

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

29 May – 31 May 2012

Question: BET 248-252

Topic: Illicit Tobacco Trade

Hansard Page: Written

Senator BUSHBY asked:

248. How does the Australian Taxation Office monitor the illicit tobacco trade?
249. Can the Department give an estimate as to the size of the illicit tobacco trade?
250. What does the Department estimate the government is losing in annual tobacco excise due to the illicit trade in tobacco?

A former Australian Taxation Office employee was recently convicted in a Melbourne court of offences in relation to corruption and the illicit trade in tobacco. Can the Department please state:

251. What steps has the Australian Taxation Office taken to investigate links between the illicit trade in tobacco and corruption of Australian Taxation Office employees
252. Whether the Department is confident that this is a one-off incident.

Answer:

248. The ATO does not monitor the size of the illicit tobacco trade. The ATO has responsibility for seizing and destroying illicit tobacco that has been grown or subject to a process of manufacture in Australia. The ATO investigates these matters and refers them to the Commonwealth Director of Public Prosecutions (CDPP) to determine appropriate prosecution action.

The ATO takes a multi-faceted and targeted approach to address the illegal growth and supply of tobacco in Australia, including:

- working collaboratively with law enforcement and other regulatory agencies, particularly to exchange intelligence concerning the growth, sale or distribution of illicit tobacco and identify targets
- referral of persons identified as disengaged from, or non-compliant with, the tax system for audit.

249. The ATO has not undertaken a formal assessment of the size of the illicit tobacco market.
250. Treasury has not undertaken a formal assessment of the size of the illicit tobacco market and therefore is unable to provide an estimate on the amount of annual evaded tobacco excise
251. Allegations of corrupt links between ATO employees and criminal organisations (including those involved in illicit tobacco) are referred to the relevant police authorities. There has been no evidence of similar collusive behaviour since the publicised incidents of 2006.

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The recent conviction of a former ATO employee for corruption linked to the illicit trade in tobacco was a matter referred to the ATO in 2004. The ATO provided assistance to law enforcement agencies who had responsibility for the investigation.

The ATO has implemented strategies aimed at detecting any associations between employees and known criminal entities as part of the ATO's active steps to deter, detect, and deal with corrupt or inappropriate behaviour by employees.

Since the closure of the legal Australian tobacco growing industry in 2006, the illicit market has been supplied predominately through illegally imported product. The risk in relation to locally grown tobacco has reduced since that time with only six significant locally grown new crop seizures including the seizure of 25 tonnes of tobacco plants in July 2011. Consequently, the opportunity for employees to engage in this type of behaviour has been diminished. When the ATO receives intelligence about illicit tobacco it takes firm compliance action.

252. The ATO is confident that this was a one-off incident. There has been no evidence of similar collusive behaviour since the publicised incidents of 2006.