

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

31 May – 2 June 2011

Question No: BET 236

Topic: AFR - Unions

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Senator Abetz asked:

Senator ABETZ: I thought that would be the answer. For what it is worth, the *Australian Financial Review*, on Tuesday, 31 May, suggested that people were expressing concerns about giving unions access to reported details. I could not see how that could or would happen, but I thought I might be missing something. Clearly I am not. That will reassure the person who had expressed that concern, if it is reported correctly. Minister, on 13 October 2010, Mr Shorten, the Assistant Treasurer, pledged not to change personal service income tax law 'or make life difficult for self-employed working people'. Would it be fair to say that this measure will make life more difficult for at least some self-employed working people, given the new reporting requirements that will become necessary?

Senator Sherry: Firstly, I would have to refresh my memory on what Mr Shorten said.

Senator ABETZ: It is the *Australian Financial Review*, 13 October 2010.

Senator Sherry: Firstly, I do recall generally comments of that nature but not the specific detail. Secondly, I will have to take it on notice for Mr Shorten, despite the long list of titles that I read.

Senator ABETZ: Sorry, the long list of?

Senator Sherry: I said that despite the long list of responsibilities and titles I read earlier I no longer have responsibility for the area. I am here in a representative capacity and it is how helpful I want to be. But I will have to take it on notice and ask Minister Shorten for you.

Answer:

The Assistant Treasurer's remarks reported in the *Australian Financial Review* were in response to concerns of industry about 'sham contracting' and the recommendations of the Board of Taxation and the Australia's Future Tax System Review to amend the alienation of personal services income (APSI) rules. The Assistant Treasurer stated that the Government had and continues to have no current plans to change the APSI rules. Instead, the Assistant Treasurer stated that the Government wanted to clamp down on instances of exploitation by improving compliance with the current laws.

In the 2009-10 Budget, the Government announced a four year strategy to promote a level playing field for Australian businesses. Part of this strategy targets employers who use sham contracting to hide underlying employment arrangements.

Under this compliance strategy, the Australian Taxation Office (ATO) audits employers to find those who are not paying superannuation entitlements. It also allows the ATO to capture details of income paid to contractors and check that it is properly recorded. Where possible the ATO works with and educates employers about their responsibilities, rather than taking punitive action.

The Reporting Taxable Payments measure announced in the 2011-12 Budget builds on this work by requiring businesses to report to the ATO information that they should already collect under existing tax arrangements in order to improve compliance with the current laws.