



Proposed Guideline

TPB(PG) 04/2014

Course in Australian taxation law that is approved by the Board for tax (financial) advisers

This document is a Tax Practitioners Board (TPB) proposed guideline (TPB(PG)) that the TPB intends to issue as a TPB guideline (TPB(G)) under paragraph 60-15(d) of the *Tax Agent Services Act 2009* (TASA), but on which the formal drafting and Parliamentary tabling processes have not yet been undertaken.

The TPB intends to follow this TPB(PG) until such time as the TPB(G) is formally made. However, being proposed guidelines, the TPB may be prepared to consider alternative outcomes to the TPB(PG) in special circumstances.

Once this TPB(PG) becomes a TPB(G), it will be a legislative instrument that binds both the TPB and those to whom it applies. The purpose of the TPB(G) will be to assist the TPB in achieving its functions, which includes the administration of the system for the registration of tax agents, tax (financial) advisers and BAS agents.

Document history

The TPB released this TPB(PG) in the form of an exposure draft on 22 March 2013. The TPB invited comments and submissions in relation to the information contained in it. The closing date for submissions was 21 May 2013.

The TPB considered submissions made and on 20 August 2014 published this TPB(PG) in the form of a second exposure draft. The closing date for submissions for the second exposure draft was 19 September 2014. The TPB considered submissions made and on 8 December 2014 published this TPB(PG).

Issued: 8 December 2014

‘A course in Australian taxation law that is approved by the Board’ for tax (financial) advisers

This proposed guideline (TPB(PG)) sets out the views of the Tax Practitioners Board (TPB) in relation to the meaning of ‘a course in Australian taxation law that is approved by the Board’ for tax (financial) advisers for the purposes of Items 301(c), 302(c) and 303(b) of Part 3 of Schedule 2 to the *Tax Agent Services Regulations 2009* (TASR).

The TPB(PG) includes information relating to the following aspects of a course:

- topics and learning outcomes
- duration
- course providers
- education level
- manner of delivery
- assessment
- currency.

The information in this TPB(PG) draws on advice given to the TPB in October 2011, February and May 2012, March and October 2013 and July 2014 by Professors Michael Dirkis and Michael Walpole and Mr Gordon Mackenzie.

The purpose of this information is to assist relevant institutions, professional associations, potential registrants and the wider community to understand the factors that provide the basis for the TPB’s approach to the educational eligibility requirements for registration as a tax (financial) adviser.

The TPB intends to adopt the views expressed in this TPB(PG).

The TPB has published a separate document outlining its approval process for courses which are covered by Schedule 2 to the TASR – see *TPB(I) 07/2011 Approval process for course providers* available at www.tpb.gov.au.

Introduction

1. The *Tax Agent Services Act 2009* (TASA) is designed to ‘... ensure that tax agent services are provided to the public in accordance with appropriate standards of professional and ethical conduct’ (see section 2-5 of the TASA). It is therefore both necessary and desirable, in certain respects, to increase the expectation of the thoroughness of education and training that a registered tax (financial) adviser should have when compared with the expectations under the regulatory regime of the *Corporations Act 2001* before 1 July 2014.
2. The TPB recognises that a balance must be struck between what is reasonably achievable within the modern educational and professional paradigm and assuring the public of high professional standards. In doing so, regard has been had to the educational qualifications, and the types of providers of training and education recognised within the Australian Qualifications Framework (AQF) (see www.aqf.edu.au).

Course in Australian taxation law for tax (financial) advisers

Background

3. The registration process for tax (financial) advisers is designed to assure the public of a necessary basic standard of tax education. Thus, in the TPB’s view, a ‘course’¹ in Australian taxation law should be of sufficient breadth to equip a tax (financial) adviser to advise the public on the diverse range of tax issues.
4. The tax system in Australia is very complex and the interaction of that system with the social security system adds to this complexity. Many financial decisions have a tax impact, and some financial products and much financial advice derive at least some of their value from tax preferences. Virtually any personal financial planning advice will include considerations ranging from (for example) interest deductibility for tax purposes through to fringe benefits tax associated with salary packaging to limits on contributions to superannuation. Financial advice associated with business transactions tends to be even more complex.

¹ See paragraph 29 for further information on the meaning of ‘course’.

5. The TPB notes that a 'knowledge of' the effects of Australian taxation law of particular products (for example, financial products in the retail context, superannuation products and emissions units) is one of the knowledge requirements in Appendix A of the Australian Securities and Investments Commission's (ASIC's) Regulatory Guide 146, *Licensing: Training of financial product advisers* (RG 146). In respect of other financial products, there are no requirements for specific Australian taxation law knowledge (for example, deposit products and non-cash payment products). Merely an 'awareness of' relevant taxation issues is required (for example, securities, derivatives, managed investments, insurance products, foreign exchange products, first home saver accounts, margin lending facilities).
6. However, the Australian taxation law advice given by tax (financial) advisers extends well beyond merely the broad taxation consequences of dealing in financial products as contemplated in RG 146. For example, the TPB considers that consumers would expect competent advice by a tax (financial) adviser to include consideration of not only the tax effect of a particular financial product but also the tax effect of alternative courses of action.
7. Therefore, following extensive research of existing Financial Planning diploma and advanced diploma courses, the Board is of the view that there is insufficient coverage of relevant Australian taxation law issues in these courses.
8. To become a registered tax (financial) adviser, an applicant must meet certain eligibility criteria, including the requirements prescribed by the TASR.² In certain cases, one such requirement is that an applicant seeking registration must have successfully completed a course in Australian taxation law that is approved by the Board.
9. An individual must have successfully completed 'a course in Australian taxation law that is approved by the Board' if they are seeking registration under any of the following:
 - tertiary qualifications (Item 301(c) of Part 3 of Schedule 2 to the TASR)
 - diploma or higher award (Item 302(c) of Part 3 of Schedule 2 to the TASR)
 - work experience (Item 303(b) of Part 3 of Schedule 2 to the TASR).
10. An individual is not required to have successfully completed 'a course in Australian taxation law that is approved by the Board' if they are seeking registration under the following:
 - membership of professional association (Item 304 of Part 3 of Schedule 2 to the TASR).

² This is subject to the transitional arrangements contained in the *Tax Laws Amendment (2013 Measures No. 3) Act 2013*.

11. This TPB(PG) deals only with the requirements for 'a course in Australian taxation law that is approved by the Board' for tax (financial) advisers. For information on the requirements for 'a course in Australian taxation law that is approved by the Board' for tax agents, refer to *TPB(PG) 03/2010 Course in Australian taxation law that is approved by the Board* and *TPB(I) 14/2012 Tertiary qualifications in a discipline other than accountancy for tax agents*, available at www.tpb.gov.au.

Topics and learning outcomes

12. A course in Australian taxation law for tax (financial) advisers should include the equivalent of one taxation law unit covering at least the following key areas of taxation law:
- (a) concepts of: income, deductions, tax offsets/rebates, residence, source, including the principles of the taxation of negative gearing, fixed income investments, capital allowances and income protection/ replacement
 - (b) tax treatment of: individuals, partnerships, companies and trusts including treatment of imputation credits, deferred and tax free trust distributions
 - (c) employee remuneration including fringe benefits tax, salary packaging, termination payments and employee share schemes
 - (d) capital gains tax (CGT), including CGT event A1 happening on disposal of an asset, the CGT discounts, the CGT consequences of death (estate planning) and the main residence exemption (and its application to investment properties), the availability of CGT concessions for small business, roll-overs, deemed disposals and gifts
 - (e) superannuation: key areas concerning taxation of contributions, fund earnings and benefits. At times expert advice may need to be sought on self-managed superannuation funds (SMSFs) and more detailed topics
 - (f) tax anti-avoidance provisions (especially those relating to promoter penalties)
 - (g) ethical and professional responsibilities of tax (financial) advisers including obligations under the TASA and TASR.
13. In addition, a course in Australian taxation law for tax (financial) advisers should also cover the following areas of taxation law at a basic awareness level:
- (a) goods and services tax (GST)
 - (b) tax administration including assessments, amendments and objections, but not preparation of returns or communications on behalf of clients with the Australian Taxation Office.

14. The learning outcomes of a course in Australian taxation law are that the tax (financial) adviser should be able to explain, critically evaluate and (where appropriate) apply the rules and principles attaching to each of the topics listed at paragraphs 12 and 13 above, including in the context of financial products.
15. As taxation law is continually evolving, in conjunction with these learning outcomes, tax (financial) advisers should also learn skills to enable them to have knowledge of the law and apply it to problems when they are giving tax (financial) advice in practice and so as to keep their knowledge up-to-date.
16. Tax (financial) advisers should understand the boundaries about clients acting on their tax (financial) advice. Further, they should understand which areas are so complex as to need specialised independent advice.
17. The provision of financial and taxation advice has the potential to affect clients to a significant degree. This means that advisers may be expected to acquire detailed knowledge. However, tax (financial) advisers are not registered tax agents and, given that tax (financial) advice services are a subset of tax agent services, cannot provide the same broad range of services permitted by tax agents. Accordingly, it would be unreasonable to expect them to have taxation law expertise that equals that of tax agents.³

Duration of course/s

18. The topics listed at paragraphs 12 and 13 above should fit within a single tertiary level unit made up of formal instruction (such as lectures), exercises in applying knowledge (such as tutorials) and private study (such as research, reading, and assignment preparation).
19. Accordingly, the duration of the course in Australian taxation law should be at least the equivalent of one tertiary level unit at the requisite level that has been recognised and accredited via the AQF (see paragraph 22 below).
20. However, duration alone is not a definitive guide as to the quality of a course and from time to time the TPB may have regard to other elements (such as technical content, level of difficulty, nature of assessment etc), in order to come to a final view as to whether the requirements for approval of a course have been met.⁴

³ It should also be noted that under subsection 30-10(7) of the TASA, registered tax (financial) advisers must ensure that a tax agent service (which includes a tax (financial) advice service) they provide, or that is provided on their behalf, is provided competently.

⁴ For more information on the meaning of a 'course', see paragraph 29 of this TPB(PG).

Providers of course/s

21. A course in Australian taxation law should be attained through study of units with a university, registered training organisation (RTO) or other registered higher education institution.
22. Unless otherwise approved by the Board, the minimum education level required for an approved course in Australian taxation law is diploma, which meets AQF level 5 criteria. In all cases, the proposed course must satisfy the TPB's requirements relating to assessment (see paragraphs 26 to 28 for further information on assessment).
23. The TPB may also choose to accept courses offered by other providers as long as the provider meets the TPB's conditions and standards as set out in its Information sheet *TPB(I) 07/2011 Approval process for course providers* and the course offered by the provider meets the requirements set out in this TPB(PG).

Manner of delivery

24. Although the suggested duration in paragraphs 18 and 19 above is based on an assumption of a traditional lecture/tutorial/self-study model, there is a diversity of delivery models available – which diversity has been supplemented by modern technological innovation permitting 'distance' or 'flexible' study involving engagement with teaching materials and teaching staff via interactive computer programs, video conference, internet etc. In any case, study by correspondence has been widely available for tertiary study and professional study for many years. Some courses may not require any attendance at lectures or seminars but may rely upon the students' performance in assessment tasks such as a single final examination as a measure of the competence of the students.
25. Accordingly, a hard and fast rule on manner of delivery is not necessary. Provided that whatever manner is adopted in the course of study or its components involves an expectation that students will develop a thorough understanding of the tax law through technical content, its application and appropriate research, it is immaterial whether they are usually present in a room with the teacher or not. The outcomes of the course in Australian taxation law or its components should be discernible by reference to how the course/components of the course are assessed.

Assessment

26. Objective assessment is a key aspect of the approval of courses for registration of applicants as tax (financial) advisers. Applicants must have demonstrated their knowledge and skills in the relevant course or components by some means of independent and objective assessment.⁵ Such assessment should be rigorous and have integrity. Various forms of assessment may be employed. Ideally, because of different learning styles and what is appropriate for different aspects of a course, each course or component should employ a mix of assessment practices including:
- tests
 - examinations (oral and written)
 - problem based assignments
 - essays and reports
 - computer based assessment tasks.
27. Not every one of these assessment methods needs to be present in an approved course. The TPB does not propose to be prescriptive about the style and content of assessments, provided the assessments employed represent a genuine test of relevant knowledge and skills and subject to integrity to ensure the relevant applicant will have undertaken the assessment task/s in question.
28. At least 40% of the total assessment should be done under some form of independent supervision.

The meaning of 'course'

What is a course?

29. A course consists of a series of components leading to an overall knowledge of an aspect of the law including taxation law or rules. Such components may take the form of small units designed for tuition or training of discrete aspects of the tax law. The TPB notes that although coherence between the parts/units of the course is desirable, not all applicants will have completed a single coherent series of units delivered, for example, by one provider. Accordingly, provided the content set out in the list of topics at paragraphs 12 and 13 is addressed and provided the material addressed is reasonably current, the components need not be part of a coherent stream and may include some duplication and overlap with each other.

⁵ 'Independent and objective assessment' refers to assessment practices which are conducted under the supervision of an invigilator (independent exam supervisor). The TPB is of the view that invigilators must be examination officers of universities, TAFE or registered training organisation colleagues, ministers of religion, police officers, lecturers, teachers, school principals or deputy principals, justices of the peace, commissioners of declarations or other supervisors considered acceptable to the TPB. The assessment should not be administered by a family member, friend or someone that has a close personal or professional relationship with the individual undertaking the assessment.

30. To avoid any doubt, despite paragraph 7 a course in Australian taxation law may, in time, form part of a broader qualification, such as the Diploma or Advanced Diploma of Financial Planning.

Can a course be constituted solely by recognised prior learning (RPL)?

31. Assessment of knowledge and competence is the best safeguard for the TPB to ensure that it only registers applicants who have the necessary technical qualifications to competently deal with taxpayers' affairs. The TPB recognises that prior learning through experience may be regarded as a proxy for content but it does not propose to accept evidence of prior learning in the workplace that has not been formally assessed in some way (see paragraphs 26 to 28 for information on assessment).
32. In principle, prior learning through experience which has itself been formally assessed would not require further assessment. However, it is unlikely the Board will approve an application if all the education requirements were satisfied by prior learning through experience as the ability to keep up-to-date with changes requires the acquisition of essential learning skills (interpretative, analytical and cognitive skills) that come from the rigour associated with formal training courses.

How current should a course be?

33. Taxation law changes rapidly, and the introduction of new taxes to replace others can completely transform the knowledge base of the tax professional community. For example, the replacement of sales tax with the goods and services tax (GST) and simultaneous modifications to the tax collection rules, stamp duty laws and other state taxes, transformed aspects of the taxation law in the early 2000's. Similar upheavals were encountered when capital gains tax (CGT) and self-assessment were introduced. Some aspects of taxation law change only incrementally as new cases emerge from the courts.
34. Therefore, a course of study can become out of date quickly. It is for these reasons that many universities and other course providers do not normally grant credit for units of study completed more than 10 years prior to application. The TPB adopts this standard *prima facie* in respect of the recognition of units completed to satisfy the requirements of a course in Australian taxation law for tax (financial) advisers.
35. However, the TPB notes that the age of the course has to be balanced with the knowledge and experience of the applicant. Well-educated professionals will keep their knowledge and skills up-to-date and will be required to do so through continuing professional development requirements of professional associations. Given such a person's knowledge, a requirement to repeat their undergraduate studies after 20 years of practice would run counter to the policy intent of the legislation.

36. Therefore, the TPB proposes to accept as approved courses of study in Australian taxation law:
- where the component unit of study was completed no more than 10 years from the date of the application for registration; or
 - where the component unit of study was completed more than 10 years from the date of the application for registration and the applicant can demonstrate an updating of those skills through work experience and continuing professional development.
37. The TPB recognises that there may be applicants that fall outside these two broad guidelines. In these cases, a submission may be made prior to, or as part of, the application for registration, which the TPB will consider on its merits.

Summary and conclusion

38. This TPB(PG) sets out the views of the TPB in relation to the meaning of 'a course in Australian taxation law that is approved by the Board' for tax (financial) advisers.
39. A course in Australian taxation law should cover at least the following topics:
- (a) concepts of: income, deductions, tax offsets/rebates, residence, source, including the principles of the taxation of negative gearing, fixed income investments, capital allowances and income protection/ replacement
 - (b) tax treatment of: individuals, partnerships, companies and trusts including treatment of imputation credits, deferred and tax free trust distributions
 - (c) employee remuneration including fringe benefits tax, salary packaging, termination payments and employee share schemes
 - (d) capital gains tax (CGT) including CGT event A1 happening on disposal of an asset, the CGT discounts, the CGT consequences of death (estate planning) and the main residence exemption (and its application to investment properties), the availability of CGT concessions for small business, roll-overs, deemed disposals and gifts
 - (e) superannuation: key areas concerning taxation of contributions, fund earnings and benefits. At times expert advice may need to be sought on self-managed superannuation funds (SMSFs) and more detailed topics
 - (f) tax anti-avoidance provisions (especially those relating to promoter penalties)
 - (g) ethical and professional responsibilities of tax (financial) advisers including obligations under the TASA and TASR.

40. In addition, a course in Australian taxation law for tax (financial) advisers should also cover the following areas of taxation law at a basic awareness level:
 - (a) goods and services tax (GST)
 - (b) tax administration including assessments, amendments and objections, but not preparation of returns or communications on behalf of clients with the Australian Taxation Office.
41. Further, the duration of the course in Australian taxation law should be at least the equivalent of one tertiary level unit at the requisite level that has been recognised and accredited via the AQF (see paragraph 43 below).
42. In addition, a course in Australian taxation law should be attained through study of units at a university, registered training organisation, other registered higher education institution or another provider approved by the Board.
43. Unless otherwise approved by the TPB, the minimum education level required for an approved course in Australian taxation law should be Diploma, which meets AQF level 5 criteria.
44. Finally, at least 40% of the total assessment of the course should be done under some form of independent supervision and in a manner demonstrating rigour and integrity.