

10 June 2021

Ken Kua
Director
Individuals and Intermediaries
Australian Taxation Office

Janette Luu
Director
Policy and Legislation
Tax Practitioners Board

By email: taxpractitionerconsultations@ato.gov.au and tpbsubmissions@tpb.com.au

Dear Ken and Janette,

ATO CONSULTATION PAPER – TRANSITION TO STRENGTHENING CLIENT VERIFICATION

TPB EXPOSURE DRAFT TPB PRACTICE NOTE TPB (PN) D45/2021 PROOF OF IDENTITY REQUIREMENTS FOR CLIENT VERIFICATION

CPA Australia represents the diverse interests of more than 168,000 members working in over 100 countries and regions supported by 19 offices around the world. We make this submission on behalf of our members and in the broader public interest.

The ATO consultation paper [Transition to strengthening client verification \(the Consultation paper\)](#) and TPB Practice Note [TPB \(PN\) D45/2021 Proof of identity requirements for client verification \(the Exposure Draft\)](#), together [the Guidelines](#), collectively provide clear guidance on the minimum standard of client verification required to be undertaken by tax practitioners.

CPA Australia acknowledges the increasing incidence of identity theft and fraud, and the need for good controls to minimise the risk to tax practitioners of criminals gaining access to ATO accounts. As such, the Guidelines propose a practical approach to client verification that many practitioners already have in place.

We support the Guidelines' proposed application of client verification procedures to established clients on a "reasonable care" basis. Many tax practitioners have well-established, trusted and ongoing relationships with their clients and this approach ensures that no unnecessary burden is imposed.

We also agree that copies or originals of identification documents should not be retained by the tax practitioner. Our view is that the risk of physical or digital theft of this information cannot be sufficiently mitigated to justify their collection and storage by tax practitioners. Some of our members have raised concerns about how they can prove to the ATO and/or the Tax Practitioners Board (TPB) that the client verification was undertaken correctly. We understand that the ATO and TPB will take a reasonable approach and, as such, we find paragraph 21 of the Exposure Draft and the "Recording client verification" guidance in the Consultation paper to be useful. We note that the Exposure Draft requires certification of the contemporaneous record while the Consultation paper does not. It would be helpful if the approaches were consistent across the two documents.

The acceptance of certified copies rather than originals has also been raised by some of our members due to the potential for fraud. Generally, certified copies are used where they are required for forwarding to regulatory agencies and the originals need to be retained by the individual. There are risks around the possibility for an original to be stolen, an unauthorised copy made, and a certification added. It is also not practical for a tax practitioner to verify each certified document to mitigate such risks. Further, CPA Australia members can certify copies of original documents, and as such, there is also a potential risk that their details are fraudulently used to create unauthorised certified copies.

The Guidelines' focus on the verification of an individual's identity is valid, however, complexities in relation to linking entities may arise. In the "Acting on behalf of an entity" section of the Consultation paper, the use of ATO systems (i.e. Relationship Authorisation Manager (**RAM**)) to verify relationships is only permitted where the relationship cannot be verified before linking. We suggest that tax practitioners should be able to use the existing information on ATO systems via RAM to verify relationships as a primary method given that the individual has already been authorised and their individual identity verified.

The Guidelines may also benefit from further guidance in relation to entities, including in relation to the establishment of new entities and restructures. Tax practitioners will often work with established clients to manage their structures and facilitate changes. A strict reading of the Guidelines indicates that verification and contemporaneous documentation processes will need to be undertaken for each change which, particularly when undertaken at scale, may be costly and time-consuming. We suggest that the ATO and TPB consult further with larger firms to ensure that the Guidelines can accommodate such situations, as well as to understand the more complex structures and engagements that occur and the various compliance processes already in place.

While the approach proposed in the Guidelines is pragmatic and reasonable, we would seek that the ATO ultimately delivers a client verification process that leverages myGovID and multi-factor authentication to confirm client identities. We believe that this will be a more secure authentication channel for tax practitioners to utilise. This solution has been previously proposed by professional associations and members of the profession in discussions at the ATO Tax Practitioners Stewardship Group and similar forums. A commitment to enabling such a solution in the medium term would assist tax practitioners to understand the future state of client verification and the evolving methods under development.

If you have any queries, contact Elinor Kasapidis, Senior Manager Tax Policy, at 0466 675 194 or elinor.kasapidis@cpaaustralia.com.au.

Yours sincerely,



Dr. Gary Pflugrath
Executive General Manager
Policy and Advocacy
CPA Australia