Doctors and Lawyers. • do not understand the difference between myGov account and myGovID and do not understand the terms: RAM or Online services for business. • do not understand why all of the above systems need to be used simply to appoint a Tax Agent. • are giving up on CAL or are unable to invest the required time to achieve the desired outcome. • believe that Tax Agents should manage all ATO interactions and are 'venting' their frustrations at the Tax Agent. Some Taxpayers are naturally nervous of dealing with the ATO and want their appointed Tax Agent to manage all aspects of their tax affairs (and believe this is what they are paying for).

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		<ul style="list-style-type: none"> do not understand that once myGovID and RAM are set up, it takes two attempts to nominate a Tax Agent for income tax. The first nomination only provides a Tax Agent with access to the activity statements and it takes a second nomination to provide access to income tax. This duplication exists even when income tax is selected the first time. misunderstanding is being exacerbated by Tax Agents being prevented from providing assistance to Taxpayers and the ATO requesting that Tax Agents leave the room whilst on the phone to the Taxpayer. This has led to a number of distressed Taxpayers and frustrated Tax Agents.
<p>3. Technology Skills, English Barriers and no internet</p>	<p>172</p>	<p>A significant number of Taxpayers:</p> <ul style="list-style-type: none"> do not have sufficient understanding of technology (including the elderly) to be able to use Apps and/or websites; have insufficient English language skills to understand the ATO instructions; and/or do not own smart phones, computers or have no (or unreliable) internet access. <p>In one complaint the NTAA received, the Tax Agent was attempting to explain CAL to an international entity that involved explaining Australian systems to someone that has no knowledge of the ATO, MyGov, MyGovID, RAM or Online services for business and English was not the individual's primary language. After four months, CAL has not been completed, the Tax Agent has not been appointed and no work has been completed.</p>
<p>4. ATO wait times and incorrect information</p>	<p>170</p>	<p>A number of Tax Agents have identified that the ATO is overwhelmed with the number of CAL-related calls it is receiving. Taxpayers are often on hold for more than three hours or the ATO is often not accepting calls due to overwhelming demand.</p> <p>If a Taxpayer manages to speak with an ATO officer, the ATO officer at times has not been properly trained on CAL. The Taxpayer follows the correct process in calling the ATO to verify their identity and complete the Tax Agent nomination and, is then informed by the ATO officer that the requested Tax Agent has been appointed and no further steps are required by the Taxpayer.</p> <p>Taxpayers then become frustrated when calling the Tax Agent to be informed that the Tax Agent has not been nominated or the Tax Agent does not have access to Online services for agents.</p>

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		In one specific complaint, the Tax Agent noted that the Taxpayer had a sick baby and struggled to be on hold waiting for the ATO to answer. An ATO officer told the Tax Agent that the client should get a babysitter so she can call the ATO.
5. Overdue lodgments, payments and no advice	97	<p>A number of Taxpayers are being prevented from:</p> <ul style="list-style-type: none"> • lodging returns on time and the ATO are imposing penalties; and/or • obtaining the required advice and assistance to lodge outstanding returns and deal with outstanding payments.
6. Taxpayers staying with a Tax Agent	85	Due to the difficulty of navigating CAL, Taxpayers are choosing to remain with their existing Tax Agent notwithstanding that the Taxpayer might be dissatisfied or unhappy with the service.
7. Other Entity Issues	80	<p>The CAL process presents significant difficulties for certain entities including:</p> <p>(a) Family Trusts:</p> <ul style="list-style-type: none"> • where CAL is only completed for the corporate trustee. Often, a Taxpayer will refer to a related entity by one name and provide the TFN for the Corporate Trustee when they are referring to the Trust and will not question if CAL has been completed for all related entities. This results in further calls to the ATO. The ATO is not identifying whether CAL is completed for all entities or the appropriate entity. • corporate trustees often face challenges when attempting to link RAM due to name matching issues. Enhancements to the system's matching needs to be addressed. <p>(b) Sport Clubs: The majority of the issues surround the current committee members not being listed on the Australian Business Register ('ABR'), which then causes issues with ATO proof of identity checks.</p> <p>(c) Strata Plans: it is very common for plans to be setup with owners / or associates and an updated record is never kept by the strata owners. The ABR is usually not updated if owners change. CAL is impossible in this situation because of issues with locating the responsible individual. In one complaint made to the NTAA, the Tax Agent attends to the affairs of 3 strata offices with over 1,200 plans.</p>

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		<p>(d) Entities Without ABN. We have received complaints that entities without an Australian Business Number ('ABN') encounter obstacles when attempting to complete CAL. They are unable to complete step 2 of the CAL process as they have issues finding their entity on RAM. Currently, clients are having to call the ABR to fix this issue, which again results in long wait times on hold.</p> <p>(e) First Nations Client: The NTAA has received one specific complaint where a First Nations client found it impossible to navigate CAL. The First Nations client is also not able to accept contracts for wages subsidies of \$10,000 per employee because it cannot link the organisation via MyGovID and RAM and therefore cannot link to any Government Department including for wages subsidies and traineeships. This is putting them at a substantial economic disadvantage and is not sustainable. The issue remains unresolved despite many hours spent with ATO officers.</p> <p>(f) Deceased Estate: Deceased Estates are often problematic due to the emotional issues related to the death of a person and is especially difficult for a surviving elderly spouse.</p> <p>Further to the above, Tax Agents have noticed that their authority for company and trust clients is being removed for no reason. This necessitates CAL to be completed for no real reason.</p>
<p>8. An individual does not have an Australian Passport</p>	<p>74</p>	<p>To obtain a strong myGovID, the individual must hold an Australian passport.</p> <p>Unfortunately, a number of individuals do not have an Australian passport such as those individuals who do not travel overseas and non-Australian citizens.</p> <p>These individuals are unable to complete CAL online and must either apply for an Australian passport (if eligible) or call the ATO which brings with it its own problems, as noted.</p> <p>This aspect is making CAL unworkable due to the large proportion of individuals that do not have an Australian passport.</p>
<p>9. Outdated contact / ABR details</p>	<p>72</p>	<p>To complete CAL, it is critical that the details of the last recorded ATO authorised individual are correct, however, contact details / ABR details are often out of date. For example, this is problematic for not-for-profit entities including in the following instances that have been brought to the attention of the NTAA:</p>

Complaint Raised	Number of times complaint was received	Observations
		<ul style="list-style-type: none"> In January 2024, a Tax Agent was engaged by a school P&C committee (with Engagement Letter signed by current President and Secretary) to assist with registering for PAYGW and STP. Due to frequent changes in committee members, they had no record of the last recorded ATO authorised individual, and hence could not complete CAL. <p>The current committee members have spent months back and forth with the ATO trying to update the details. The Tax Agent has also spent hours trying to assist with the completion of CAL and raised a CAL exception request through Online services for agents, which so far has gone unanswered for close to a month.</p> <p>The only option left to pursue is to register with the Australian Charities and Not-for-profits Commission ('ACNC') as they have a lower proof of ID requirement (as suggested by an ATO officer). Once they are registered with ACNC, the ATO can then MAYBE update their details by virtue of the ACNC registration.</p> <ul style="list-style-type: none"> Small sporting clubs often need to update information with the ATO but have been unable to do so because they do not know who had access in the beginning and cannot update the RAM. Often, the authorised persons change and given the individuals are usually volunteers, these individuals are unlikely to update the details.
10. No myGovID, RAM access or Online services for business	60	<p>Most Taxpayers do not have a myGovID and do not use RAM or Online services for business. Tax Agents have historically managed these aspects exclusively for Taxpayers.</p>
11. TFN and ABN issues	48	<p>CAL makes an arbitrary and unjustified distinction between an ABN and TFN. There seems to be no reason for this since CAL is completed with a strong myGovID credential. For example:</p> <ul style="list-style-type: none"> if a Taxpayer appoints their Tax Agent using their ABN instead of their TFN, the Tax Agent does not have access to income tax and cannot lodge income tax returns. The Taxpayer needs to repeat the nomination process again using the TFN. a discretionary trust that has a TFN but no ABN is required to contact the ATO. If a Taxpayer does appoint a Tax Agent for income tax purposes but later decides that the Tax Agent should complete BAS's then CAL needs to be repeated.

Complaint Raised	Number of times complaint was received	Observations
12. Forcing Taxpayers online	21	Due to Australian Taxpayers being the persistent targets of fraudsters, many Taxpayers are genuinely hesitant to engage online. Many of these Taxpayers try to limit their online activity. Forcing these Taxpayers to interact with the ATO online seems unfair and unwarranted particularly given there is little to no education and guidance as to how CAL works and what are legitimate notifications vs illegitimate notifications.
13. ATO instructions	20	Taxpayers do not understand the ATO instructions and are unable to follow them.
14. Bulk processing	20	<p>At the best of times, CAL is complicated and time consuming. However, CAL is impossible when it needs to be completed by a large number of clients of a practice at the same time. Whilst the ATO does seem to offer a bulk processing option, it:</p> <ul style="list-style-type: none"> • is not available where the whole practice is not sold such as when an individual partner leaves a practice. • is often not known by Tax Agents or the ATO refuse to offer it. • has not been used when a client list is transferred due to the death of a Tax Agent. <p>The NTAA has received complaints about the bulk processing option not being used in these instances:</p> <ul style="list-style-type: none"> • A practice sale involving SMSFs and elderly clients where 90% of the clients could not complete the process, and when calling the ATO the clients were unable to answer the security questions asked of them. • Previous Tax Agent received numerous complaints following the sale of a practice due to clients having to deal with CAL. • A partner has separated from a practice or demerger situations. The following was noted in one complaint: <ul style="list-style-type: none"> “our firm is a result of a demerger from another entity. The implementation timing of this client-agent linking program could not have come at a worse time for us. It made our practice come to a grinding halt as we are unable to access the ATO portal to check the status of the outstanding liabilities / lodgements for hundreds of our clients. The ATO refused our bulk transfer lodgement to move clients from one practice to another because it wasn't a whole of practice transfer and at present, only whole of practice transfers are considered for bulk transfers. Even though it's the same pool of clients who we have looked after for years, we cannot access their data or advise them until the nomination process has been sorted out on their end...”

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15. Previous Tax Agent	17	<p>Tax Agents have identified that if a Taxpayer is still linked to another Tax Agent, CAL does not work. Per the ATO, the Taxpayer has two choices:</p> <ul style="list-style-type: none"> • the Taxpayer needs to contact the previous Tax Agent and request them to remove the Taxpayer from their client list; or • the Taxpayer needs to call the ATO to remove the previous Tax Agent. <p>A Taxpayer should be able to simply remove the previous Tax Agent within Online services for business.</p>
16. Online services for agents access	14	<p>To the frustration of a number of Taxpayers, the nominated Tax Agent cannot access Online services for agents even after the individual has completed CAL and even when the nomination process has been completed by the ATO.</p>
17. Client must inform Agent	14	<p>On completion of CAL, the Taxpayer must inform the Tax Agent. There is no automatic notification to the Tax Agent. If the notification is not made within 28 days, CAL needs to be repeated.</p>
18. Attack on Tax Agents	13	<p>Taxpayers are interpreting the introduction of CAL as being an attack on Tax Agents. Taxpayers who choose to appoint a new Tax Agent find the process questionable given they never completed it in the past.</p>
19. Electronic lodgement	3	<p>Many Taxpayers continue to submit Business Activity Statements in paper form to the ATO. If the Taxpayer completes CAL, the ATO system changes the delivery method for BAS from Paper to Digital.</p>
20. Authority of nominated Tax Agent expires or is removed	2	<p>CAL is not serving its purpose because the authority of the nominated Tax Agent expires for no substantive reason. For example:</p> <ul style="list-style-type: none"> • when a Tax Agent is successfully appointed using the assistance of ATO personnel, the authority expires after 12 months, the Tax Agent is removed and CAL must be repeated; and • if a Taxpayer accesses their MyGov account, the Tax Agent is removed and CAL must be repeated.