

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates 2012

18 October 2012

Question: **SBT 173**

Topic: **IGT recommendations - Business (ATO)**

Hansard Page: **written**

Senator BUSHBY asked:

The ATO has taken up nine of the 11 recommendations put forward by the IGT in regards to reducing the burden on businesses that operate in the cash economy.

173. Is benchmarking still the best process to establish non-compliance?

Answer:

The small business benchmarks are just one of the tools the Australian Taxation Office (ATO) uses to help identify non-compliance; along with a broader risk engine, data-matching and information received from the community. These tools are used to risk-assess taxpayers that may be under-reporting their income through dealing in the cash or hidden economy.

In addition to their use as part of the ATO's risk assessment process, the benchmarks are also used by businesses and their tax advisors for self-assessment as to their business performance and in commercial matters such as the buying and selling of businesses.

In his review into the ATO's use of benchmarking to target the cash economy (publicly released 4 October 2012), the Inspector-General of Taxation found that "...stakeholders were supportive of the use of benchmarks as a risk identification tool". The Inspector-General also noted that the ATO agreed with nine recommendations in full and two in part. The ATO expects that the implementation of these recommendations and sub-recommendations will enhance the effectiveness of the current process.