



Lawyers in our compliance spotlight

Find out why we're focusing on compliance in the legal profession and what lawyers must do to meet their tax obligations.

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We expect everyone to meet their tax obligations, but our recent work with the legal profession has revealed some lawyers are failing to lodge returns, are making errors, or not paying their taxes on time.

While most lawyers do the right thing, unfortunately we're seeing too many who aren't. In fact, our reviews of over 250 lawyers show that 85% didn't lodge returns, including some with multiple years overdue. By securing outstanding lodgments and detecting omitted income in returns we've raised \$28 million.

One thing we see too often is lawyers incorrectly reporting distributions from partnerships and associated service trusts. If you redirect your legal firm income to an associated entity, you may come to our attention as high risk. To help you, our comprehensive [online resource](#) lets you self-assess your risk of inappropriate alienation of income and understand the compliance action we take.

To help lawyers fulfill their tax obligations, we've undertaken compliance actions including:

- reviews and audits
- default assessments
- garnishees
- payment arrangements
- prosecutions.

To give you just 2 examples, our compliance actions have addressed:

- A lawyer who hadn't lodged returns for several years and assigned income to related entities that also didn't lodge returns. Our review of their group identified \$8.6 million in liabilities which have been partially paid with the balance under a payment arrangement.
- A lawyer who didn't declare income received as director's fees. Our review found this income was related to services the lawyer personally performed and the failure to declare them led to \$400,000 in liabilities, including penalties.

To avoid these kinds of outcomes:

- make sure your lodgment is up to date, including income tax, goods and services tax, fringe benefits tax, super and any other obligations
- check trust and partnership distributions are recorded and lodged correctly
- account for all income
- lodge on time, every time
- voluntarily disclose any tax obligations you may have missed
- make sure you're complying with PCG 2021/4

Prosecution could lead to findings that you're not a fit and proper person to practice law and you could be struck off your states' registers.

For example, the Queensland Civil Administration Tribunal recently upheld the Bar Association of Queensland's decision that a barrister was not fit to hold a practising certificate due to multiple failures, including unpaid tax liabilities since 2019. In his decision Justice Bradley stated:

'He knew the money he spent on any other thing was money he was denying the ATO. This was wrong ... To describe it as an administrative failure is inadequate. Most right-thinking members of the community expect people to honour their obligations to meet their debts, if they can.'

To find out more about our approach to practices like yours, see our [Private Wealth Adviser Program](#) resource.

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