

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Additional Estimates

2015 - 2016

**Department/Agency: Australian Securities and Investment Commission**

**Question: AET 80**

**Topic: Tracking of Phoenix Activity**

**Reference: Hansard page no. 23 - 11 February 2016**

**Senator: Madigan, John**

**Question:**

**Senator MADIGAN:** Does ASIC keep records or statistics on how prevalent phoenix activity is?

**Mr Price:** No, we do not. There have been a number of reports in the market place in recent times—reports by academics and reports by large accounting firms. Part of the difficulty, as I say, is that there is no specific definition as to what it is and so it is very difficult to track the transfer of assets from one entity to another entity.

**Senator MADIGAN:** ASIC would then have no idea of the cost of this activity to sole traders or to small- to medium-sized businesses?

**Mr Price:** That is not strictly true. We rely on external research which is available in the area. For example, one of the large accounting firms has done estimated costing on the amount of money illegal phoenix activity might be costing the Australian economy. I do not have those figures to hand, but I am happy to take that on notice. We do have access to that.

**Answer (Question AET 80):**

A PwC report commissioned by Fair Work Ombudsman titled Phoenix Activity; Sizing the Problem and Matching Solutions, estimated that the total annual detrimental cost of illegal phoenix activity on the Australian economy is approximately \$3.19 billion dollars. Of that amount, the report estimates that the annual cost of phoenixing is between:

- \$191 million and \$655 million for employees, in the form of unpaid wages and other entitlements;
- \$992 million and \$1.93 billion for businesses, as a result of phoenix companies not paying debts for goods and services that have been paid for but not provided; and
- \$601 million and \$610 million for government revenue, mainly as a result of unpaid tax – but also due to payments made to employees under the General Employee Entitlements and Redundancy Scheme (as it was then known).

A follow up PwC report, commissioned by the Fair Work Ombudsman, Australian Tax Office and Australian Securities and Investments Commission was published in March 2016.