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Mr Nick Westerink  
Individuals and Indirect Tax Division  
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Dear Nick,

Thank you for the opportunity to provide additional feedback to the recent Tax Practitioners Board review.

Please find our submission and recommendations to the Tax Practitioners Board in the following pages. We have identified several issues that fall outside of the scope of the review of the legislative framework and have included these in our submission.

Again, we wish to thank you for this opportunity and we look forward to the release of the Discussion Paper as well as the outcomes of the review. If you require any additional information surrounding our submission, please contact us by emailing [info@absia.asn.au](mailto:info@absia.asn.au).

Kind regards,

Chris Howard  
President, Australian Business Software Industry Association (ABSIA)

## Introduction

Last year the Inspector General of Taxation (IGT) published their report into the future of the taxation profession<sup>1</sup>. ABSIA supports the recommendations of this report and the statements made by the IGT and considers them significant in relation to the Tax Practitioners Board (TPB) review. ABSIA has been involved in the recent TPB Review process through attending roundtable sessions. During these sessions, we found that some important issues raised in the IGT report were not addressed by the focus topics, nor are they addressed in the terms of reference for submissions.

### **The Software Industry Today**

The Australian Business Software Industry Association, or ABSIA, represents software developers and those working with business software in Australia. Our membership includes almost every tax and accounting focused Digital Service Provider (DSP) that develops software solutions for daily use by tax practitioners and/or taxpayers directly. Our members' products and services support more than two million Australian businesses today and help practitioners manage the income tax affairs of the overwhelming majority of Australian taxpayers.

Most of the tax and accounting software developers have extensive APIs that connect to their cloud based products and platforms. These APIs have allowed an ecosystem of third parties to emerge and provide additional services and solutions for customers leveraging the power of the high integrity data contained within the accounting ledger. Today, more than 900 applications connect and integrate with the Xero, MYOB and Intuit cloud based accounting applications. This ecosystem continues to grow and with the automation and digitisation of taxation globally, it is likely that a range of technical solutions will continue to emerge that will further support the advisory function for practitioners or fully automate the tax preparation functions for advisors and business owners.

### **The Tax Profession Today**

Tax professionals and business owners are the major customers of our members. As service providers, software developers can provide unique insights into the behaviour, motivations and aspirations of practitioners and their clients. One thing that has become abundantly clear to ABSIA members, is that the tax profession welcomes automation and does not derive satisfaction or business value from reviewing, verifying and processing high integrity, automated transaction data derived from machine to machine connections between digital systems of record. Practitioners expect software developers to leverage the power of the data within their platform to surface insights, increase automation, reduce clicks and streamline processes so that they require minimal human input.

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<sup>1</sup> <https://igt.gov.au/publications/reports-of-reviews/future-of-tax-profession/>

Right now, our software developer members can provide more functionality in their software in line with the ATO's Digital Vision and Roadmap. However, the current rules and regulations, as interpreted and imposed by the TPB, restrict the ability to introduce certain functionalities without becoming a registered tax agent. Without such constraints, software developers can assist in increasing the integrity of the tax system and simplifying the work of tax agents, bookkeepers, individual taxpayers and small businesses. As ABSIA also works closely with the ATO, we have a good understanding of the ATO's Corporate Plan and see a discrepancy between the current posture of the TPB and the ATO's Digital Agenda. This should be resolved in favour of the strategic direction currently pursued by the ATO and software developers given it is consistent with global trends across the Organisation for Economic Co-operation and Development (OECD)<sup>2</sup>.

This submission has been prepared on behalf of the software industry to address these concerns and make recommendations for the TPB. In our submission, we ask for clarity from the TPB and express our view that TPB does not support automated process technology and therefore prevent innovation in the industry. Moreover, the TPB is insufficiently digitally literate to effectively participate in the emerging policy agenda or accurately understand and assess the impacts of digital transformation on the Australian tax profession.

## Recommendations

The following are ABSIA's recommendations for the TPB, which are described in more detail below.

1. The TPB should be 'future-focused' and show a greater understanding of how the tax industry is expected to change in the coming years. This includes providing relevant guidance for additional skills development and specific training as the tax profession evolves with new technology capabilities.
2. The TPB needs to regulate the conduct of tax practitioners and should not attempt to impose regulations on the software industry.
3. The TPB should seek to better understand the ATO's digital vision.
4. The TPB's register should be included in the Modernising Business Registers program.
5. The TPB should include at least one board member with a technology-based background and an understanding of ATO's Digital Agenda to aid in driving the effectiveness of the tax industry and the future of the tax professionals.
6. The TPB should seek to work more closely with relevant industry organisations and associations, such as ABSIA, to understand the future of the industry from different perspectives.

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<sup>2</sup> <https://www.oecd.org/>

**‘The TPB should be ‘future-focused’ and show a greater understanding of how the tax industry is expected to change in the coming years. This includes providing relevant guidance for additional skills development and specific training as the tax profession evolves with new technology capabilities.’**

Technology has and will continue to radically transform the tax profession in Australia. The future of professional services is increasingly automated and market forces are driving technology players to develop products and services that “do more” without human intervention. Fundamentally, anything that is rule-based will ultimately be automated and performed more efficiently, accompanied with a higher degree of accuracy, integrity and transparency, by a machine.

Within the tax and accounting sphere, this is particularly true with respect to tax preparation and transaction processing and interpretation. Moreover, there is a growing expectation from contemporary practitioners for software developers to “ban admin”, “remove keystrokes” and “automate, allocate and anticipate” as much as possible on behalf of practitioners and taxpayers.

It is essential for the tax profession to prepare for a digitally native future and recognise that businesses and professionals are adopting sophisticated technology at an accelerating rate. Today, in excess of one million Australian businesses are using cloud accounting platforms to operate their businesses. This is expected to double within the next eighteen months following the legislated and mandatory use of Single Touch Payroll from 1 July 2019 and the introduction of additional digital capabilities such as Trans-Tasman e-Invoicing, Payment Times Register and the Modernised Business Registers. Digital connectivity and “digital literacy” will go from a “nice to have” to mandatory and inevitable for every tax professional.

With more than 80% of small business owners viewing their accountant or bookkeeper as their most trusted advisor, it is vital that key regulatory and ethical bodies such as the TPB become digitally native themselves and provide support, training, education and appropriate oversight on the conduct of practitioners in this new environment.

In our opinion, there needs to be an industry-wide planning of how the tax profession will transition in the coming years, recognising that there are numerous subgroups with varying capabilities and aptitude for adopting technology and process changes. At this time, we are uncertain which government agency or organisations are overseeing this important need for transition planning and assisting tax professionals to navigate their way through the changes. As a software industry, we expect that the TPB is aware of the impacts of digital transformation. We urge the Board to do more and communicate better to its practitioners to ensure they remain suitably experienced and qualified to support tax payers and uphold the tax system in a connected, digital environment.

We believe that the TPB is well placed to conduct research and develop training and educational material to keep tax practitioners up to date and ensure their relevance in

accordance with the transition of the profession. Such research should include insights into how many people are expected to retire and when as well as whether tax practitioners can be re-trained or whether they can migrate across the industry and adopt new skills. The TPB should not rely solely on other bodies and associations to provide this service for them. Instead, the TPB should be identifying knowledge gaps and ensuring there are services to provide training and or guidance on these areas. This factor is referenced in the IGT report and we support this recommendation as best practice to ensure those working in the industry transition appropriately.

Under no circumstances should the TPB attempt to delay the pace or nature of this digital transformation. A dynamic, competitive Australian economy will be dependent upon a highly digital and highly connected taxation system. The TPB should not become defenders of red tape or antiquated processes and thinking. The software industry believes that the TPB has a critical role to play with respect to governing the behaviour of taxation advisors and professionals, but its approach and ideas must evolve and change fast to reflect a 21st century digital economy.

**‘The TPB needs to regulate the conduct of tax practitioners and should not attempt to impose regulations on the software industry.’**

The TPB’s current regulations require software developers who provide any tax agent service through their products to register with the TPB<sup>3</sup>. It has been communicated that the primary reason for this is “dodgy promises” from salary packaging and car leasing websites that suggest a specific tax outcome based on limited understanding of a taxpayers circumstances. This is worlds apart from the sophisticated, multi-billion dollar software industry that supports millions of taxpayers and provides solutions to almost 100% of the registered agents currently operating in Australia.

In light of new technology and the importance of automation, we believe that the TPB should solely focus on their role as a regulator of tax practitioners and not as an attempted regulator of the software industry. Digital service providers are already subject to the stringent technical, process and business checks imposed by the ATO’s Operational Framework. This should be more than adequate to govern the ethical, technical and security conduct of the software industry. It is more comprehensive and restrictive than any such regime that governs the behaviour of software developers in any other OECD tax jurisdiction. It is worth noting that the ATO’s Operational Framework is seen as “world class” and is being considered and adapted by other agencies within Australia and worldwide.

Currently, there are a number of logical services that software developers should be able to integrate into their products such as auto-suggesting, auto-allocating and auto-populating to make tax preparation much easier. However, the TPB currently views such activities as

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<https://www.tpb.gov.au/software-providers-and-tax-agent-services-act-2009-tpb-information-sheet-tpbi-09-2011>

providing a tax agent service and therefore, a DSP should become a registered tax agent. This is unworkable for the software industry as shown in the example below.

**A worked example of process automation that is being prevented by the TPB:**

*A business is using a cloud based accounting software (Xero, MYOB, Intuit, Reckon, Sage) that connects to the banks via API and receives bank transaction data on a daily basis. The business issues invoices electronically and the software can receive valid supplier invoices automatically via API from the Trans-Tasman e-Invoicing network. A tax agent is engaged to provide ongoing taxation advice where required and submits their annual income tax return annually on behalf of the business.*

*The business purchases a new motor vehicle from \$29,990. The supplier invoice from the dealer is sent via the e-Invoicing network and automatically appears within the software as a “bill to pay”. The software is able to verify that the supplier is registered for GST and that the presented invoice is valid and complete. This allows the software to automatically allocate the invoice for GST purposes and post a journal to the GST account for the tax credit.*

*Furthermore, the business software receives daily bank feeds and can determine that the total turnover is less than \$10 million per annum. The software could predetermine the depreciation treatment for this asset and post the instant asset write off journal to the ledger automatically.*

*At period end, the activity statement can be prepopulated with reconciled accounting data processed by the business owner, their advisor or received via API from third party applications. Prefill data can be overlaid from the ATO. The activity statement can be checked by the business owner or advisor before being submitted to the ATO.*

*At year end, the advisor could open their income tax return software and connect to the accounting data via API. The tax return software could retrieve the trial balance from the business ledger and auto-populate the tax form using the reconciled data. Using machine learning algorithms they could flag large or atypical transactions or allocations that require further review or benchmark the performance of the business in comparison to similar organisations.*

The above example encapsulates the ideal state for the overwhelming majority of Australian businesses and presents incredible efficiencies for thousands of practitioners. The commoditisation of tax services and the changing nature of the market has led to shrinking margins on tax work and a desire within the industry to limit the amount of time, effort and data entry endured by practitioners to ensure compliance. High integrity data already exists within accounting platforms today and this data should be utilised to make tax preparation processes more efficient.

Right now, the TPB is limiting how software developers can add value to the tax profession and provide innovation. The software developer industry would like to see the TPB re-define their

role in the tax industry and determine the best way to work more closely with software developers. We believe the TPB's primary role is to regulate behaviour and ensure that the professional standards of tax practitioners are maintained. This role should not include regulatory powers over software developers for simply removing unnecessary steps to reduce the number of overall clicks in the tax preparation process.

Software developers should not be required to become registered tax practitioners. We agree with the IGT's recommendation that the ATO should review the current framework for monitoring and identifying new or emerging technologies or innovation to ensure they promptly address any implications as that would assist in setting boundaries between the software industry and the TPB. In this context, it is important for TPB to understand and work closely with the ATO and the software industry through organisations such as ABSIA.

**'The TPB should seek to better understand the ATO's digital vision.'**

Whilst it is acknowledged that the TPB is a regulatory authority of the tax profession independent of the ATO, it is currently understood that the TPB views building a closer relationship with the ATO as a priority and we support this line of thinking. Building and maintaining a strong relationship with the ATO should be of high interest to the TPB as the industry works towards our common digital vision. With software developers being the enablers of this digital agenda, we should all be working together and we believe that fostering this relationship is a step in the right direction.

The TPB are also limiting towards software developers and tax practitioners in terms of their posture on cloud computing<sup>4</sup>, by suggesting that data should be stored on-shore, this severely limits and completely discourages the use of cloud software. Similarly, there is little information about the benefits cloud computing can afford to tax practitioners. This is problematic given that more and more tax agents will need to transition towards cloud-based products so they can continue to operate in an increasingly digital economy. To support this and therefore the ATO's Digital Agenda, the TPB should provide up to date information about cloud computing and include the benefits for tax practitioners.

A key objective of the Australia's Digital Agenda is to remove red tape, improve productivity and efficiency. Through embracing the digital technology, online services and improved processes, some of the TPB staff currently employed, for example, on 'service desk' can be freed up to do more valuable work such as conducting investigations without the need to add new headcount to the TPB.

**'The TPB's register should be included in the Modernising Business Registers program.'**

There is no practical reason as to why the TPB's register is not currently included in the Modernising Business Registers (MBR) program. We believe the TPB register should be

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<sup>4</sup> <https://www.tpb.gov.au/tpbpn-012017-cloud-computing-and-code-professional-conduct>

included in the MBR program as it will make data sharing much easier and therefore improve the TPB's investigation process.

Currently, if ASIC were to publish adverse findings and declare that a financial planner is unfit and revokes their ASIC licence, they do not automatically lose their TPB registration. Instead, the TPB conducts their own time consuming investigation in which they cannot obtain information from ASIC or the ATO to assist in the process. This is inefficient and, accompanied with the lack of transparency on these investigations, customers are unaware of what is happening and the impacts on them if their tax practitioner has been found to lose their licence from another agency but not the TPB, for example. By including the TPB register in the MBR program, this would open up data sharing opportunities and potentially prevent unethical tax practitioners from continuing to operate across the tax industry.

This, along with the National Data Commissioner's review of data policies<sup>5</sup> and privacy rules across government agencies, would make it much easier for the TPB, ASIC and the ATO to share information. Theoretically, the TPB could use data from ASIC and the ATO in more of their investigations, therefore speeding up the process and reducing the amount of labour needed for investigations. This recommendation would not only make it easier for the TPB to conduct investigations it would also allow the tax industry to be more informed about unethical practitioners.

The API first approach of the MBR program will allow software developers to create new and innovative solutions that simplify, automate and enhance the security, integrity and efficiency of the business registers including the agent register. Beyond the simple changes of addresses, contact details and personnel, a direct and dynamic connection to the tax agent register through the MBR platform will allow software to verify the identities of agents automatically and, in the event of unethical access or retirement/deregistration, remove lodgment capabilities and/or access to taxpayer data. Moreover, due to the ATO's Operational Framework for software developers, the MBR will be subject to the same stringent security controls as all other modern government APIs.

We recommend that the TPB look to consolidate its registers alongside the other agencies and registration bodies as part of the MBR program.

**'The TPB should include at least one board member with a technology-based background and an understanding of ATO's Digital Agenda to aid in driving the effectiveness of the tax industry and the future of the tax professionals.'**

We believe that the skill sets of the TPB chair and board are not representative of the current and future state of the industry. Given that technology and software play a much more prevalent role within the tax industry, there should be at least one person on the board who either comes from or understands the tax industry from a technological perspective as well as the future

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<sup>5</sup> <https://www.datacommissioner.gov.au/>



direction of the technology industry. This would provide a more holistic approach for the TPB to navigate the best way forward for the tax industry and profession. This factor was mentioned in the IGT's report, stating the structure of the TPB should expand to include newer entrants to the tax profession such as software developers and we agree with this statement.

**'The TPB should seek to work more closely with relevant industry organisations and associations, such as ABSIA, to understand the future of the industry from different perspectives.'**

While we believe the TPBs should not regulate the software industry and our practices, we still value their input and understand their needs to be involved in what functions software can perform. This is why the TPB should seek to work more closely with relevant industry organisations and associations, such as ABSIA, to understand the future of the industry from different perspectives.

By participating in the software developer ecosystem, the TPB can work to better understand the perspectives of software developers in light of Australia's Digital Agenda. As an example, the TPB could participate in discussions on ABSIA's forum to gain this vantage point. The TPB could also take part in the concept and design processes of software products to understand what software can do at these stages rather than only being able to see the end products. This recommendation provides the opportunity for the TPB to show leadership and that they are willing to work alongside the industry and work together on a collective approach to realise Australia's digital future. We encourage action on this recommendation and believe it will benefit all of the parties involved.

## Conclusion

We believe our recommendations will foster better working relationships between the TPB, ATO and software developers allowing each to fulfil their own role in the industry without any significant barriers imposing upon innovation and realising Australia's digital agenda. We wish to thank the TPB for allowing ABSIA to be involved in this process. For any further questions or comments on this submission, please email [info@absia.asn.au](mailto:info@absia.asn.au).