

**PARLIAMENTARY JOINT COMMITTEE ON CORPORATIONS AND
FINANCIAL SERVICES**
**ETHICS AND PROFESSIONAL ACCOUNTABILITY: STRUCTURAL
CHALLENGES IN THE AUDIT, ASSURANCE AND CONSULTANCY INDUSTRY**
ANSWERS TO QUESTIONS ON NOTICE

Agency: Australian Taxation Office
Reference: Spoken pg.54
Topic: ATO concerns held
Senator: Barbara Pocock

Question:

Senator BARBARA POCOCK: You said earlier that you met with Mr Sayers and the confidentiality matter was just one of the matters that you raised with him. What were the others?

Mr Hirschhorn: Senator, I think I've testified on this before. If you could just—

CHAIR: LPP, I think.

Senator BARBARA POCOCK: The LPP matter.

Mr Hirschhorn: The use of LPP was one. Others were the potential application of promoter penalties, the MAAL schemes—I might get on a roll. We had grave concerns with what we called push transactions, and this was, in fact, probably our greatest concern at the time. That was where transactions would be pushed to a client—so actively sold to a client—and then the non-tax commercial reasons for doing those transactions were also suggested to the client. So push transactions were a significant concern of ours. I think there might be another couple of concerns which were mentioned in the Quigley review.

Senator BARBARA POCOCK: Okay. I'll go and look at that.

Mr Hirschhorn: I can take that on notice, but it was one of several concerns

Answer:

Further to evidence provided at the *Inquiry into Management and assurance of integrity by consulting services* on 26 September 2023, Mr Hirschhorn advised Mr Sayers in August 2019 the ATO's concerns with the PricewaterhouseCoopers (PwC) tax practice included:

- Inadequate compliance with formal notices in relation to areas such as inappropriate legal professional claims (resulting in potential breaches of formal notices) and inadequate details to allow claims to be properly considered by the ATO
- potential “promoter penalty” activity in relation to a range of areas, such as the multinational anti-avoidance law (MAAL), cross currency interest rate swaps (CCIRS), research and development schemes and goods and services tax schemes
- assisting clients in the preparation of responses to Request for Information (RFI) notices for clients, where material in those responses was false or misleading to the knowledge of the PwC staff involved
- breaching the confidentiality of a Treasury consultation process and the apparent commercialisation of that breach
- involvement in Foreign Investment Review Board approval processes on behalf of clients which, through omission and commission, had the potential to mislead or subvert those processes
- cultural issues within the tax practice of PwC, reflected in several senior partners' attitude towards senior management within the firm, as well as the ATO and other regulators