

COST RECOVERY IMPLEMENTATION STATEMENT (CRIS)

Tax Practitioners Board

Tax practitioner application fees 2018-19

1. INTRODUCTION

Purpose of the CRIS

This CRIS provides information on how the Tax Practitioners Board (TPB) will implement partial cost recovery for the processing of applications for registration and renewal of tax agents, BAS agents and tax (financial) advisers (collectively referred to as tax practitioners). The TPB will maintain the CRIS until the activity or cost recovery for the activity has been discontinued.

About the TPB

The Tax Practitioners Board (TPB) is an independent statutory body created under *Tax Agent Services Act 2009* (TASA) and is comprised of Board members appointed by the relevant Minister. The TPB administers the TASA and *Tax Agent Services Regulations 2009* and is responsible for registering and regulating entities providing tax agent services in Australia for a fee or reward, which includes the services provided by tax practitioners in accordance with the TASA.

For more information about the TPB, see <https://www.tpb.gov.au/about-tpb>

2. DESCRIPTION OF THE REGULATORY CHARGING ACTIVITY

Tax practitioners are being charged for the processing of applications for registration, including renewal, as a tax practitioner on the basis that it is equitable that tax practitioners, rather than the general public, bear these costs. The TPB undertakes a range of activities to satisfy this mandate. These activities can broadly be described as follows:

- engaging with stakeholders – including potential applicants, applicants, registered tax practitioners and professional associations
- providing policy advice on the registration and renewal eligibility requirements
- providing technical and operational guidance on the registration and renewal process and eligibility requirements
- developing and maintaining online tools to enable the registration and renewal process (including online forms and a tax practitioner portal 'MyProfile')

- assessing and processing registration and renewal applications.

However, the TPB will not be charging for its compliance activities, which include:

- investigating conduct that may breach the TASA, including non-compliance with the Code;
- ensuring registered tax practitioners continue to meet the ongoing eligibility requirement
- breaches of the civil penalty provisions
- imposing administrative sanctions for non-compliance with the Code
- applying to the Federal Court in relation to contraventions of the civil penalty provisions in the TASA.

3. POLICY AND STATUTORY AUTHORITY TO COST RECOVER

The TPB's ability to charge application fees is established under the following:

- *Tax Agent Services Act 2009*
- *Tax Agent Regulations Act 2009*
- *Treasury Laws Amendment (2018 Measures No. 1) Regulations 2018*

Policy approval for a new fee structure was announced in the 2018-19 Federal Budget. Increased application fees are effective from 1 July 2018, with the application fee amounts being subject to an annual consumer price index adjustment from 2019-20 onwards. (<https://www.budget.gov.au/2018-19/content/bp2/index.html>)

The new charges were also announced in a media release on 8 May 2018 (<https://www.tpb.gov.au/news-media/media-releases/strengthening-tax-practitioners-boards-role-protecting-consumers-tax>)

The amended application fee amounts and structure that apply from 1 July 2018 are as follows:

Table 1: Tax Practitioner application fees

Application fees (payable at least once every three years)	Proposed fee
Registration as a tax agent	\$675
Registration as a tax (financial) adviser	\$540
Registration as a BAS agent	\$135

4. COST RECOVERY MODEL

TPB's regulatory charging activities are outlined in Table 2 below

The cost of regulatory activities is based on the staff effort used to process the registration applications which is then applied to the three tax practitioner types (tax agent, BAS agent and tax (financial) adviser).

Staff effort (See **Appendix A**), which relates to the receipt, checking, assessment and verification of information, deciding the application, as well as notification to the applicant, has been attributed through the use of management reports and staff questionnaires.

Table 2: TPB's regulatory activities

Activity	Cost Driver	Activity description
Stakeholder engagement	Indirect cost	The TPB engages with a range of stakeholders (including tax practitioners, professional associations, education providers and other government entities such as the ATO and Australian Securities and Investments Commission (ASIC) to guide and inform our decision making and operations.
Education	Indirect cost	The TPB uses a variety of communications channels and products to educate tax professionals about the registration and renewal eligibility requirements.
Guidance	Indirect cost	Providing policy advice on the registration and renewal eligibility requirements.
Registration tools	Indirect cost	Developing and maintaining online tools to enable the registration and renewal process.
Application assessment	Direct cost	Assessing and processing registration and renewal applications.

The nature of the cost drivers are outlined in Table 3 below.

Table 3: main cost drivers

Cost Driver	Driver description
Direct costs	Costs for employees involved in directly processing new and renewal registration applications (for example, staff salaries, superannuation and leave expense) and supplier costs (for example, training and IT costs)
Indirect costs	Costs for employees indirectly involved in processing new and renewal registration applications (such as employees involved in policy development,

	online forms development and communication activities) (for example, staff salaries, superannuation and leave expense) and supplier costs (for example, training and IT costs)
Support cost	Includes all TPB employee and supplier costs not classified as Direct or Indirect. These costs will have no direct relationship to processing registration forms but are relevant TPB operational costs. The nature of these costs include travel, human resources support, finance support and property operating expenses

Table 4 illustrates the 2018-19 estimated cost for processing new and renewal applications by cost types and tax practitioner type. It also illustrates the 2018-19 revenue from application fees by tax practitioner type and shortfall from revenue against cost.

Revenue has been estimated using anticipated volume of applications over a three-year period based on historical trends.

Table 4: 2018-19 revenue and expenses estimates (for the registration process only)

	Tax agent	BAS agent	Tax (financial) adviser	Average
Estimated application volumes	16,650	7,086	2,769	26,505
Cost	\$	\$	\$	\$
Direct	165.49	106.39	141.85	147.22
Indirect	118.32	138.58	417.48	155.03
Support costs	421.18	270.76	361.02	374.68
Total cost per application	704.99	515.73	920.34	676.93
Estimated total cost (\$'000)	11,738	3,654	2,548	17,942
Application fee revenue				
Rate	675	135	540	
Estimated revenue (\$'000)	11,239	957	1,495	13,691
Surplus / (Shortfall) (\$'000)	(499)	(2,697)	(1,053)	(4,251)

5. FINANCIAL ESTIMATES

TPB expenses and revenue estimates for processing new and renewal applications is set out in Table 5. The full cost of processing application is not fully cost recovered across the budget year and three forward years by the application fee.

Table 5: TPB revenue and expenses estimates (for the registration process only)

	2018-19	2019-20	2020-21	2021-22
Estimates	\$'000	\$'000	\$'000	\$'000
Expenses	\$17,942	\$18,518	\$19,222	\$17,488
Revenue	\$13,691	\$15,300	\$20,900	\$15,100
Surplus / (deficit)	-\$4,251	-\$3,218	\$1,678	-\$2,388
Cumulative balance	-\$4,251	-\$7,469	-\$5,791	-\$8,179

The shortfalls from revenue against expenses are funded by government appropriation.

6. NON-FINANCIAL PERFORMANCE

The number of tax practitioner applications processed each year is reported in the TPB's Annual report (see the section regarding performance measures (<https://www.tpb.gov.au/annual-report-2016-17>)).

The revenue and expense associated with tax practitioner application fees will vary in accordance with the number of applications received and processed annually. A further review of the application fee amount and structure will be conducted if the difference between estimated and actual applications received over a three-year period exceeds 20 per cent.

Consistent with Government policy, the charge will be regularly reviewed to confirm that the charge meets the government policy objective of ensuring that tax practitioners rather than the general public bears the costs of regulating tax practitioners and to index it for appropriate increases in costs.

7. RISK ASSESSMENT

The risk associated with the revenue and expense estimates are considered low as the number of tax practitioners is stable and the application fee process is mature. The TPB through the Cost Recovery Implementation Statement, focuses on continual process improvement to ensure that application fee processing costs are minimised.

8. STAKEHOLDER ENGAGEMENT

TPB will review its CRIS annually and will notify changes to stakeholders through the TPB's existing stakeholder engagement and communication strategy, which includes the TPB's website, eNews,

consultative forums and social media.

Stakeholder consultation will take place through the TPB's primary consultative mechanisms – the TPB Consultative Forum and TPB Financial Adviser Forum. Approximately 6 forums are held per year and provide the professional associations and the TPB to discuss and consult on key matters affecting tax practitioners.

Stakeholder consultation will also take place as part of the TPB's future review of the application of the Australian Government Charging Framework to the TPB's activities. This review is proposed to take place in 2018-19.

The TPB anticipates that a draft of the revised CRIS for the 2019-20 financial year will be made available in the last half of the 2018-19 financial year for comment, with an anticipation that the final CRIS will be published in June 2019.

9. KEY FORWARD DATES AND EVENTS

This section sets out an outline of the key events:

Key event	Estimated date
TPB publishes the final CRIS	September 2018
Application fee increases commence	July 2018 (completed)
Review cost recovery arrangement prior to the 2019-20 CRIS being updated	April 2019

10. CRIS APPROVAL AND CHANGE REGISTER

The table below shows approvals and changes pertaining to this CRIS.

Date	Description	Approved by	Comments
14 August 2018	Endorsement of the CRIS	TPB Chair	None
TBC	Certification of the CRIS	ATO Commissioner	
TBC	Approval of the CRIS	Assistant Treasurer	

APPENDIX A

