



3 October 2024

Ms Ruth Owen
Inspector-General of Taxation and Taxation Ombudsman (IGTO)
GPO Box 551
Sydney NSW 2001

By email: consultations@igt.gov.au

Dear Ms Owen,

IGTO systematic reviews: draft work plan

The National Tax & Accountants' Association ('NTAA') would like to take the opportunity to thank you for recently meeting with members of our team, Andrew Gardiner and Rebecca Morgan, to discuss the *IGTO systematic reviews: draft work plan* Consultation Paper (the 'proposed work plan') and other issues. We also appreciate the opportunity to provide further comments regarding your proposed work plan.

The role of the IGTO in conducting independent reviews of identified priority areas is of the utmost importance for the taxpaying community. As such, the NTAA has been encouraged by the extensive consultation being undertaken to select priority areas for the coming year, including direct engagement regarding issues raised by the registered tax agent community and those who represent them.

The NTAA is a national member-based organisation that represents the interests of around 10,000 member firms, including tax accountants and superannuation professionals. We are focused on representing the interests of our members ('Tax Agents') and their taxpaying clients (collectively referred to below as 'Taxpayers'). As a result of our broad focus and the level of engagement we have with our members, the NTAA is uniquely placed to comment on certain aspects of your proposed work plan.

The NTAA believes that the ten topic areas identified in the proposed work plan are important for the tax community and are suitable for broad, systematic reviews.

We recognise that resourcing issues necessitate the need to characterise each topic area as being on the shortlist for review, which means the issue will be reviewed in the coming year, or on the long list for review, which means it may be reviewed in the future.

We have reviewed the proposed shortlist and long list, and whilst the difficulty with prioritising competing interests is evident, we believe the work plan could be improved by making the following adjustments.

1. Include the 'ATO engagement with tax practitioners about the Client-Agent Linking ('CAL') system' topic area on the shortlist.

Given the importance of the CAL system and that CAL is continuing to negatively impact a broad section of the community, it is imperative that a review of the CAL system be conducted by the IGTO as soon as possible in the coming year. Further, taxpayers, Tax Agents, and the profession have been calling for an urgent review of the CAL system for some time (for the reasons outlined below).

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The NTAA would strongly recommend that the 'ATO engagement with tax practitioners about the CAL system' topic area be elevated to the priority shortlist.

We note the following in support of prioritising this issue:

- **Widespread complaints** – CAL was rolled out to small to medium-sized businesses, excluding sole traders, in November 2023 (i.e., 'Phase 3'), 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.

The NTAA would be pleased to provide a summary of issues and complaints that have been communicated to us following the Phase 3 rollout of CAL should this be of assistance.

- **Serious deficiencies with CAL** – The CAL system was introduced to improve cyber security, including preventing situations in which a Tax Agent or a Taxpayer's identity is stolen by criminals. Unfortunately, any benefit achieved in this regard comes at an enormous cost to the tax community due to some serious deficiencies in how CAL has been rolled out to certain Taxpayers.

The more common and serious concerns include that CAL is cumbersome and confusing, creating an ongoing administrative nightmare for Tax Agents. Taxpayers also need to work through multiple complicated systems simply to appoint a Tax Agent (e.g., myGov, myGovID App, Relationship Authorisation Manager, and the ATO's Online services for business).

Furthermore, the system is very difficult to navigate for Taxpayers without an Australian passport. In particular, if a Taxpayer does not have a valid Australian passport (or one that expired within the past three years), they cannot appoint a Tax Agent without contacting the ATO.

- **Unacceptable ATO response times** – Our member feedback indicates that current ATO resourcing is inadequate to deal with CAL-related queries, which is causing frustration for Tax Agents. This is evidenced by the excessive wait times on the ATO registered agent phone line and the reporting of instances where the ATO was unable to assist Taxpayers and Tax Agents with their CAL-related queries, as discussed further below.

We expect that these issues will compound over time, with further ATO resources required to administer and enforce increasing overdue lodgments and outstanding payments where clients have been unable to engage with their chosen registered Tax Agent in a timely manner.

- **Disengagement with the tax system** – The NTAA is 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 difficulty of navigating CAL may ultimately cause some Taxpayers to choose to disengage from the tax system.
- **Undermining community confidence in Tax Agents** – Tax Agents have been burdened with explaining the complex CAL system to potential new clients and the process that must be followed to appoint a Tax Agent. Most Taxpayers are not aware of CAL or why this system has been introduced. Tax Agents have reported that CAL is proving to be time-consuming and costly for them, as the time spent on such administrative tasks cannot reasonably be charged to the client.

Given the prevalence of online scams, it is not 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 practical effect of the CAL system has been to undermine the important relationship between Taxpayers and their trusted Tax Agent. This should be of great concern to the IGTO.

Tax Agents play a critical role in the effective administration of the tax system, and as such, undermining community confidence in Tax Agents is not in the public interest.

- **The impact that CAL is having on the mental health of Tax Agents and Taxpayers** – It is important to acknowledge 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*".

Worryingly, this response was not uncommon among our members.

- **Other avenues for change have been exhausted** – The (former) IGTO noted that the CAL-related problem was one that the ATO and Tax Agents should be able to resolve between themselves, adding that if the problem could not be solved, the IGTO was happy to “jump in”.

The NTAA and other professional associations have exhausted all efforts to bring about positive change. However, despite best efforts, no practical changes have been made from the ATO’s end and, therefore, problems persist. The NTAA is of the view that positive change can be achieved via a timely IGTO review.

2. **Combine related topic areas to create efficiencies.**

The NTAA can appreciate the desire to manage the IGTO’s workload by conducting four discrete reviews each year. However, some topic areas may involve overlapping issues that could best be investigated together, albeit over the course of a longer review.

Of note, the issues relevant to the ‘ATO engagement with tax practitioners about the CAL system’ topic area are also potentially relevant to other topic areas and could potentially be looked at (even in part) as part of these other areas:

- **The ‘tax identity fraud – ATO support for victims’ topic area.**

The CAL system was introduced to improve cyber security, including preventing situations in which a Tax Agent or a Taxpayer’s identity is stolen by criminals. If the CAL system were improved to allow users to navigate it efficiently and effectively, which is not currently the case, the system would better assist in preventing tax identity fraud, thereby reducing the number of victims that would require ATO intervention.

- **The ‘effectiveness of the registered agent phone line’ topic area.**

This topic area is currently included on the long list of your work plan. The timeliness and effectiveness of ATO engagement through their registered agent phone line has long been a source of frustration for Tax Agents. For this reason, we fully support the inclusion of this topic area in your work plan.

However, it is worth noting that these issues have been exacerbated with the rollout of Phase 3 of the CAL system. Our member feedback has consistently indicated that the registered agent phone line is often busy, and the response times are extreme, with Taxpayers and Tax Agents remaining on the line for hours on end. In far too many cases, the ATO staff simply did not have sufficient CAL-related knowledge to adequately resolve the member’s issue.

Improving the effectiveness of the registered agent phone line would certainly help reduce the problems Tax Agents face with the CAL system. As such, we see this topic area and the CAL topic area as being interrelated. In this regard, the NTAA believes that your work plan could be improved by either:

- (a) elevating the CAL topic area to the shortlist (as noted above) and extending this review to include the effectiveness of the registered agent phone line topic area; or
- (b) in the alternate, elevating the effectiveness of the registered agent phone line topic area to the shortlist and extending this review to ATO deficiencies in dealing with CAL-related issues.

- **The ‘identification and management of tax financial abuse’ topic area.**

The NTAA fully supports the inclusion of this topic area on the shortlist of your work plan, including considering situations that result in “one partner unwittingly becoming liable for tax debts related to entities over which they have no or limited control.”

In addition to the issues that may be examined as part of this review, it is worth noting that the deficiencies associated with CAL (whether that represents the framework or a lack of resources on the CAL registered agent phone line) could indirectly contribute to financial abuse.

More specifically, we had received anecdotal feedback that taxpayers who were involved in an abusive relationship were finding it difficult to change accountants (as part of regaining financial independence) because of systemic issues associated with CAL.

3. Move the 'communications about unpaid superannuation' topic area to the long list.

The timely investigation and communication of unpaid superannuation issues by the ATO are of the utmost importance to the community. However, the NTAA is of the view that reviewing this topic area in the short term would not be an effective use of valuable IGTO resources. This is because the Government has announced its intention to introduce 'Payday Super' from 1 July 2026, and this proposed new regime will likely alleviate many of the issues the IGTO would review.

If a review were conducted in the next year (as is currently proposed), there would be mere months between the conclusion of the review and the introduction of the proposed new 'Payday Super' regime.

Furthermore, Treasury's recently released 'Payday Super' factsheet notes that one benefit of the proposed regime will be improvements in the ATO's compliance approach, which will arise due to greater data matching capabilities and employee participation. As a result, the NTAA suggests that it may be more beneficial for the IGTO to consider undertaking a future review of communications about unpaid superannuation under the proposed new 'Payday Super' regime, should the need arise.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Geoff Boxer', with a horizontal line extending from the end of the signature.

Geoff Boxer
Chief Executive Officer, NTAA