

There are approximately 46,000 registered tax agents in Australia who lodge annual tax returns for nearly 6 million individual taxpayers. The ATO’s Tax Agent Strategy identifies agents who display high risk behaviour and leverages these agents to achieve a ‘one to many’ outcome in improving compliance behaviour of the agents’ clients. While broadly successful, some agents continue to exhibit sustained non-compliant behaviours. These behaviours manifest in lack of reasonable care when preparing their clients’ returns, which can result in large tax deductions and refunds.

## METHOD

- > In response, a Pilot program was developed in 2022. The Pilot applied an Active Verification strategy specifically designed to disrupt the business models of tax agents who have displayed sustained behaviours of concern.
- > As the tax agents lodged returns, Active Verification analytics stopped the most statistically outlying claims and asked for proof of the deduction claims they were making. The model focussed solely on work related deduction claims, which are significant drivers of the Individuals Tax Gap.
- > In preparation for this Pilot, we sent a letter to the agents in the Pilot, explaining our ongoing concerns, and our intent to put them into this Pilot. We sent letters with the same message to another five agents, but we deliberately chose not to undertake any work on them. This was to test the deterrence effectiveness of the letters. In addition, we also set aside a control group of agents who were also high risk, but would not be part of the Pilot.
- > This strategy used technological tools such as efficient real-time risk identification, taxpayer notification and streamlined adjustments to tax returns to create shorter case handling and duration times. Another tool was an ‘auto-throttling’ bot, which only stopped as many tax returns as could be completed by audit resources available at the time, thereby supporting workforce management.

## KEY FINDINGS & NEXT STEPS

- > For every manual case completed there was another adjusted using the data-driven intervention, effectively doubling the number of activities we could undertake.
- > By intervening sooner (and rapidly) at the lodgment stage, we prevented relatively more resource intensive post-issue audits and any debts that may have arisen from them.
- > Following from the success of this Pilot, in 2023 we will be ‘scaling-up’ this Active Verification program by selecting a larger cohort of tax agents who continue to demonstrate sustained high risk behaviours.

	Avg change in net credit amount	Avg net change in DI – Car	Avg net change in D5 – Other WRE
Target group	-10%	-42%	-20%
Letter only group	-3%	-22%	-19%
Control group	10%	3%	-14%

