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.

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.

Further information
For further information, see tpb.gov.au and ato.gov.au
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 their income tax returns prepared by their tax agent 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.