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Step Up to Advice

# AUSTRALIAN TAX ADVISER

2407 : MARCH 2024

The IFX Legal Tax Team

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## SECTION 1 – PROFESSIONAL DEVELOPMENTS

### TAXPAYERS AS TAX COLLECTORS – WHAT COULD GO WRONG?

Following significant increases in attempts to obtain false GST refunds during the 2022 tax year, the Australian National Audit Office (‘ANAO’) has [published](#) its audit of the ATO’s management and oversight of their control arrangements. The purpose of these control arrangements is to monitor frauds that occur in the administration of GST. The purpose of the audit was to assess whether these control arrangements were effective.

The report provides an insight as to how widespread fraudulent claims can be. The ANAO report says that there were more than 57,000 estimated Operation Protego participants in GST fraud including those subject to identity theft. There were 4,745 tipline calls related to GST fraud between 2019–20 to 2022–23.

#### ¶7.1 Operation Protego

The ATO had identified a significant increase in attempts to obtain false GST refunds, so the ATO’s Serious Financial Crimes Taskforce set up ‘Operation Protego’ in partnership with the Australian Federal Police to investigate. Warrants were executed in three states against ten individuals suspected of promoting these frauds that also included the use of social media.

The ANAO audit estimated that the loss of revenue from these arrangement could amount to \$2 billion for the period between April 2022 and June 2023.

#### ¶7.2 The ANAO report

The ANAO report found that the ATO’s management and oversight of fraud control arrangements for the GST was only ‘partly effective’. It found three issues that undermined the effectiveness of the ATO’s fraud control arrangements namely:

- (i) a lack of clarity for roles and responsibilities;
- (ii) inadequate implementation of assurance requirements; and
- (iii) absence of an holistic and contemporary view of GST fraud risks.

It also noted the following:

- The ATO’s strategies to prevent GST fraud were only partly effective, and the framework for assessing and managing GST fraud risk was not fit for purpose.
- The ATO’s strategies to detect and deal with GST fraud were only partly effective and they did not have a strategy to deal with large-scale fraud events.
- The ATO’s oversight, monitoring and reporting of GST fraud was again only partly effective, because roles and responsibilities were not clearly stated.