



17 February 2017

Mr Michael Andrew AO
Black Economy Taskforce
The Treasury
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PARKES ACT 2600

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Dear Mr Andrew

Subject: Black Economy Taskforce

CPA Australia represents the diverse interests of more than 160,000 members in 118 countries. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders. Against this background and in the public interest, we provide our initial views to the Black Economy Taskforce.

The Taskforce has an important role in considering measures to tackle the black economy and identifying opportunities to change community attitudes to such activities which occur outside the tax system.

It is however important to recognise that Australians are, by and large, compliant, that we have a robust system of laws to tackle the black economy and effective agencies to enforce such laws, including the Australian Tax Office and the Australian Federal Police as well as the Serious Financial Crime Taskforce.

Further, much work has been done in this space in Australia over many years, and we expect the Taskforce will build on that work.

It is crucial that in identifying any possible policy responses for the Government, the Taskforce ensures that:

- The proposed policy response is proportionate to the identified risk.
- There is evidence that current approaches to the identified risk are failing and that better enforcement of the current laws will not adequately address the issue.
- Any proposed measure is targeted at the mischief, and avoids imposing unreasonable burdens on compliant businesses. There will always be a criminal element in society. Any policy proposals the Taskforce develops must be focused on that element and avoid broader negative impact on compliant sections of the taxpaying community. In other words, it is important to avoid placing a 'dragnet' over all businesses to try to catch the few outliers.

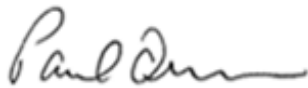
To help tackle this important issue, we provide the following initial views to assist the Taskforce prepare its interim report to government:

- We have legislative sanctions and it is appropriate that they are used for the purpose for which they are intended. In this regard, the Taskforce should consider the effectiveness of the enforcement of current laws and make recommendations for improving the enforcement of current laws, if necessary.
- Government agencies should continue to invest in technologies that help detect black economy activities, and then act on that information.
- Increase resources available for data analytics. The Government has access to significant amounts of data. Increasing resources to expand data analytics capabilities across government agencies will help build on the success of programs such as the ATO's data matching programs.
- The Taskforce should investigate whether there are barriers and/ or inefficiencies in sharing information between government agencies (such as between the ATO and Centrelink, AFP, Australian Border Force) and recommend how best to remove those barriers/ inefficiencies. The target should be to have as close to real time inter-agency sharing of data as possible.

- Investigate whether AUSTRAC is appropriately resourced to act upon the significant amount of data it collects each year.
- Consider increasing the resources available to the ATO to conduct a greater number of cash economy audits.
- As part of the tax gap initiative, the ATO should seek to annually measure the black economy tax gap. This is done in other countries including the United Kingdom, however we understand the ATO does not currently propose to extend its tax gap analysis initiatives to the black economy at this point in time. Development of such an estimate or a 'ball park' figure would give the community and policy makers a greater understanding of the potential scale of the problem and a metric to which to work towards reducing.
- The digital economy provides new markets and new ways to not disclose income – this should be closely monitored, to identify evidence of gaps and non-disclosure.
- Place more pre-filled information in tax returns to assist in changing community attitudes.

If you have any questions regarding this submission, please do not hesitate to contact Gavan Ord on gavan.ord@cpaaustralia.com.au or 03 9606 9695.

Yours faithfully



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