21 April 2026

By email to: consultations@taxombudsman.gov.au

TPB(I) D62/2026 — The use of Artificial Intelligence and the Code of Professional Conduct

The Institute of Public Accountants (IPA) welcomes the opportunity to make a submission in relation to the exposure draft Information Sheet TPB(I) D62/2026 (draft IS).

The IPA is one of the three professional accounting bodies in Australia, representing over 50,000 members and students in Australia and in over 100 countries. Approximately three-quarters of the IPA's members work in or are advisers to small business and small to medium enterprises.

We are pleased that you have released the draft IS given the prevalence of Artificial Intelligence (AI) in the provision of tax agent services and BAS agent services. Our members, and the practitioner community in general, will benefit from regulator guidance in relation to how various Code of Professional Conduct (Code) items may apply in the context of the use of AI. AI is fast becoming a necessary tool in practices, and it is important that tax practitioners understand the implications its use has on meeting their Code obligations.

Commitment to continuous updating

The draft IS states that the document is not to be a comprehensive guide on the use of AI which is expected as it is a fast-evolving tool. Notwithstanding this, there should be a commitment that the final Information Sheet (final IS) will be expanded to keep pace with AI capabilities and updated continuously for real life examples and developments. This should be noted.

AI functionalities

Paragraph 6 sets out a non-exhaustive list of AI capabilities and functionalities. We suggest that the list should include references to the use of AI to search for, list, summarise and analyse primary source tax information, i.e. legislation and case law.

Specific commentary and examples in relation to Code obligations

In relation to the discussion in respect of Code obligations (paragraphs 12 to 28), we recommend including specific commentary, examples and case studies relating to practical, real-world uses of AI which may potentially breach one or more specific obligations. While it would not be possible to impose any bright-line rules, practitioners would find the guidance more useful if there are indicative examples to which they can relate. Common scenarios may include, for example, using an AI or software program to:

- answer a specific technical question
- source a list of technical resources (legislation, case law, ATO guidance, articles etc)
- draft a summary of source material

- draft a file note or correspondence to a client or the ATO
- perform complex tax calculations.

The final IS should also include practical guidance in relation to the inclusion of AI in a quality management system.

Confidentiality

In addition to our comments above in relation to the inclusion of specific, practical guidance in respect of each relevant Code obligation, we further recommend the development of practical guidelines on how registered agents may mitigate the risk of breaching their client confidentiality obligation in context of the use of AI.

While para. 23 lists various ways in which the client permission may be communicated and states that a general client authority may be acceptable, practitioners need more detailed guidance. For example, is it sufficient for the authority (engagement letter, etc.) to merely refer to disclosure to "third parties" as an undissected cohort"? Or must it refer to AI tools in a general sense, or the very specific tools utilised by the practitioner?

While para. 24 advises practitioners to review commercial AI tools to ensure information will be kept secure and that the requirements of the Privacy Act 1988 (Privacy Act) are met, it would be helpful for the final IS to contain some specific steps to undertake and features of the AI tool to look out for.

In addition, there are software packages and tools which a practitioner may not consider to be AI tools in their entirety that now incorporate functions, features and tools which may fall within the parameters of AI. Many or most registered agents are not experts in the field of AI tools and smaller practices are unlikely to have a software or AI specialist on staff. Paragraph 22 of the draft IS notes that entering client information into AI tools may constitute the divulgence of client information to a third party for the purposes of the confidentiality obligation. The final AI should provide more definitive guidance or guidelines to help practitioners to distinguish when they are providing client information to an AI tool when the practitioner may not realise that they are actually doing so, and generally how to approach entering client data in software packages that would not generally be considered to be an AI tool in the context of the risk of breaching confidentiality.

TPB(I) 21/2014 and TPB (PN) 2/2028 — referenced in para. 26 — may need to be updated for specific guidance in relation to the use of AI.

Privacy Act

Paragraph 29 refers to the Australian Privacy Principles set out in the Privacy Act without further explanatory discussion.

Paragraph 30 advises tax practitioners to seek their own advice about the application of the Privacy Act. In our view, the finalised IS should include practical guidance in relation to common scenarios. For smaller practices it may not be commercially feasible to obtain expert advice on the potential application of the Privacy Act to all of the AI-related activities and tasks they undertake. The guidance should include practical examples based on common scenarios. With some general, indicative guidance in the finalised IS, practitioners will be able to take a risk-based approach in relation to the Privacy Act.

Many practitioners and/or their staff are not well aware of the privacy implications of placing client information into certain AI tools. Depending on the tool, this information may leave the business's controlled environment, and the practitioner no longer has any control over how this information will be used. Some AI tools are closed loop flows which limit client information disclosures outside the firm to mitigate this risk. Any guidance in relation to privacy in the final IS should contain discussion and practical guidance in relation of closed loop and open loop systems.

Hallucination hazards

We recommend the inclusion of a section on hallucination hazards, which is a limitation on the use of AI tools. AI tools are not tax law specialists, and the models work on patterns which can lead to hallucinations (e.g. fake facts, non-existent case law), bias and over-confidence. The Federal Court's very recently released (on 16 April 2026) Practice Note on the use of generative AI in connection with Court proceedings cautions legal practitioners about these types of risks. There have been a number of cases about the use of AI by professionals and in October 2026 a report by Deloitte, commissioned by the Government, was found to contain multiple errors generated by the use of AI and unverified by humans.

The need for tax practitioners to verifying outputs remains paramount. Their Code obligations require that they have read and understood the outputs so it is important that practitioners are made aware and reminded of hallucination risks.

Digital Service Providers

While not the subject of the guidance, we take this opportunity to request clarification as to your views in relation to when a digital service provider or other provider of AI would be required to register as a tax agent or a BAS agent in the context of AI-related services. This could perhaps be done as an update to TPB(I) 09/2011 *Digital service providers and the Tax Agent Services Act 2009* — currently this guidance does not discuss AI.

If you have any queries or require further information, please don't hesitate to contact Tony Greco, Senior Tax Advisor, either at tony.greco@publicaccountants.org.au or mobile: 0419 369 038.

Yours sincerely

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