



The Black Economy Taskforce Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600

Submission of the Tax Justice Network Australia to the Black Economy Taskforce Interim Report

31 July 2017

The Tax Justice Network Australia, welcomes the opportunity to provide a submission in response to the Black Economy Taskforce Interim Report.

The TJN-Aus strongly supports the recommendations of the Taskforce that:

- Access to Australian Government procurement (at all levels of government) opportunities should be limited to businesses which have a good tax record and have not engaged in bribery or corruption in the last ten years. The Unit notes that globally it can take up to 15 years to finalise cases of bribery of foreign officials, with half of all cases being finalised between five to ten years from detection.¹
- The Taxable Payment Reporting System should be expanded to the cleaning and courier sectors, as was already done in the May 2017 budget.
- Businesses should not be able to claim deductions on cash wage payments where they did not make or report Pay As You Go (PAYG) payments, issue payment summaries or statements of earnings, or make applicable superannuation contributions. Similarly, businesses should not be able to claim deductions for payments to contractors where a valid Australian Business Number (ABN) is not quoted and the payer has not withheld part of the payment under the 'no-ABN withholding' requirements. These payments should not be included in cost bases for capital gains tax or depreciation purposes.
- A ban on sales suppression technology, which was also announced in the May 2017 budget.
- The creation of a robust, real-time business identification and verification system in order to generate valuable data for government and business and improve delivery of relevant services.
- The Commonwealth Government should consult with the States and Territories on including tax literacy modules in vocational education training (VET), small business courses and in new migrant communities.
- The provision of funding to the ATO audit and compliance programs to better target black economy activities (as already started to happen in the 2017-2018 budget), including by strengthening its use of technology, buttress its ABN monitoring and public education activities.

The TJN-Aus makes the following additional recommendations to curb the Black Economy:

- The Commonwealth Government should put in place comprehensive legislation to protect and compensate whistleblowers in the private sector who expose serious criminal activity, including Black Economy activities.

¹ OECD, 'OECD Foreign Bribery Report. An analysis of the crime of bribery of foreign public officials', 2014, 34.

- The Commonwealth Government follow through on including accountants, lawyers, real estate professionals, corporate service providers, and high value dealers in the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*. The obligations of such professionals should be a requirement to have to take reasonable steps to identify who they are really dealing with ('know-your-customer' requirements) and to have to report suspicious transactions and arrangements to AUSTRAC.
- Put in place a public register of ultimate beneficial owners of companies and trusts.
- Introduce an offence for acting as a nominee or front person for a natural person who is exercising direct or indirect control over a company or trust and failing to disclose that fact.
- Introduce an offence for exercising indirect control of a company or trust and failing to disclose the fact.
- Introduce a Director Identification Number with a 100-point check like that used to open a bank account, to combat phoneixing activity and other Black Economy activities.
- Virtual and digital currencies be brought under regulation through the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* so those providing virtual currency services that are operating like financial institutions are required to take reasonable steps to prevent virtual currencies being used for criminal activities, such as tax evasion. Such steps should include requirements to know their customers, to keep records of transactions, to report suspicious transactions to AUSTRAC and to refuse to carry out transactions where they believe there is a high likelihood the transaction involves criminal activity.

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Background on the Tax Justice Network Australia

The Tax Justice Network Australia (TJN-Aus) is the Australian branch of the Tax Justice Network (TJN) and the Global Alliance for Tax Justice. TJN is an independent organisation launched in the British Houses of Parliament in March 2003. It is dedicated to high-level research, analysis and advocacy in the field of tax and regulation. TJN works to map, analyse and explain the role of taxation and the harmful impacts of tax evasion, tax avoidance, tax competition and tax havens. TJN's objective is to encourage reform at the global and national levels. The Tax Justice Network aims to:

- (a) promote sustainable finance for development;
- (b) promote international co-operation on tax regulation and tax related crimes;
- (c) oppose tax havens;
- (d) promote progressive and equitable taxation;
- (e) promote corporate responsibility and accountability; and
- (f) promote tax compliance and a culture of responsibility.

In Australia the current members of TJN-Aus are:

- ActionAid Australia
- Aid/Watch
- Anglican Overseas Aid
- Australian Council for International Development (ACFID)
- Australian Council of Trade Unions (ACTU)
- Australian Education Union
- Australian Services Union
- Baptist World Aid
- Caritas Australia
- Columban Mission Institute, Centre for Peace Ecology and Justice
- Community and Public Service Union
- Evatt Foundation
- Friends of the Earth
- GetUp!
- Global Poverty Project
- Greenpeace Australia Pacific
- International Transport Workers Federation
- Jubilee Australia
- Maritime Union of Australia
- National Tertiary Education Union
- New South Wales Nurses and Midwives' Association
- Oaktree Foundation
- Oxfam Australia
- Save the Children Australia
- SEARCH Foundation
- SJ around the Bay
- Social Policy Connections
- SumOfUs
- Synod of Victoria and Tasmania, Uniting Church in Australia
- TEAR Australia
- Union Aid Abroad – APHEDA
- UnitedVoice
- UnitingWorld
- UnitingJustice
- Victorian Trades Hall Council
- World Vision Australia