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Inquiry into the *Australian Transaction Reports and Analysis Centre Supervisory Cost Recovery Levy (Consequential Amendments) Bill 2011*

CPA Australia represents the diverse interests of over 132,000 finance, accounting and business advisers worldwide. The organisation is committed to working with governments and their agencies to ensure economic and social policies foster an environment that facilitates sustainable economic growth. In this light, CPA Australia welcomes the opportunity to provide the below comments on the *Australian Transaction Reports and Analysis Centre Supervisory Cost Recovery Levy (Consequential Amendments) Bill 2011*.

CPA Australia represents members who, as holders of Australian Financial Services Licenses (AFSLs), are reporting entities under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (the *Act*). We also represent many thousands of accountants in public practice who will become reporting entities under the second tranche of the *Act*.

General comments

We would like to thank AUSTRAC for consulting with us and the broader community on the detail of the Government's cost recovery policy in relation to the Anti-Money Laundering regime. We note that the details of how this proposed legislation will impact reporting entities, as presented in AUSTRAC's Cost Recovery Impact Statement, is preferable to the model proposed in the 2010/11 Federal Budget papers. We however do not agree that it is appropriate that reporting entities meet AUSTRAC's costs of regulating the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*. Accordingly, we recommend the *Bill* be rejected.

CPA Australia understands the principle of imposing cost recovery levies where a regulated entity receives a direct economic benefit from such regulation (such as tax agents being licensed to offer tax advice when those unregistered can not), however being regulated under this regime confers no direct benefit or rights to those regulated. We therefore do not accept the contention in the Explanatory Memorandum that '*It is appropriate that industry meet the costs of regulatory systems that ensure the integrity of their operating environment*'. The entire community, including the government, benefits from the integrity of the financial system.

The direct beneficiaries from the imposition of this *Act* is AUSTRAC and other law enforcement agencies (because of the intelligence reporting entities provide them), and not reporting entities. Given this, we can not support the imposition of a cost recovery levy, particularly when complying with the *Act* already imposes ongoing costs on reporting entities.

We are also concerned that the imposition of the levy combined with the ongoing compliance costs borne by reporting entities, could discourage entities, particularly small business, from complying with the *Act*, which in turn could weaken the regime.

Comments related to the AUSTRAC cost recovery impact statement

We provide the following comments to the Committee on AUSTRAC's Cost Recovery Impact Statement as it is directly relevant to the *Bill* being considered:

- + We recommend that should the *Bill* proceed, the method by which most micro businesses (under five employees) are effectively removed from having to pay the levy (removing such businesses from the base component) be extended to all small business as defined by the Australian Bureau of Statistics (a business employing less than 20 employees).

- + We recommend that AUSTRAC clarify whether it intends to impose the cost recovery levy on entities caught within the second tranche. It is suggested that those second tranche entities that would have to pay the levy once the second tranche is enacted, be given an exemption from the levy during the transition to the full implementation of the second tranche, in recognition of the costs incurred in becoming compliant.
- + We do not agree that reporting entities should bear the cost of AUSTRAC developing simplified guidance materials and the redevelopment of AUSTRAC's website to enhance its usability for small business. It is the responsibility of government to provide information and education material to help the community comply with the law, and hence such costs should be paid for from consolidated revenue, not directly by reporting entities.

If you require, any further information, please do not hesitate to contact me.

Yours sincerely

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