The role of tax agents in building voluntary compliance

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Director, H&R Block
Introduction

“Across the whole range of taxpayers, taxes and circumstances, the vast majority of tax advisers help their clients to avoid errors and deter them from engaging in unlawful or overly-aggressive activities”

Organisation for Economic Co-operation and Development (OECD), Study into the Role of Tax Intermediaries (OECD Publishing, 2008)
Tax Agents in Australia

- There are currently 39,606 registered tax agents in Australia (2013/14 figure, per TPB), 29,710 are individuals and the rest companies and partnerships
- Numbers of tax agents have grown substantially since the introduction of self assessment
- The purpose of self assessment was to transfer responsibility for interpreting and applying tax law to the taxpayer
  - No legal changes have been made since then to alter the self-assessment system, myTax and e-tax notwithstanding
- The number of local ATO offices (and associated shopfronts) has declined, with a greater reliance on telephone and internet services
- Does the ATO now seem a more distant organisation for most taxpayers?
74.2% of Australian individuals now use a tax agent to prepare their tax return (up consistently year on year since 1985-86 when self assessment was introduced). *Source, ATO Taxation Statistics 2013-14

- About 750,000 individuals (c8% of individual lodgers) use H&R Block
A Matter of Trust

- Governance and accountability – keeping the ATO honest
- As with most systems of governance and administration, a “third force” keeps the system working well – checks and balances:
  - Taxpayers
  - Tax administrator
  - Tax adviser
- Impartial, independent help and advice
- A source of tax expertise in the local community
- The tax administrator should not and must not be the only or even the main source of advice and interpretation on tax laws
Threats

- How can tax agents survive in sufficient numbers to maintain a sustainable role supporting the tax system?
  - Generational change
    - 65.5% of active individual tax agents are over 50
  - Technological change and “digital disruption”
    - myTax and e-tax
    - Standard Business Reporting
    - Changing role of the ATO
  - Changing ways of doing business:
    - New business models
    - Increased regulation
    - More competition from other sources
Second Look Research
The role of the tax adviser in getting it right

- Too many ATO staff perceive the tax agent/tax administrator role to be fundamentally adversarial
  - The relationship should be built on cooperation and mutual respect
- Tax advisers exist to help taxpayers do the right thing
- They reduce administrative costs for the ATO and ensure voluntary compliance
- Those that don’t are dealt with by the professional regulator (TPB)
- What value do tax advisers add?
Second Look Results

- Sample Size = 180
- Number of clients with extra money found = 33%
- Average value of extra money found = $136.68
- Number of clients with extra money owed = 19%
- Average value of extra money owed = $992.77
- Extrapolated over the whole population of E-Tax/MyTax users:
  - Total population (per 2013/14 tax statistics) 2,882,651
  - Total overpaid tax $130,020,244
  - Total underpaid tax $543,743,792
  - Net loss to ATO $413,723,548
Perceptions of tax agents and accountants research
Getting our house in order for the future

- Tax advisers themselves have work to do to build their own future
  - Points of difference with online systems?
  - Value add?
    - Convenience
    - Expertise
    - All-year round service
    - Accessible, local, approachable
    - Professional
    - Complementary services
    - Advice

- Current public perceptions are good but could and must be better....
Attitudes towards tax agents

- I am confident that my last tax return was accurate: 80%
- It is important to know how to complete your taxes yourself: 57%
- It would take a lot for me to change the way I prepare and lodge my tax return: 55%
- Paying someone else to prepare your tax is expensive: 52%
- I feel a sense of accomplishment when I complete my taxes myself: 51%
- It is just as easy to prepare your taxes yourself as it is to have a company prepare them for you: 39%
- Software or online is just as accurate as a tax pro: 37%
- I find the tax preparation process to be very stressful: 27%
- I rely on one or more professional financial advisors for advice: 27%
- I am concerned about being audited: 14%
Importance of elements when using an agent

- Confidence that your return will be prepared accurately: 73%
- Confidence that you will receive the maximum refund that you are entitled to: 70%
- Confidence that your information is being securely collected and stored: 70%
- Ability to do at a time and place of convenience to you: 65%
- Ease with which you are able to understand the language that was used: 65%
- Ease of process: 64%
- Cost: 63%
- Access to advice and help when completing: 56%
- Time taken to complete: 43%
Overall satisfaction with lodging most recent tax return

<table>
<thead>
<tr>
<th>Method</th>
<th>Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>68%</td>
</tr>
<tr>
<td>Through a tax agent or tax preparation...</td>
<td>75%</td>
</tr>
<tr>
<td>Through an accountant</td>
<td>74%</td>
</tr>
<tr>
<td>The Mytax online program through My...</td>
<td>70%</td>
</tr>
<tr>
<td>E-tax software from the ATO</td>
<td>63%</td>
</tr>
<tr>
<td>In hard copy to the ATO</td>
<td>61%</td>
</tr>
<tr>
<td>HR Block User</td>
<td>84%</td>
</tr>
<tr>
<td>HR Block Lapsed User</td>
<td>63%</td>
</tr>
<tr>
<td>HR Block Never Used</td>
<td>68%</td>
</tr>
</tbody>
</table>
Likelihood to recommend most recent method of tax return

- The Mytax online program through My…: 71%
- Through an accountant: 69%
- Through a tax agent or tax preparation…: 69%
- E-tax software from the ATO: 66%
- In hard copy to the ATO: 50%
- HR Block User: 76%
- HR Block Lapsed User: 65%
- HR Block Never Used: 65%
Attitudes towards tax agents

- Using a tax agent offers peace of mind that your return is lodged correctly: 50%
- They take the burden out of doing your tax: 50%
- They help you maximize your tax refund: 48%
- If you only receive a low refund it is not worth using a tax agent: 41%
- You only need to use a tax agent if your taxes are complicated: 41%
- Their services offer value for money: 30%
- Using a tax agent is lazy as you can do yourself: 25%
- The inconvenience of meeting with a tax agent makes it not worth the bother: 24%
Perceptions of attributes of tax companies and tax return methods

<table>
<thead>
<tr>
<th>Attribute</th>
<th>H&amp;R Block</th>
<th>ITP</th>
<th>The Tax Shop</th>
<th>STP</th>
<th>E-tax</th>
<th>Mytax</th>
<th>Accountant</th>
<th>None</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional</td>
<td>61%</td>
<td>48%</td>
<td>37%</td>
<td>35%</td>
<td>27%</td>
<td>24%</td>
<td>80%</td>
<td>13%</td>
</tr>
<tr>
<td>Expert</td>
<td>55%</td>
<td>42%</td>
<td>35%</td>
<td>20%</td>
<td>21%</td>
<td>18%</td>
<td>75%</td>
<td>15%</td>
</tr>
<tr>
<td>Expensive</td>
<td>55%</td>
<td>48%</td>
<td>39%</td>
<td>34%</td>
<td>9%</td>
<td>73%</td>
<td>23%</td>
<td></td>
</tr>
<tr>
<td>Accurate</td>
<td>53%</td>
<td>41%</td>
<td>31%</td>
<td>30%</td>
<td>44%</td>
<td>41%</td>
<td>76%</td>
<td>15%</td>
</tr>
<tr>
<td>Popular</td>
<td>53%</td>
<td>31%</td>
<td>26%</td>
<td>19%</td>
<td>64%</td>
<td>49%</td>
<td>48%</td>
<td>12%</td>
</tr>
<tr>
<td>Well regarded</td>
<td>51%</td>
<td>31%</td>
<td>23%</td>
<td>16%</td>
<td>34%</td>
<td>31%</td>
<td>61%</td>
<td>17%</td>
</tr>
<tr>
<td>Approachable</td>
<td>44%</td>
<td>37%</td>
<td>34%</td>
<td>26%</td>
<td>36%</td>
<td>35%</td>
<td>56%</td>
<td>23%</td>
</tr>
<tr>
<td>Traditional</td>
<td>44%</td>
<td>27%</td>
<td>17%</td>
<td>16%</td>
<td>17%</td>
<td>14%</td>
<td>74%</td>
<td>17%</td>
</tr>
<tr>
<td>Friendly</td>
<td>38%</td>
<td>28%</td>
<td>30%</td>
<td>24%</td>
<td>26%</td>
<td>24%</td>
<td>49%</td>
<td>31%</td>
</tr>
<tr>
<td>Convenient</td>
<td>30%</td>
<td>22%</td>
<td>26%</td>
<td>17%</td>
<td>68%</td>
<td>65%</td>
<td>38%</td>
<td>15%</td>
</tr>
<tr>
<td>Socially responsible</td>
<td>29%</td>
<td>23%</td>
<td>26%</td>
<td>17%</td>
<td>31%</td>
<td>29%</td>
<td>38%</td>
<td>42%</td>
</tr>
<tr>
<td>Innovative</td>
<td>17%</td>
<td>12%</td>
<td>22%</td>
<td>15%</td>
<td>44%</td>
<td>44%</td>
<td>18%</td>
<td>42%</td>
</tr>
<tr>
<td>Cheap</td>
<td>13%</td>
<td>10%</td>
<td>20%</td>
<td>15%</td>
<td>70%</td>
<td>65%</td>
<td>9%</td>
<td>31%</td>
</tr>
<tr>
<td>Exciting</td>
<td>9%</td>
<td>15%</td>
<td>12%</td>
<td>23%</td>
<td>22%</td>
<td>12%</td>
<td>66%</td>
<td></td>
</tr>
</tbody>
</table>
Attitudes towards tax companies and tax return methods

- Can do simple and complex tax returns
  - H&R Block: 57%
  - ITP: 55%
  - The Tax Shop: 54%
  - STP: 54%
  - Etax: 54%
  - My Tax: 45%
  - Accountant: 45%
  - None: 12%

- Provide expert tax preparation
  - H&R Block: 48%
  - ITP: 46%
  - The Tax Shop: 45%
  - STP: 46%
  - Etax: 47%
  - My Tax: 45%
  - Accountant: 47%
  - None: 16%

- Have the tax expertise you need
  - H&R Block: 40%
  - ITP: 46%
  - The Tax Shop: 45%
  - STP: 45%
  - Etax: 45%
  - My Tax: 44%
  - Accountant: 45%
  - None: 16%

- Help you find deductions and credits
  - H&R Block: 39%
  - ITP: 37%
  - The Tax Shop: 36%
  - STP: 37%
  - Etax: 37%
  - My Tax: 36%
  - Accountant: 37%
  - None: 16%

- Allows you to get the maximum refund with maximum confidence
  - H&R Block: 36%
  - ITP: 28%
  - The Tax Shop: 25%
  - STP: 28%
  - Etax: 30%
  - My Tax: 30%
  - Accountant: 30%
  - None: 19%

- Provide personal attention
  - H&R Block: 35%
  - ITP: 34%
  - The Tax Shop: 33%
  - STP: 32%
  - Etax: 31%
  - My Tax: 31%
  - Accountant: 31%
  - None: 21%

- Keep your data safe, secure and private
  - H&R Block: 34%
  - ITP: 31%
  - The Tax Shop: 26%
  - STP: 26%
  - Etax: 26%
  - My Tax: 26%
  - Accountant: 26%
  - None: 17%

- Recommend or present ways to reduce your taxes
  - H&R Block: 33%
  - ITP: 30%
  - The Tax Shop: 28%
  - STP: 28%
  - Etax: 25%
  - My Tax: 25%
  - Accountant: 25%
  - None: 22%

- Deliver on what they promise
  - H&R Block: 32%
  - ITP: 27%
  - The Tax Shop: 24%
  - STP: 24%
  - Etax: 24%
  - My Tax: 24%
  - Accountant: 24%
  - None: 22%

- Help you feel confident about your tax situation
  - H&R Block: 31%
  - ITP: 29%
  - The Tax Shop: 28%
  - STP: 28%
  - Etax: 30%
  - My Tax: 30%
  - Accountant: 30%
  - None: 19%

- Don’t miss a thing
  - H&R Block: 32%
  - ITP: 25%
  - The Tax Shop: 23%
  - STP: 23%
  - Etax: 24%
  - My Tax: 24%
  - Accountant: 24%
  - None: 26%

- Offer year round tax advice
  - H&R Block: 31%
  - ITP: 30%
  - The Tax Shop: 29%
  - STP: 29%
  - Etax: 31%
  - My Tax: 31%
  - Accountant: 31%
  - None: 22%

- Will support you if you are audited
  - H&R Block: 30%
  - ITP: 29%
  - The Tax Shop: 28%
  - STP: 28%
  - Etax: 31%
  - My Tax: 31%
  - Accountant: 31%
  - None: 26%
# Attitudes towards tax companies and tax return methods

<table>
<thead>
<tr>
<th>Service</th>
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<th>The Tax Shop</th>
<th>STP</th>
<th>E-tax</th>
<th>Mytax</th>
<th>Accountant</th>
<th>None</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offer tax advice and services to businesses</td>
<td>51%</td>
<td>41%</td>
<td>34%</td>
<td>30%</td>
<td>15%</td>
<td>3%</td>
<td>81%</td>
<td>18%</td>
</tr>
<tr>
<td>Help you get your refund fast</td>
<td>50%</td>
<td>42%</td>
<td>37%</td>
<td>27%</td>
<td>50%</td>
<td>49%</td>
<td>56%</td>
<td>16%</td>
</tr>
<tr>
<td>Make preparing your tax return easy</td>
<td>50%</td>
<td>42%</td>
<td>37%</td>
<td>27%</td>
<td>48%</td>
<td>51%</td>
<td>62%</td>
<td>15%</td>
</tr>
<tr>
<td>Cost more than you are prepared to pay for tax preparation</td>
<td>46%</td>
<td>41%</td>
<td>33%</td>
<td>35%</td>
<td>10%</td>
<td>35%</td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>Are a fast way to prepare your tax return</td>
<td>38%</td>
<td>30%</td>
<td>24%</td>
<td>19%</td>
<td>67%</td>
<td>63%</td>
<td>43%</td>
<td>11%</td>
</tr>
<tr>
<td>Offer book keeping service</td>
<td>34%</td>
<td>25%</td>
<td>25%</td>
<td>21%</td>
<td>10%</td>
<td>24%</td>
<td>28%</td>
<td>28%</td>
</tr>
<tr>
<td>Offer financial planning and advice</td>
<td>28%</td>
<td>20%</td>
<td>21%</td>
<td>5%</td>
<td>10%</td>
<td>20%</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>Meet the needs of you and your family</td>
<td>28%</td>
<td>21%</td>
<td>22%</td>
<td>16%</td>
<td>54%</td>
<td>53%</td>
<td>52%</td>
<td>16%</td>
</tr>
<tr>
<td>Provide a good value for the money</td>
<td>25%</td>
<td>18%</td>
<td>23%</td>
<td>16%</td>
<td>63%</td>
<td>6%</td>
<td>31%</td>
<td>21%</td>
</tr>
<tr>
<td>Are for personal tax returns only</td>
<td>21%</td>
<td>15%</td>
<td>15%</td>
<td>49%</td>
<td>18%</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td>Offer something different than other tax preparation methods</td>
<td>21%</td>
<td>4%</td>
<td>30%</td>
<td>31%</td>
<td>40%</td>
<td>36%</td>
<td>36%</td>
<td>36%</td>
</tr>
</tbody>
</table>