

Episode 60: Summary

Episode name: Imperfect Compliance: Digital Payments and Data Matching in Tax Disputes

Guest(s): Andrew Davidson

What area(s) of law does this episode consider?

Tax law, data-matching and cryptocurrency.

Why is this topic relevant?

The meteoric rise of cryptocurrency has caused difficulties for regulators the world over - especially regulators working in taxation such as the Australian Taxation Office (ATO).

Developments in data-matching processes aim to increase the visibility of the ATO into taxable events in the digital payments space to permit the verification of information shared in a self-assessment.

What are the main points?

- Tax disputes are disputes which arise between taxpayers and the ATO or a state-based tax authority. The most obvious example of which is a dispute in relation to the amount of tax payable by a taxpayer.
- The ATO has broad powers to require the provision of information to them by a taxpayer or a third-party about a taxpayer's financial affairs.
- The ATO employs data-matching techniques to verify information provided to them on a self-assessment. Such techniques are not new, and have been used by the tax office in a variety of settings for a while.
- In 2019, the ATO commenced a data-matching program focused on the digital payments space. This program looked at data stored from 2014 onwards. The ATO's data-matching program looks to match taxpayers with transactions on cryptocurrency blockchains.
- The ATO may not have visibility into transactions taking place on a decentralised cryptocurrency exchange, but they do have visibility on what funds are moving into and out of bank accounts.

What are the practical takeaways?

- Take tax obligations seriously. The ATO takes a taxpayer's compliance with taxation obligations very seriously.
- Early engagement is the key to better outcomes. Early engagement with the ATO or a specialist adviser is seen by the ATO as taking tax obligations seriously.
- Where a taxpayer is seen by the ATO to not be compliant with their tax obligations, it is more likely to use the range of powers available to it to ensure compliance.
- No two tax practitioners or practices are the same, and early career practitioners should work in a variety of tax practices to understand how different practitioners think.

- Andrew notes that to achieve the best outcomes, you need to know the right person to seek tax advice from, whether that be a lawyer, an accountant or a barrister.

Show notes

[The ATO Practice Statement LA 2008/6 Fraud or evasion](#)

[The ATO project called 'Reinventing the ATO'](#)

[The live Bitcoin transaction tracker](#)