**Disclosing Commissions and Referral Fees**

Is there a legal requirement to disclose commissions from your suppliers to your clients?

There are different types of arrangements that you may enter into with your suppliers of software, solutions, apps and other partners.

Wholesale pricing, commissions, referral fees, affiliate fees and incentive payments are not all the same.

The issue is not so much about what type of payment or discount you receive; it is more about a possible conflict of interest and ethical considerations. For example, are you recommending a particular product because you get a financial reward of some kind? Then you have an ethical issue that possibly breaches your AAT and/or TPB code of conduct.

It's not wrong to accept commissions, incentives or other arrangements. It’s a standard business practice to mark up the cost of technology you use to provide valuable services to clients. Whether you pass technology costs onto your clients at cost or marked up is your business choice.

**AAT Code of Ethics**

As an AAT member, you are bound by the Code of Ethics.

The AAT code sections 3.84 to 3.87 cover this topic. The key is whether you have safeguards to reduce or eliminate risks of self-interest, failure to act objectively, and lack of professional competence and care.

Such safeguards may include disclosing financial arrangements and ensuring any arrangements comply with legal and statutory requirements, but the AAT Code of Ethics does not require disclosure of financial arrangements as an absolute.

**TPB Code of Professional Conduct**

The Tax Practitioners Board Code of Professional Conduct for BAS Agents has several items relevant to the disclosure of financial arrangements.

* Item 1 – Act honestly and with integrity
* Item 4 – Act lawfully in your client’s best interest
* Item 5 – Manage conflicts of interest

The TPB does not provide advice specifically about financial arrangements with suppliers; however, you are expected to use your professional judgement and apply the relevant code items as needed.

Code items 4 and 5 are governed by the principle of independence. Are you genuinely acting independently and avoiding self-interest risks?

Managing conflicts of interest does not always mean you must disclose the conflict – this is one option, but not the only one. For example, some BAS agents avoid conflicts by never purchasing software or apps on behalf of a client and instructing the clients to subscribe directly. This way, there is never an ethical question about financial reward.

Another option is to control the conflicts of interest. This could be general information about the software you use and recommend to clients in your letter of engagement or similar information on your website.

**Examples**

Do you get a commission based on sales of a product? Then you have a duty to inform the client you receive a commission before recommending the product.

Do you have an affiliate or referral relationship with a provider? Then you must disclose this to the client when recommending this product or service.

Is a tech provider offering you payment in reward for referring your clients? Then you must disclose this to the client and inform them of your affiliation with the supplier.

However, if you pay for software at a discounted rate and pass that cost on to your clients at a retail rate, this is simply business buying something wholesale and selling at retail prices. There is no conflict in this scenario. Instead, it makes business sense to mark up the software to cover the administration time required to provide the software to the client.

But if you promote one type of software over another because of the discount received, you have an ethical issue, and you need to honestly ask yourself if you are acting in the client's best interests. What business systems are best for the client? That should be the focus. If you are honest about the financial incentive upfront, you don't have an ethical conflict. If you recommend several options to the client and they choose the one that happens to give you the best discount, there is no ethical dilemma as they have made their own choice independently.

**To Disclose or Not to Disclose?**

* You must use your professional judgement about each financial benefit with each supplier and each client.
* Recommend products and services based on the client's needs and what suits their business.
* Where a recommendation results in a financial benefit to you, disclose this to the client if there is a potential self-interest conflict or simply if you prefer to be transparent about all financial arrangements you have with suppliers.
* Is there anything about your financial benefit arrangement that might affect a client’s decision to use that product or service? If so, disclose it.
* You are not obliged to disclose specific amounts, percentages or tiered payment arrangements, only that such an arrangement exists.

Some industries, such as financial advice and real estate, have strict legal provisions around disclosing fees, but accounting professionals are bound by professional and ethical constraints rather than specific laws.

[AAT – Pronouncement one: AAT Code of Ethics](https://www.aat.org.au/AAT/About/constitution_bylaws_code_of_ethics/AAT/About_AAT/Constitution__ByLaws___Code_of_Ethics.aspx?hkey=25314924-2c8f-4570-88d2-003727980b6c)

[TPB – Code of Professional Conduct BAS Agents](https://www.tpb.gov.au/code-professional-conduct-bas-agents)