



Senate Economics Legislation Committee
Budget Estimates 2022-23
Wednesday, 6 April 2022
Daily summary

Here is the summary of today's proceedings in the Economics Legislation Committee estimates hearing.

The committee met from 9.03am until 6.31pm.

The committee called:

- Department of the Treasury portfolio, including Corporate and Foreign Investment Group; Macroeconomic Group; Fiscal Group; Revenue Group; Australian Taxation Office; Australian Charities and Not-for-profits Commission; Markets Group; Australian Prudential Regulation Authority; Australian Securities and Investments Commission (ASIC); Australian Competition and Consumer Commission (ACCC); and
- Reserve Bank of Australia.

Topics discussed by the committee included:

Department of the Treasury

Corporate and Macroeconomic Group

- advertising campaigns;
- recent appointments and personal qualifications, and appointment processes;
- additional budget spending and potential fiscal impacts including on inflation and interest rates, nature of advice provided to the Government;
- wage increases and labour market, including on the Annual Wage Review 2021-22 before the Fair Work Commission and related advice provided to the Government;
- government support for wage increases;
- inflation pressures compared with international jurisdictions and various measures of inflation;
- longer term impacts of the 2022-23 budget, and discussion of some measures designed to promote economic growth; and
- wage growth and labour availability in regional Australia.

Fiscal Group

- missing 'major initiatives' table from the budget overview ("the glossy");
- content and design of the glossies;
- process and timing of glossy production and printing; and
- error relating to the budget measure concerning the Pharmaceutical Benefits Scheme.

Australian Taxation Office (ATO)

- input provided by the ATO to the Board of Tax regarding digital asset taxation issues;
- provision 100A relating to the taxation of trust distributions;
 - concerns regarding the ATO's recent draft guidance on the application of the provision
 - current consultation underway regarding the draft guidance
- child support clients referred by Services Australia to the ATO for follow-up regarding non-lodgement of tax returns;

- how this non-lodgement may negatively impact child support paid given it is largely based on taxable income
- percentage of Australians not up to date with lodgement of their tax returns;
 - likely reasons and action taken by the ATO to minimise this
 - proportion of this percentage group that are not required to lodge a tax return
 - information provided through Single Touch Payroll (STP) regarding non-lodgement since it was introduced
- digital gains tax offset;
 - draft legislation and consultation timeline
 - estimated timeframe for the bill to be passed
 - exemptions and cap of \$20 million
 - generosity of the scheme in the context of comparable schemes internationally
- company tax;
 - tax avoidance taskforce
 - timeline for extension and success of the program
 - breakdown of funding for the extended taskforce and objectives
 - breakdown of transactions themes
 - transfer mispricing cases
 - exportation of Australian commodities
 - role of the taskforce in relation to Pillar 1 and 2
- ATO resourcing requirements review; and
 - programs that are funded for periods
 - taskforce vs business as usual work
 - resource planning
- small and medium business tax reform.
 - regulatory burdens

Australian Charities and Not-for-profits Commission (ACNC)

- concerns and risk assessment and review process to examine issue; and
- DGR charity status determinations.
 - section 11 of the Charities Act – conduct of organisations in accordance with the requirements
 - cases where charity status has been revoked

Treasury

Markets Group

- regulation of commodities – gold; and
- process around legislation for the Compensation Scheme of Last Resort (CSLR).
 - recommendations regarding Ramsay review and Royal Commission
 - timeline for drafting the legislation
 - release of draft legislation and Treasury discussion paper
 - rationale for the exclusion of MIS – reference to recommendations from Ramsay review regarding scope of the scheme
 - outstanding recommendations and progress of addressing them
 - quality advice review
 - treating mortgage brokers as financial advisors
 - Aboriginal Community Benefit Fund
 - estimate of consumers impacted by the collapse – approx. 17,000 members
 - Treasury's role in regards to regulatory action
 - indications of the fund's administration
 - measures to regulate funeral insurance / protection of policy holders
 - financial advisor register
 - number of advisors on the list currently vs two years ago
 - medium fee for financial advice
 - quality of advice review issues paper – examination of cost of financial advice

Australian Securities and Investments Commission (ASIC)

- financial products and services online – crypto and digital assets and the definition of financial products (unregulated space);
- insolvency and safe harbour provisions;
 - liquidation data
 - debt restructuring structure data
 - independent review and recommendations
- quality of advice review and release of information publicly – engagement of expert consultants for the provision of advice in this area;
- choice dashboards – commencement of work and start date;
 - timeline for release of regulations
- relationship with ATO and other agencies regarding unpaid superannuation and wage entitlements;
 - phoenix serious financial crimes taskforce
 - employee entitlements in liquidation
 - information sharing arrangements between agencies to identify companies that are trading whilst insolvent
- complaints of misconduct and investigation data;
- consideration of gold as a financial product; and
- chess replacement project.
 - licence conditions regarding the settlement of entities

Australian Competition and Consumer Commission (ACCC)

- action in relation to marketplace disruption;
- Scam Watch – crypto currency payments and investment schemes;
 - financial losses from scams and reported losses
 - increase of investment scams – currently an unregulated product / no controls to assist in this area
 - announcement of regulations in this area
- targeting greenwashing;
 - investigating misleading and deceptive conduct
- role of ASIC chair for prosecuting a particular case for law reform or consideration of arguments of other cases to take a more objective stance to provide a more objective view;
 - establishment of stakeholder engagement processes with diverse parties across the economy
- ANZ criminal cartel case criminal prosecution; and
 - update on processes put in place by the ACCC to obtain learnings in relation to the case
 - ACCC commenced review and currently reporting to the CEO regarding anti-competitive conduct
 - criminal cartel statutory laws – need for review to simplify the laws for the purposes of enforcement (currently highly codified and very specific)
- monitoring of petrol prices.
 - lag involved in price cut coming through
 - role of ACCC on an ongoing basis (6-month basis) – data gathering currently taking place and weekly reporting to ensure prices cuts are passed on
 - management of consumers who are not tracking prices

Reserve Bank of Australia (RBA)

- data on inflation – global supply problems – wage growth;
- petrol price announcement;
- budget announcements and impact on inflation;
- interest rates;
- low wage growth – public service agreements and caps;
 - lowering unemployment and wage growth – predicted trends for the future
 - measures to assist wage growth
 - historical inflation and unemployment rates

- interest rate rises;
 - measures to control of inflation
 - real exchange rate
 - monetary policy and market competitiveness
- gold bar audit in London;
- quantity of money printed since 1 July 2019; and
 - term funding facility
 - total bonds purchased
- current inflation rate – headline and underline inflation rates.
 - projections for the rate for 2022 and 2023
 - comparison of interest rates internationally and slow increase of wage pressures in Australia
 - inflation rates and impact on necessities
 - responsibility of RBA in the context of inflation spike
 - monetary policy and influence on inflation
 - reduction in real wages forecast to 2025

Australian Prudential Regulation Authority (APRA)

- data on superannuation products / Super rating;
 - data collection method and accurate representation of funds
 - consultation with industry to have input in data collection processes
 - timings for regulations
- best financial interest duty;
 - dividend policy
 - identification of funds on a heat map, underperformance and executive bonuses – APRA’s remit in addressing these issues
 - number of issues raised in relation to trustees and breaches of the best financial interest duty
 - enforcement actions in relation to the new power
 - ongoing investigations taking place – currently no active cases
 - payments and donations to unions – explanation of value for trustees
 - Industry Super Holdings (ISH) – administration of the new legislation and case studies
- National Australia Bank – transition to cashless branches and services;
 - on what basis is APRA allowing cashless branches – APRA’s role and responsibility in this area and regulation of the legal tender
- bank branch closures; and
 - access of services electronically – requirements of diligence / cost effective service delivery – APRA’s view of banking operations
 - bank branches in regional and rural areas
 - definition of a bank branch for reporting purposes – banking code of practice
- super funds and divesting from Russian assets.
 - APRA’s role and consideration of this issue – press release after the government’s expectation and notification of the statement / consultation with Treasury
 - strong expectation that superannuation funds would review portfolios to align with the national interest in relation to Russian exposures and best financial interests
 - reiteration of the government separation from super funds and influence on investments made by funds