[Insert DD Month YYYY]

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[Insert Client Name]

[Insert Client Position]

[Insert Company Name]

[Insert Company Address]

[Suburb State Post Code]

Dear [Insert Client Name]

**Re: Allocation of professional firm profits – ATO compliance approach**

The Australian Taxation Office (ATO) has been closely scrutinising profit allocation arrangements entered into by practitioners in professional firms for many years and has recently finalised its Guideline *PCG 2021/4 Allocation of professional firm profits – ATO compliance approach*, after suspending the previous 2015 guidelines.

The ATO is concerned about arrangements involving taxpayers who redirect their income to an associated entity from a business or activity, which includes their professional services, where it has the effect of significantly reducing their tax liability.

The ATO may apply the general anti-avoidance provisions to schemes or attempts to alienate amounts of income flowing from their personal exertion.

As an individual professional practitioner (IPP) in an [accounting/architecture/engineering/financial services/law/medicine/management consulting/other professional firm type], the ATO’s Guideline enables IPPs to:

* determine the level of risk regarding your profit allocation arrangement
* determine the level of engagement you can expect from the ATO, and
* decide whether to contact the ATO to discuss your arrangement or apply for binding advice.

The ATO expects a contemporaneously documented assessment of IPP arrangements against the Guideline to be undertaken annually, and for IPPs to review eligibility as the business or arrangements change.

We are available to assist with a review of your profit allocation arrangement and to provide advice on transitional arrangements, the result of the risk assessment and any potential engagement with the ATO.

If we can assist with a review of your profit allocation arrangement, please do not hesitate to contact me on [insert telephone number of partner].

Yours faithfully

**[Insert name of Partner**