

# Future of the Tax Profession

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## The Future of the Tax Profession

We believe that the Tax Economy comprises:

1. The ATO as the regulator
2. The Taxpayer as the tax paying participant (Consumer/Client)
3. The Tax Intermediary as the middleman providing tax expertise and knowledge to the taxpayer (for the purpose of this paper referred to as the Tax Professional (TP)).

The role of the tax intermediary is to provide the expertise and competent application of the tax laws and requirements to the circumstances of the taxpayer. They are not, like a lawyer, an officer of the court, but they are a representative and advisor to the taxpayer in their interactions with the ATO as regulator.

The role of the ATO should be primarily as regulator. To be the government agency responsible for application and enforcement of the tax laws. Part of this role includes the provision of information and understanding about the tax laws so that tax intermediaries can better understand the ATO view and assist taxpayers to meet their obligations.

The TP and the ATO should not consider themselves typically on opposite sides of a fight but each have a role in the tax ecosphere, with different perspectives in ensuring that the tax economy is performing appropriately. The perspective of the ATO is enhanced when working with, co-designing and collaborating on the application of the tax law to the economy. The perspective of the TP is enhanced when working with the ATO to be able to collaborate and be informed by the ATO. (This is not to imply that either side is necessarily always right or always wrong)

The tax economy continues to be serviced by an increasing range of technical solutions, software, or computer provided solutions. The ATO has now coined the term “Digital Service Providers” (DSPs) to define these entities. The role of Software Providers, be it commercial accounting products, tax preparation software or similar is not new, but with the advancement of technology (some applying the term of Artificial Intelligence) their role needs to be included as a component of, or a service to, the Tax Profession.

The ATO also has adopted the term “Tax Intermediary” to include:

- Tax Agents
- BAS Agents
- Tax Financial Advisors
- DSPs who provide a service in the tax economy
- Tax Professionals

## The Tax Professional of 2030

*“Anticipating the changes and planning ahead”*

*“Identify the significant changes ahead, aspects of the current system that should be retained and/or augmented, those that need to be discarded and the new strategies required to meet future challenges and realise the potential benefits.”*

The changes we see on the horizon for the TP:

- Increased Connection
- Remote access
- Data is provided electronically
- Software analytics tools
- Better “knowledge” access services
- Global delivery
- Reduction in attractiveness of the current delivery of offshoring (reduced costs provided by offshore workforce replaced by computer techniques)
- TP time effectively used in certainty, assurance, strategic business improvement services
- A reallocation of a client's budgeted spend between tasks

**The TP of 2030 will:**

- *Require knowledge of the developing set of tools and also*
- *Continue to develop their application of skill with those tools, in order to perform their role in the tax ecosphere.*

### The Environment of 2030

Business will be digitally enabled, with financial transactions recorded or converted automatically into a digital form.

The TP will:

- be technically connected (remote and perpetual) to the Business Systems and Financial Systems of their clients.
- have access to a world wide web provided extensive set of comparative data and knowledge.
- have tools that enable automated; verification, validation, allocation and detection services.
- have the expertise to use those tools effectively.

### The Tools

- The tools providing verification services will automatically compare the business data to a third party record of the transaction therefore providing certainty of its existence. (Reconciled)
- The tools providing validation services will ensure that the transaction was authorized by the business and a valid reflection of the authorized transaction. (Legally conducted)
- Automated tools will allocate the data to a recommended or memorized “account” to provide the TP and the business with meaningful reports of the data.(Business Information)
- Detection tools will analyse the data and the reports, compare each piece of data to the businesses own history, parameters, setup but also compare the data to the world wide web provided set of comparative data. (Analysed)
- Detection tools include anomaly reporting as to size, nature, timing, allocation, own trend, economy trend, competitor trend, global trend. (Compared)
- Interpretive tools will apply the unique business circumstances, as reflected in the data, and provide contextual suggested impacts of the tax law to that data. (Application)

## The Skill Set

The TP of 2030 will require the knowledge and expertise to know which tools it should be using for each unique business circumstances and for the unique manner in which each business is conducted.

The TP will need to have the knowledge to establish (or check) that the tool has been properly connected (established, set up, prescribed) to the business which is now connected. The TP will have additional tools to assist in determining correct connection and application of the tools connected to the business.

The expertise will then extend to being able to determine whether the tool has conducted the correct analysis of any piece of data and compared it to correct and appropriate comparison sets of data.

Benchmarking and analysis is not a new concept, however the skill remains in knowing how to benchmark and what to do with the results of any such comparison. Being able to assess that a benchmark analysis is correct (or in fact incorrect) and then interpreting the impact correctly remains a requirement.

The TP of 2030 will need to be analysing the output of this new set of enhanced tools. They will need to be determining whether the Reconciled, Legal, information that has been analysed, compared and interpreted; results in a correct application of the circumstances of the business and has produced a logical set of impact statements or recommendations. With the perspective of the TP, has the law been applied correctly? Has the law been considered correctly?

The same questions apply in 2030 as apply today; however, a new, comprehensive, analysis of better (and probably more extensive set of) business data compared to a far more easily and readily accessible worldwide set of information, requires that TP to continue to apply their expertise but in a different way.

## The Journey

*We are already well established on this journey...*

The Tax Professional of 2030 will need to be educated differently: what tools exist, what tools should I use, what information is relevant, what information should I be connected to, what information is relevant for this business to be connected to? When will I know if I need a different tool or different analysis? What tax knowledge do I need to ensure that the tool has performed the correct allocation and analysis? Arguably the TP will need the same tax knowledge; the same analysis skills but performed using different techniques.

In the past, the skill to provide high level analysis of data, or reports on data, has been developed through experience; creating data, doing the reconciliations, the verification, the validation and creating the reports. By being involved in the “doing” of these tasks, human intuition develops and anomaly detection becomes “normal” part of thinking while doing. Supervisors then apply analysis of commonly seen or applied knowledge to the next set of circumstances.

In the future, these tools will have been developed to automate the checklists and procedures that have been developed by the human initiators of those checklists and procedures. The tool will perform the procedures more quickly and consistently.

The TP assessment of the output of the tools includes: Will they have performed the procedure appropriately for each different set of circumstances? (e.g. Will the tool have applied the customised version B of procedure “A2” to this business because they do things differently?)

The TP of the future must be educated in the use of the developed tools.

The future TP will need to be able to review the results of a digitally enabled world.

A digitally enabled world where results are provided without preparation by the TP is different, not necessarily drastically different, however the development of the skills to be able to apply TP knowledge will be born from this different background. Generational change is required – rapid development and acceptance of the new set of skills.

## The Technology of 2030

A significant component of the future of the TP into 2030 is the regulation and administration around the tools that are being utilized by the TP. Whose responsibility is it to ensure the tool is appropriate and correctly providing its output? Does the provider of the tool have to meet a standard or process and due diligence in order to be accepted into the tax ecosphere? Is it the role of the TP to ensure tools that enable tax interaction are doing so correctly? Is it the role of the ATO to ensure such tools that are being given access to submit or interact with the ATO are doing so correctly?

It is not appropriate to state that because of Artificial Intelligence or Machine Learning or 'because the computer can' changes the impact of the role of tax advice. Somebody has prescribed the process for the computer to provide its result. Who is regulating the technology of 2030?

The 2030 environment of the TP will be:

- Different technology
- Tools that detect and advise the anomalies for the TP to then correct or provide advice
- Tools that may provide recommendation on what advice relates to those anomalies
- One platform (dashboard) access to all tools for Client management and ATO interaction

## The Regulation of the TP

A tax professional (TP) of the future will still need to be registered and therefore regulated by a strong TPB. There must be regulation over who the ATO is willing to collaborate with in the ATO's administration of the tax ecosphere. There must be regulation and oversight over who a taxpayer is able to rely on in their application of the tax law to their circumstances.

The TPB, as protector of the tax community, through the regulation framework must enhance its role in prescribing the skills and expertise required in order to maintain registration as a TP. The TP of the future must upskill!

It should not be acceptable to have been educated once (in some cases many years previously) and permitted to retain registered Agent status based on just maintaining Insurance, doing what you do (relevant experience) and attending CPE. These factors alone do not ensure that the TP is applying current law competently to a business's circumstances.

A regime of periodic re-accreditation should be considered. It may be appropriate that such re-accreditation would leverage off existing software skill training and assessments. Re-accreditation of tax knowledge would also bring certainty to the ability to rely on the TP. A concept similar to that embraced by the legal profession in acknowledging specific skill certification. It is not reasonable to expect any TP to be an expert in all areas of tax nor the application of tax to all business. It is reasonable to expect a taxpayer to be able to observe how recently a TP has been certified in respective skills.



## Artificial Intelligence and Robotics / Outsourcing to Offshore

*“These changes may be brought about by the application of new developments in artificial intelligence and robotics to perform tasks previously conducted by humans, resulting in a reduction in costs and the need for outsourcing to offshore entities.”*

This comment again raises the issue about the regulation and accreditation of providers of “artificial intelligence and robotics”. Who is going to check whether the way the AI and Robotics have been programmed is correct for the tax system? Who is going to provide assurance to a taxpayer or TP if they are using such tools, that the results can be relied upon? Who is the ATO going to challenge if incorrect tax outcomes are being provided?

The cost of understanding how to effectively use AI tools, let alone the cost of acquiring (subscribing to) those tools is a reallocation of the resources, not a reduction.

There is evidence that the improved technology is providing enhanced tools and solutions that assist with data entry, including the automation and creation of digital data. This is extending to automated data analysis, trend analysis, anomaly reporting (yet to be delivered in a productive form), verification and validation techniques.

The improved tools are permitting a change in workflow practices of businesses and TP. There is a reduction in time, and therefore cost, invested in data creation tasks. This alteration in practices permits a shift of that investment to allow greater assurance and certainty. The improved tools require a change in approach, training in the new technology and new techniques.

The improvement in data creation tools allows the production of the same results in a quicker timeframe, which we agree, results in less need to consider shifting such tasks to a lower cost offshore outsourcing solution.

Noting that the improved communication technologies permit a global service approach to the provision of any professional service. Improved collaboration tools, project management, data transfer, automation tools, remote access; all enable a disparate, multilocation approach to provision of TP services.

The improved technology of interaction and interoperability between applications (including API-based technology) decreases the manually performed mechanical processes, resulting in less time on such tasks.

We challenge part of the concept provided in the following:

*“Whilst technology, when appropriately utilised, can deliver significant benefits, there are challenges that need to be addressed such as certain functions becoming redundant or significantly diminished and how the affected parties, such as sole tax practitioners and in-house corporate tax specialists, may need to adapt to the new environment.”*

The concept that “technology” provided to TP in their role as TP, will in some way make “certain functions... redundant or significantly diminished” is yet to be proven. TP's provide interpretative advice about the application of the tax law to each respective set of business or taxpayer circumstances. We are yet to see any technology that is able to provide the interpretive processes of the tax laws as well as being able to interpret the business circumstances.

We are observing technology improving the automation of processes that informs the role of a TP: Bank Feeds, eInvoicing, and auto-coding are technology-provided solutions using the improved, contemporary abilities developed into software to enable faster processing of data. This technology does not yet provide interpretation which considers the circumstances of the taxpayer. The Software providers may argue that their automation is intuitive, but a true analysis shows that current and [at least in the short-term] future services are still an application of the software providers' interpretation of how all things have to be as long as everyone does business the way the software provider wants or requires them to.



The current and envisaged software solutions are being built on a premise of a “standard” chart of accounts and a “standard” approach to all business processes. This “standard” or “common” premise is not realistic and does not allow initiative and entrepreneurship. It does not recognize the reality – that every business is run by a human with their own personalities and approach – resulting in unique processes in each business. The role of a TP is to apply interpretive knowledge about how business works, how the law applies and what technology to use in each different business circumstance.

To limit the advice and effect of a TP to a set of knowledge applied in a common manner to a standard set of business circumstances is to not recognize the reality of a positive Australian business environment.

The role of a TP is far more than the data creation and analysis of data.

Australian Government policy and approach is to create a digitally enabled economy. This is to be encouraged. TP's must adapt to a far more digitally enabled environment and use the contemporary tools in the delivery of their services.

The impact of this current application of technology on the TP is that the TP must still play a very important role in the setup of each technology-provided service to apply tax law in the context of that taxpayer's circumstance. The future (if not the current) TP is the interpreter of not only tax law but the application of technology.

## Cyber Security

We remain very concerned about the ATO's current approach to allowing technical service providers (in some contexts described as “Sending Service Providers”) to be a part of the submission of taxpayer data to the ATO. The future authentication and authorization framework must be enhanced and the ATO must take a far more active and authorisation-based approach to accreditation of technology providers.

If technology providers are to be permitted to have a greater role in the interaction of taxpayer data to the ATO, in theory by reducing the role of the TP, then the technology providers must raise their level of accountability and competence in provision of those services.

We are not yet convinced about the appropriateness of the ATO's “risk” assessment applied in its current form, opening the ATO to submission of data from new technology. There appears to be a theory that the ATO can open itself up to receive any data and its internal analytics will detect any threats. We believe there is a requirement for the ATO to conduct an assurance process upon every technical channel that is permitted to provide data to the ATO. As regulator of the tax system, they must enable digital interaction but, they must be responsible for certainty about the source of data, and responsible as to whom and how they provide ATO data.

### ***The ATO must conduct assurance processes on the technical channels of data in and out of the ATO.***

The ATO must also respect the existing principles (in law) of the “Approved Form” and respect the relationships of who can provide information to the ATO on behalf of a taxpayer; the taxpayer themselves or a TP. Provision of electronic data is the same as submission of that same information in paper form. The ATO cannot allow software to prepare data in a form that the ATO then accepts without accountability to the preparer or the method of preparation of the data. Software can be considered a calculation tool and a form (or data) preparation tool, but software must also provide a capacity to obtain the taxpayer or TP declaration on the accuracy and accountability for the data being submitted. Alternatively, the software provider must become a TP in their own right and meet all the obligations of the TASA code of conduct.

Business expects the TP or the tools they use to produce the right result. They rely on government to ensure the appropriate environment and regulation of the TP.

## Optimal Outcomes

*“The aim of this review is to seize these opportunities by anticipating the changes and planning ahead to achieve optimal outcomes for all parties.”*

### The Future “Optimal Outcomes” for the Tax Professional (TP)

In terms of the ATO:

- Streamlined processes for interaction with the ATO
- Reliability of ATO IT-based services, (less or no downtime)
- Contemporary IT-based services, ATO to leap forward into the next generation of its IT capacity
- PLS services enabled such that the Portal does not need to be accessed for any reason (Complete API or similar provision of all ATO services to commercial software)
- Consistent advice/response/behavior provided by the ATO
- An ability to rely on the advice provided by the ATO
- ATO Website to be legally binding and consistent with law
- Strong and recognized relationship with the ATO, including recognition of the different role performed by the TP in assisting the ATO achieve its purpose
- An enhanced role as the “middle man” for taxpayers in their dealing with the ATO
- The ATO positions and publicises the role of the TP
- No competition from the ATO in providing services to the taxpayers
- Enhanced processes of the ATO in providing all communication digitally to the TP in relation to all client matters, including an appropriate notification service

In terms of the technology provided to it (by DSPs):

- An ability to be assured that any solution being provided to the TP that provides an ATO interaction service, has been authenticated and authorised by the ATO to provide that service, and accordingly the TP can rely on that solution.\*

In terms of the Registered Agent regime (TASA2009/TPB):

- TASA2009 to be expanded to ensure its application to any person, anywhere having to be registered with the TPB if they are providing a tax service that results in submission to the ATO; ie. Global application of the TASA requirements.
- The education outcomes of appropriate Certificate IV, Diplomas and Degrees be realigned to provide the learning outcomes required for appropriate education of knowledge to be a TP. Either removing or working more in alignment with the increasing number of other courses which are required to obtain the required skill set.

### The Future “Optimal Outcomes” for Taxpayers

- Certainty that any Intermediary that is enabling a taxpayers interaction with the ATO has been certified and authorised by the ATO
- A system enabling easy determination of whether an entity is appropriately registered with the TPB and therefore permitted to be providing tax services



## The Future “Optimal Outcomes” for the ATO

- Streamlined, automated processes to digitally interact with the submissions of a tax professional and provide consistent responses
- Due to stronger reliance and professional interactions with tax professionals the ATO should be able to focus more effort on the non-compliant.
- A stronger professional TP environment enabling the ATO to rely more comprehensively on the work of the TP. (TPB to be more aggressively acting against poor advice and poor service provision of TP)
- An appropriate strategic utilisation of contemporary and ensuing technology allows the ATO to provide to software companies, authorised and effective connection to ATO services, thereby removing any need for the ATO to provide its own solutions which require allocation of resources to produce what is available in the commercial solutions

## Conclusion

We believe that the future TP will utilise enhanced tools to provide greater certainty, assurance and information to businesses in the application of tax laws, to each different business and their circumstances.

The future TP will be skilled to analyse and interpret the output of such tools to ensure appropriate application of the information to business.

We do believe that the ATO should be:

- rapidly enhancing its technical ability.
- providing more digitally-enabled interactions between taxpayers, their tax intermediaries and the ATO.
- predominantly providing these digital solutions to the commercial solutions providers (DSPs) for inclusion in the products they already provide to Intermediaries and TaxPayers.

We are not convinced that the ATO needs to be so aggressively developing and then promoting its own online solutions to taxpayers to interact with the ATO.

We do believe that the ATO must rapidly and possibly radically improve its technical capacity. The unreliability of the ATO portals, the ELS and PLS gateways are simply unacceptable.

In terms of an ability to service the tax intermediary and taxpayers adequately the ATO must adopt more contemporary services through 100% uptime multiple gateways for DSPs to submit lodgments, thereby removing the disturbance and damage caused by a lack of ability for tax intermediaries to provide their services.

In terms of the technology provided to it (by DSPs), the TP must be provided with the ability to be assured that any solution being provided to the TP that provides an ATO interaction service has been authenticated and authorised by the ATO to provide that service, and accordingly the TP can rely on that solution.

The impact of this current application of technology on the TP is that the TP must still play a very important role in the setup of each technology-provided service to apply tax law in the context of that taxpayer's circumstance. The future (if not the current) TP is the interpreter of not only tax law but the application of technology.

We believe that the future TP must be trained and qualified in the application of technology solutions to taxpayers' circumstances. This is a significantly enhanced requirement to the current training and accepted qualification regime of TPs.

We believe the future TP must be connected to a wider network of advisors who work together to provide a knowledge and competence in the application of technology to taxpayers. It is currently not possible for a TP to be across every piece of technology (core software and addons) that may be applicable to a taxpayer's circumstances, and may affect that taxpayer's application of the tax laws to their circumstances. Therefore, the future TP must be directly connected to the software providers they utilise, and connected by networks of peers to access expertise that they personally may not possess.

The future TP must not limit their operations to circumstances that rely on the ATO digital solutions being constantly available. Despite the best efforts of technology providers, there is constant evidence of business interruption due to any one of the many parties involved between a TP operation and access to the ATO service (noting that this is not unique to the ATO delivery of digital solutions and is a fact of operating in the digital-connected age).