

10 December 2024

Ms Ruth Owen
Inspector General of Taxation and Taxation Ombudsman
Office of the Inspector-General of Taxation
GPO Box 551
Sydney NSW 2001

By email: consultations@igt.gov.au

Dear Ms Owen,

IGTO review: Identification and management of financial abuse within the tax system

The Tax Institute (TTI) welcomes the opportunity to contribute to the Inspector-General of Taxation and Taxation Ombudsman's (IGTO) consultation on the Identification and management of financial abuse within the tax system review (Review).

In the development of this submission, we have consulted with our National Technical Committees to provide feedback that is representative of our broader membership.

Our preliminary feedback is limited to a selection of live examples where our members offered pro bono assistance. Notable examples of both intimate partner abuse and elder abuse highlighting the impact on victim-survivors are set out below.

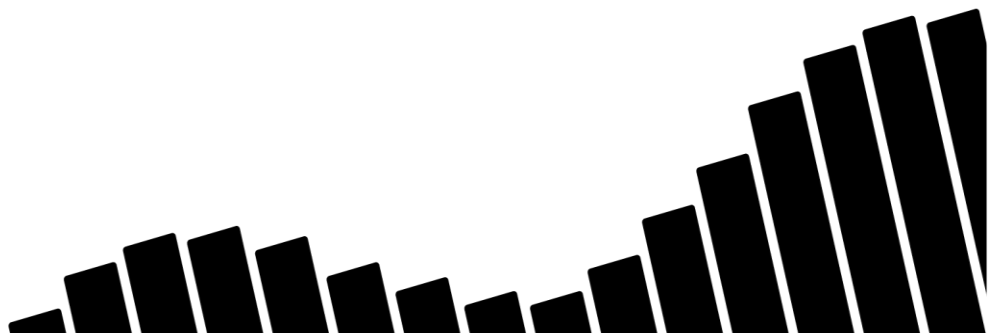
- A member provided an example of a client who lived in constant fear while using a pseudonym in a Salvation Army shelter due to financial and other forms of abuse perpetrated by a nephew. The nephew had moved in with the client and manipulated him into becoming a company director, subsequently engaging in GST fraud. When the Australian Taxation Office (ATO) identified the fraud, it pursued both the nephew and the client, resulting in the client losing his home and possessions. The ATO advised that it could not assist the client due to his directorship.
- Another case involved a client whose wife secretly committed GST fraud while engaging in a partnership with the client. After she left the client, the ATO held the client accountable for the fraud, asserting that the GST refunds had been deposited into their partnership account. One of the member's contentions on behalf of the client was that the fraudulent activities occurred over an extended period, and the ATO's systems should have detected the issue sooner. However, the ATO could not forgive the debt, and instead indicated that it would pursue bankruptcy, and initiated court proceedings for recovery. Ultimately, an agreement was reached where the debt remained on record but would not be actively pursued, which, while still not ideal, was a preferable outcome to bankruptcy.
- A different client was under her husband's coercive control and submitted tax returns with questionable deduction claims. The ATO audited the client, identifying her due

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to her husband's association with an accountant. It took considerable time for the husband to concede his conduct, and despite the circumstances, the ATO allowed similar claims in the following two years' tax returns. We consider that the ATO's systems should have alerted them to review these returns and refrain from issuing refunds. We understand that the husband has since left the client, and our member is now working to rectify the situation with the ATO through voluntary disclosures.

We would be pleased to provide further sanitised information regarding these cases to support the IGTO in its Review.

Our members have also identified some recent experiences where there have been more positive interactions with ATO representatives in matters that involved partner abuse and elder abuse. The more positive outcomes typically arose when the ATO representative had sufficient experience, seniority and understanding of these types of matters and accordingly were able to appreciate that they were not merely dealing with a delinquent taxpayer, but rather a far wider reaching sensitive and personal issue of which tax aspects were one component. The ability to then provide valuable assistance in an empathetic, tailored and measured way, was constructive, fair and reasonable in the circumstances.

While it is pleasing that some positive interactions have been achieved, it is important to note a broader concern about the varying approaches of ATO officers. The nature of a taxpayer's interactions can differ significantly based on the officer's rank and responsibilities, with feedback indicating that junior officers often rely on scripted responses, and may lack the flexibility and more holistic understanding of such situations to adopt a more nuanced approach. This is in contrast to their more experienced counterparts. This disparity can profoundly affect the taxpayer's experience and may also influence the Review's conclusions and methodologies.

We also note the recent release of the [Financial abuse: an insidious form of domestic violence report](#) by the Parliamentary Joint Committee on Corporations and Financial Services (**Report**). We note in particular recommendations 54 to 57 of the Report, which while largely necessitating policy change and/or legislative amendment, are, in our view, directly relevant to the current Review.

We look forward to providing further input as this Review progresses.

The Tax Institute is the leading forum for the tax community in Australia. We are committed to shaping the future of the tax profession and the continuous improvement of the tax system for the benefit of all. In this regard, The Tax Institute seeks to influence tax and revenue policy at the highest level with a view to achieving a better Australian tax system for all.

If you would like to discuss any of the above, please contact The Tax Institute's Senior Counsel – Tax & Legal, Julie Abdalla, on (02) 8223 0058.

Yours faithfully,



Scott Treatt

Chief Executive Officer



Todd Want

President