

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates

2017 - 2018

**Division/Agency:** Australian Taxation Office

**Question No:** 142

**Topic:** Serious and organized crime in tax system measures and funding

**Reference:** Written

**Senator:** Ketter, Chris

**Question:**

1. The Government has extended the ATO's funding by four years to target serious and organised crime in the tax system. What are the types of crime being targeted in particular?
2. How successful has the ATO been in this area?
3. What will this additional funding be used for? Will it be targeted to any specific area?
4. Why was the taxable payments reporting system extended to contractors in the courier and cleaning industries? What are the specific challenges in these industries?
5. The Government will provide one year of additional funding (\$32 million) for ATO audit and compliance programs to better target black economy risks. Why is the funding only extended for one year? Were you consulted on this?
6. Is illegal phoenix activity one of the challenges in this area?
7. Is tracking directors who repeatedly liquidate companies only to start them up again a difficult task? What are the main impediments to tracking such directors?
8. How successful has the ATO's audit and compliance programs been at targeting black economy risks?
9. What is the multiplier of resourcing to revenue or liabilities raised in this area?
10. How successful has the ATO's audit and compliance programs been at targeting black economy risks?
11. Can you provide a breakdown of staffing levels in this unit for the past five years to present?

**Answer:**

1. The funding provided by Government is prioritised towards serious and organised crime which is present in:
  - offshore tax evasion
  - phoenix operations
  - refund fraud and exploitation of incentive schemes
  - superannuation fraud and fraudulent access to superannuation funds through identity crime
  - domestic growing and manufacture of illicit tobacco.
2. In relation to organised crime, from 1 July 2013 to 31 May 2017 the ATO has achieved the following:
  - over \$600 million in liabilities raised
  - \$120 million in collections
  - 900 audits
  - 309 prosecutions for non-lodgment of tax returns

- 13 criminal investigations.

In addition, through the Serious Financial Crime Taskforce, the ATO and its law enforcement partners have:

- raised \$199 million in liabilities from 526 audits and reviews, and collected \$110 million in cash
  - achieved five successful prosecutions with the individuals receiving criminal convictions and custodial sentences, ranging from two years to over 14 years.
3. The funding allows for the continuation of the serious and organised crime work program and our involvement in numerous joint agency taskforces.
  4. The taxable payments reporting system is being expanded to improve fairness and create a level playing field within these industries by addressing non-compliance with taxation obligations by some contractors in those industries. The specific challenges centre on non-lodgment of tax returns and not including all payments in returns that have been lodged.
  5. The ATO was consulted on the 12 month continuation of funding for ATO audit and compliance programs to target black economy risks. The funding enables measures that were to expire on 30 June 2017 to continue.
  6. Yes.
  7. Matching directors is routinely done through data matching with Australian Securities and Investments Commission data and ATO data. However, the identification of straw directors who have no relationship to the true phoenix operator limits our ability to track the controlling mind. The controlling mind orchestrates the phoenix operation but has no direct legal role in it.
  8. The ATO does not specifically measure work against the Black Economy. The Black Economy Taskforce's view of the 'black economy' is broad, as illustrated by the range of issues addressed in the Taskforce's Interim Report. The risks to the tax and superannuation system mentioned in the Interim Report are addressed by various areas in the ATO's Client Engagement Group.
  9. The ATO does not specifically measure work against the Black Economy.
  10. Please refer to Question 8.
  11. The ATO does not specifically measure work against the Black Economy. FTE figures for the main areas addressing black economy risks within the ATO are provided below:

	2012-13	2013-14	2014-15	2015-16	2016-017
Cash and hidden economy	423	407	454	401	369
Serious and Organised Crime	90	86	78	92	78
Phoenix, Serious Financial Crime and Investigations	462	441	326	349	432