

INFORMATION FOR CLIENTS

BE AWARE OF YOUR OBLIGATIONS TO THE ATO AND YOUR TAX AGENT'S OBLIGATIONS TO THE TAX PRACTITIONERS BOARD.

Overview

As a taxpayer, it is important you:

- are aware of your obligations to the Australian Taxation Office (ATO)
- understand your tax agent has obligations to the ATO and the Tax Practitioners Board (TPB).

Your obligations

- Be truthful with the information you provide your tax agent.
- Keep the required records and provide them to your tax agent on a timely basis.
- Be co-operative with your tax agent's requests, and meet their due dates.

If you do not meet your obligations

- The ATO may impose administrative penalties (fines).
- Interest charges may be applied.
- In some cases, criminal prosecutions may be sought.
- The ATO may initiate debt recovery.

Further information

For further information, see tpb.gov.au and ato.gov.au

Your tax agent's obligations

- Always act honestly and with integrity.
- Act lawfully in your best interests and advise you of any conflicts of interest.
- Take reasonable care to ascertain your state of affairs.
- Take reasonable care to apply the tax laws correctly.
- Provide their tax agent services competently.
- Not knowingly obstruct the administration of the taxation laws.
- Advise you of your rights and obligations under the taxation laws on a timely basis and return funds due to you.
- Not make false or misleading statements to the ATO.

If your tax agent does not meet their obligations

- Their registration can be suspended or terminated, meaning they can't practice.
- They could receive written cautions or orders from the TPB – for example, undertaking education or working under the supervision of another registered tax agent.
- Imposition of fines by the Federal Court.

What you should expect from your tax agent



They will ask you questions to better understand your situation.



They will ask you to substantiate and provide evidence of any claims you make.



They will not act illegally, even if it is in your best interests.



They will advise you of your obligations under the tax laws.

SCENARIO 1

Situation

- A client, a bookshop employee, asked their tax agent to claim significant travel and work-related expense deductions.
- The tax agent included these expenses in the client's tax return, despite no supporting evidence being provided.

Consequences for the client

- An ATO audit found the expenses were not deductible because they were private expenses and there was no evidence to support them.
- The ATO fined the client for making false statements in their tax return.

Consequences for the tax agent

The TPB found that the tax agent failed to:

- take adequate steps to ensure the income tax return was accurate
- take reasonable care to check the client's circumstances and apply tax laws correctly
- sight the necessary evidence.

Because of these failures, the TPB:

- suspended the tax agent's registration for 12 months, which meant they could not continue to operate their business
- ordered the tax agent to complete and pass courses of education in income tax preparation and lodgement.

SCENARIO 2

Situation

- A client, who operated a fruit shop, had the income tax returns their tax agent prepared audited by the ATO.
- The tax returns showed no assessable income reported, and significant claims for motor vehicle expenses and unreported interest income.

Consequences for the client

The ATO audits resulted in:

- the client's assessable income increasing in over \$2 million
- penalties and interest charges totalling almost \$800,000 being applied.

Consequences for the tax agent

The TPB found the tax agent failed to:

- take adequate steps to ensure the income tax returns were accurate
- take reasonable care to check the client's circumstances and apply tax laws correctly
- ask relevant and sufficient questions about the client's cash and interest income, and motor vehicle expense claims
- sight the necessary evidence.

Because of these failures, the TPB terminated the tax agent's registration.