

International Conference on Tax Administration

The role of tax agents in building voluntary compliance

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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”

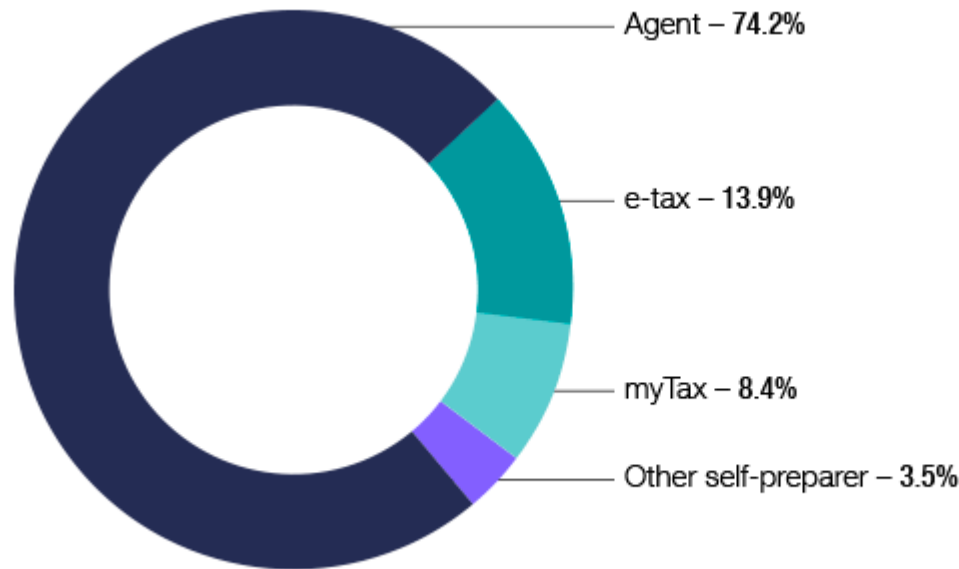
Organisation for Economic Co-operation and Development (OECD), Study into the Role of Tax Intermediaries (OECD Publishing, 2008)

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?

Tax Agents in Australia

- 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....

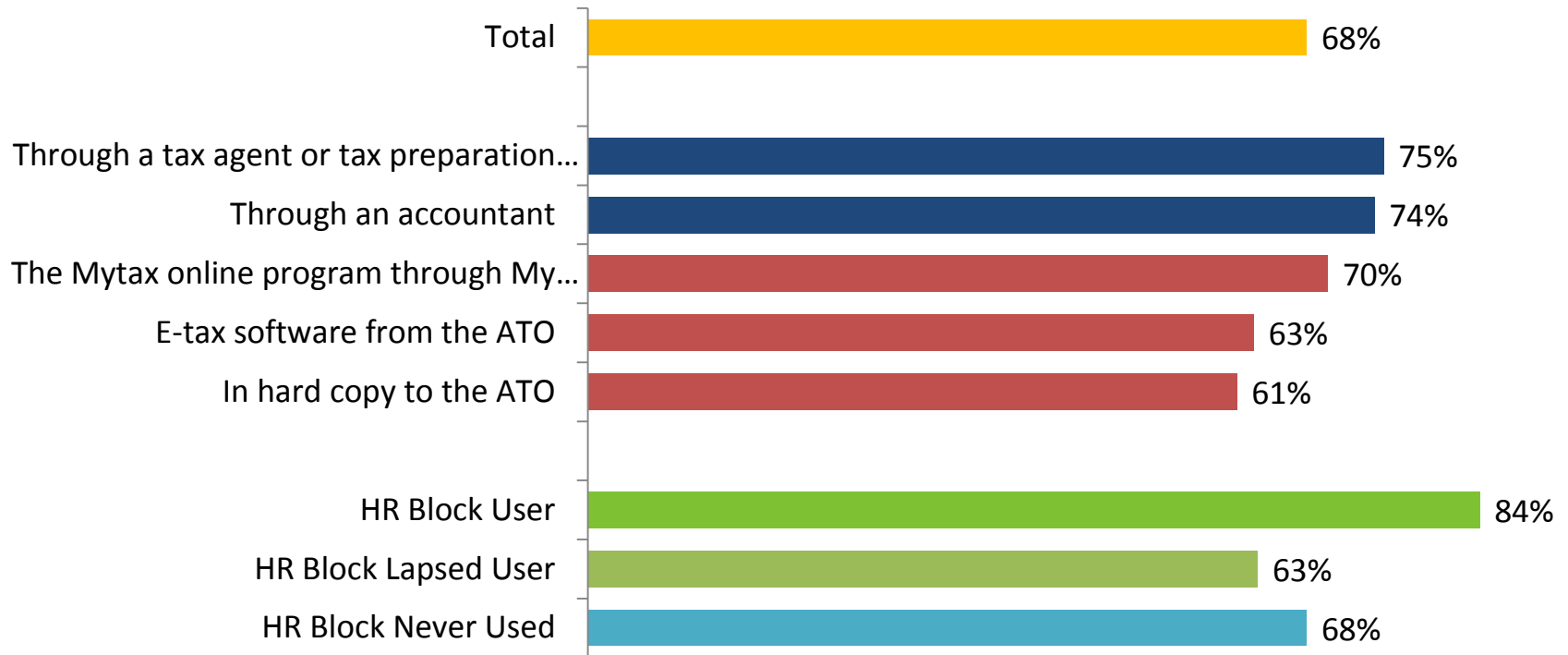
Attitudes towards tax agents



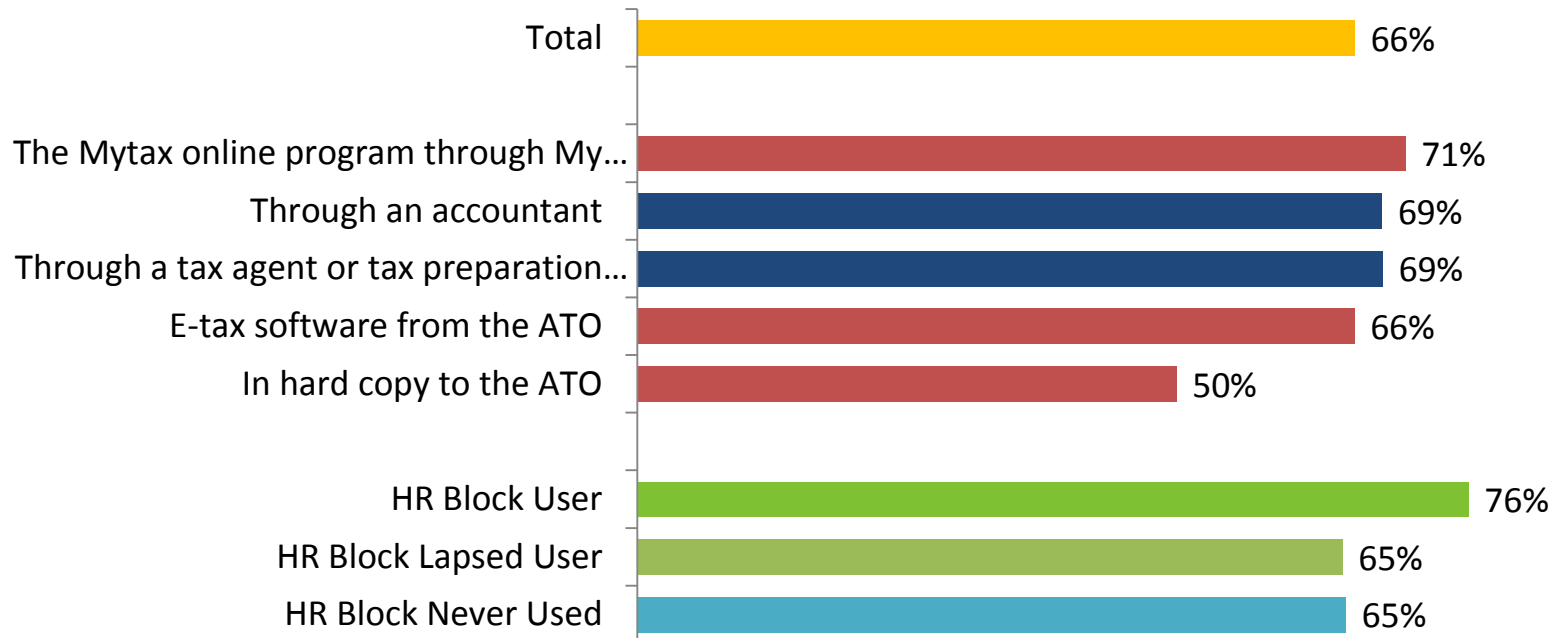
Importance of elements when using an agent



Overall satisfaction with lodging most recent tax return



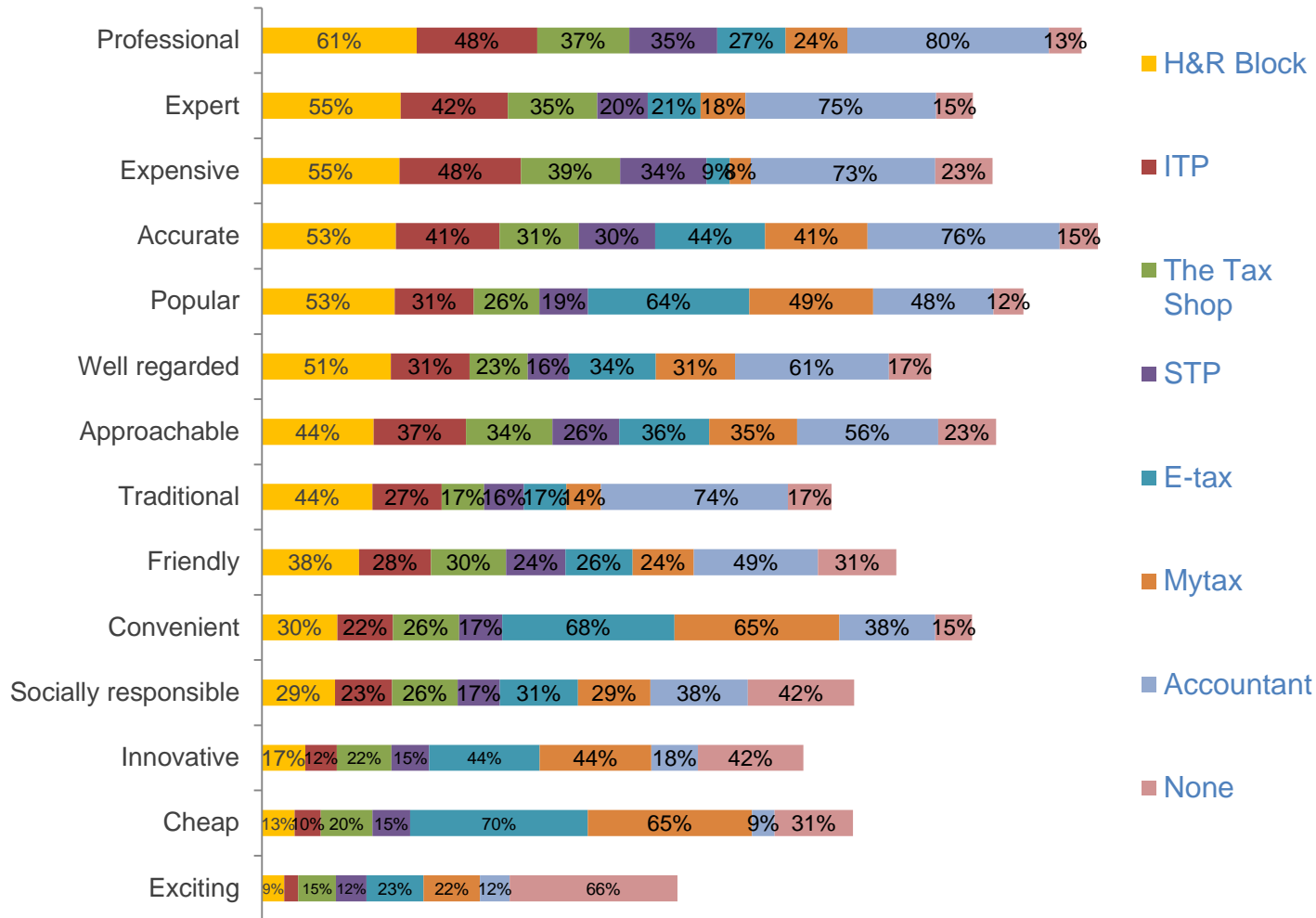
Likelihood to recommend most recent method of tax return



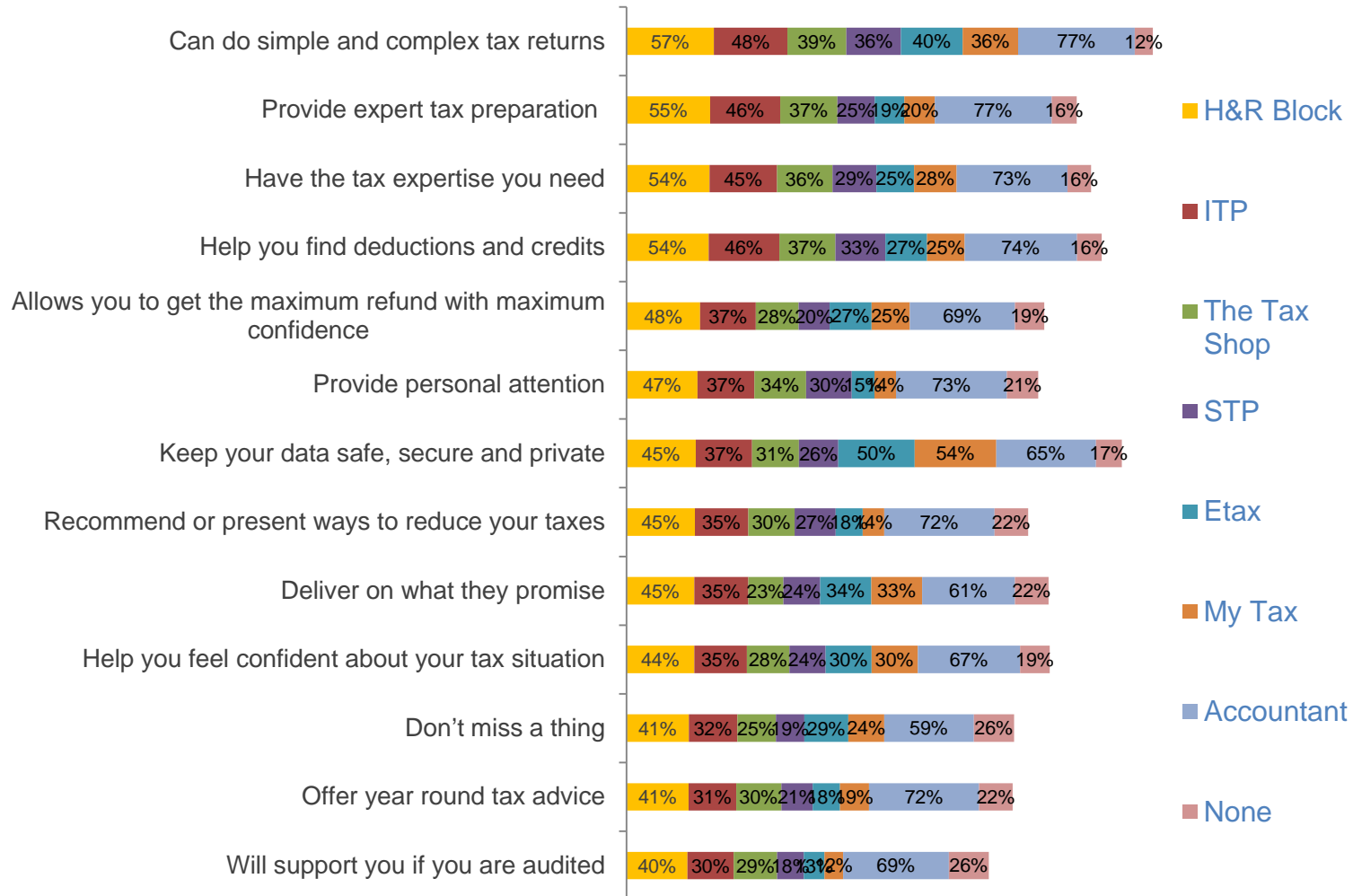
Attitudes towards tax agents



Perceptions of attributes of tax companies and tax return methods



Attitudes towards tax companies and tax return methods



Attitudes towards tax companies and tax return methods

