



## THE TAX INSTITUTE

THE MARK OF EXPERTISE

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9 May 2014

Mr Ian Taylor  
Chair  
Tax Practitioners Board  
PO Box 126  
HURSTVILLE NSW BC 1481

By email: [tpbsubmissions@tpb.gov.au](mailto:tpbsubmissions@tpb.gov.au)

Dear Ian,

**TPB Explanatory Paper TPB(EP) D6/2014: Proposed professional indemnity insurance requirements for tax (financial) advisers – Exposure Draft**

The Tax Institute welcomes the opportunity to make a submission to the Tax Practitioners Board (**Board**) in relation to the *TPB Explanatory Paper TPB(EP) D6/2014: Proposed professional indemnity insurance requirements for tax (financial) advisers Exposure Draft (Exposure Draft)*.

The Board has made a recommendation<sup>1</sup> that a tax (financial) adviser obtain run-off for claims made if they cease to provide tax (financial) adviser services during their period of registration.

Broadly, most professional indemnity insurance (**PII**) policies operate on a “claims” basis. That is, they provide cover at the time a claim is made rather than cover the (earlier) time of the event that lead to the claim being made.

In the event a tax (financial) adviser ceases to be registered and has given advice that subsequently leads to a claim being made against them, unless they have run-off cover, there will not be a policy in place to cover the consumer’s claim.

If the Board intends that requiring tax (financial) advisers to have PII will ensure consumers are protected, then making a recommendation to have run-off cover does not sufficiently address the issue. In this regard, The Tax Institute is of the view that run-off cover should be required rather than an optional aspect of PII for tax (financial) advisers to ensure that the appropriate protection is in place for consumers.

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<sup>1</sup> See Table 6 at page 17 of the Exposure Draft

If you would like to discuss any of the above, please contact either me or Tax Counsel, Stephanie Caredes, on 02 8223 0059.

Yours sincerely

A handwritten signature in black ink, appearing to read "M. Flynn", followed by a long, horizontal, wavy line that extends to the right.

Michael Flynn  
President