

Black Economy Advisory Board Minutes

2:30 – 4:30pm, 12 September 2019, Sydney

PRESENT

ATTENDEES

Members

Maryanne Mrakovcic – Deputy Secretary, Revenue Group, Treasury (substitute Chair)

Jeremy Hirschhorn, Acting Second Commissioner, Client Engagement Group, Australian Taxation Office

Dr Bradley Armstrong PSM, Deputy Comptroller-General and Group Manager of Customs Group, Australian Border Force

Pete Calleja, Australian Tax Leader, Price Waterhouse Coopers

Charles Cameron, CEO, Recruitment, Consulting & Staffing Association

Michael Croker, Australian Tax Leader, Chartered Accountants Australia and New Zealand

Wes Lambert, CEO Restaurant & Catering Industry Association

Rachel Mackenzie, Executive Director, Berries Australia Limited

Peter Strong, CEO, Council of Small Business Organisations of Australia

Government Advisors

Patrick Boneham, Division Head, Black Economy Division, Treasury

Deborah Jenkins, Deputy Commissioner, Small Business, Australian Taxation Office

Rebecca Kerley, Assistant Director, Head of Black Economy Policy Unit, Australian Border Force

Guest Speakers

Peter Alexander, Chief Digital Officer, Digital Transformation Agency

Dr Eileen Chu, Adviser, Behavioural Economics Team of the Australian Government (BETA), Department of Prime Minister and Cabinet

Amelia Johnston, Senior Adviser, Behavioural Economics Team of the Australian Government (BETA), Department of Prime Minister and Cabinet

Secretariat: Loretta Cheung, Kathleen de Kleuver and Kate Drain, Black Economy Division, Treasury

Welcome

The Chair welcomed the members to the third meeting of the Black Economy Advisory Board.

The Chair acknowledged the recent passing of Michael Andrew AO and the significant contribution he made to the Advisory Board. The Chair noted the immense loss both Treasury and the broader community has felt since his passing.

Preparations are underway for a replacement Chair.

The Chair welcomed the newest members to the Advisory Board:

- Rachel Mackenzie, Executive Director of Berries Australia Limited
- Wes Lambert, CEO of Restaurant & Catering Industry Association
- Dr Bradley Armstrong PSM, Deputy Comptroller-General and Group Manager of Customs Group, Australian Border Force

Members endorsed the meeting minutes for 13 February 2019.

Private sector feedback on new and emerging trends

Treasury thanked members for their contributions to the Advisory Board so far. The Black Economy Taskforce report will be two years old next month, with a considerable amount of recommendations already completed or with work under way.

Treasury encouraged Advisory Board members to continue identifying trends in their respective industries and to keep advising Treasury what is new and emerging.

Members discussed:

The prevalence of scammers advertising rental properties on the Internet which either don't exist or are not available for rent - there was also a discussion on the tax treatments of rental properties.

New Zealand Inland Revenue Department (NZIRD) binding rulings on the tax implications when crypto-assets are used to pay salary, wages and bonuses.¹

Opaque industries - volatile labour markets and a transient workforce are often associated with black economy activities. The lack of records, underpayment of wages, payments in cash, labour instability, avoidance of regulation and desire to remain anonymous makes it very difficult to trace transactions and does little to increase transparency in some industries.

The *Commonwealth Modern Slavery Act 2018* - this established a national modern slavery reporting requirement for certain large businesses and other entities in the Australian market to report on risks of modern slavery in their operations and supply chains². Members advised in their view that the Act is driving some change and has been implemented in around 3,000 businesses across Australia. Increasingly, businesses are becoming aware of/identifying risks.

Understanding what phoenixing looks like from the perspective of liquidation companies - Members noted there were opportunities to discuss best practice to wind up a company and to identify trends. Members raised opportunities to educate certain segments of the community to make more informed decisions and better avoid black economy behaviour. For example, certain cohorts of the community could benefit from education on the different types of online platforms

¹ <https://media.ird.govt.nz/articles/cryptocurrency-tax-guidance-extended-to-cover-employee-share-schemes/>

² <https://www.ato.gov.au/about-ato/ato-tenders-and-procurement/complying-with-procurement-policy-and-legislation/>

in the gig economy and how they operate. A member noted that the Inquiry into the Victorian On-Demand Workforce has help raised awareness.

Labour hire registration schemes implemented by various states - the schemes have brought issues about labour hire to the public's attention and have assisted in identifying active labour hire firms through the requirement to undertake background checks.

Digital Identity

Guest speaker, Peter Alexander, Chief Digital Officer from the Digital Transformation Agency provided insights on the work the agency is undertaking to digitise identities for people in Australia.

The main focus of the digital identity program is to give Australian people and businesses a single, secure way to access and use government services online. It will make accessing government services online easier and more secure by minimising the number of logins and passwords required as well as providing additional safety and security features as part of the Trusted Digital Identity Framework.

The DTA has designed the digital identity program to be a true, whole of economy solution that will not only allow people to access government services, but also use their digital identity to prove who they are when accessing services from private and non-government organisations. Already, Australia Post has been accredited as an Identity Provider and the DTA is in discussions across various industries, the finance sector and government agencies (including at the state and territory level) to further enhance the digital identity ecosystem.

The benefits of digital identities will increase and become more visible as the program of work progresses and government services gradually adopt digital identity for verification purposes.

Members noted some of the barriers to accessing this technology, such as low technical literacy and limited phone reception in regional and remote parts of Australia, which can make it difficult to connect to technology.

Planning is underway around low documentation/no documentation solutions to allow this cohort to easily access the system and transact.

Behavioural Insights

Dr Eileen Chu and Ms Amelia Johnston, from the Behavioural Economics Team of the Australian Government in Prime Minister and Cabinet, talked about how behavioural insights interventions can be used to influence behaviours in some situations.

Members considered that behavioural insights can be a useful tool to tackle the black economy. The sense is that the community is largely uninformed about what the black economy is – quite often the perception is that the black economy is limited to underground, back-alley dealings, when in fact it is much broader than this. Community members often don't realise they may be unintentionally engaging in black economy activities. Education is key for this sector of the community. It is important to understand why the black economy is bad, and that it is not a victimless crime.

Government Updates

Government members provided updates on the progress of the cross agency work to address black economy issues and implementation of the recommendations of the Black Economy Taskforce final report.

Treasury noted that with over half of the Black Economy Taskforce recommendations completed or in progress, we will be transitioning into a new phase with a greater focus on how the black economy is evolving.

To facilitate this, we will be increasing our stakeholder engagement and gathering information from a variety of sources, including insights from the Advisory Board, on merging issues and trends.

Australian Border Force advised that the tobacco reforms from the 2018-19 Budget are now in effect. They also updated the meeting on steps to address modern slavery and raised Australian Trusted Trader relating to supply chains, with both initiatives proving successful in increasing consumer and industry awareness of how goods and services are sourced and managed.

The **Australian Taxation Office** noted the Mobile Strike Teams are progressing well to visit 10,000 businesses each year over the next 3 years as part of the 4 year program. So far, there appears to be a lack of awareness surrounding record keeping obligations. There also appears to be a perception in the community of unfair competition from some home-based businesses (hair and beauty). Whilst many businesses have told ATO staff they've found the visits useful, in relation to one area, ATO staff observed a large number of shopfronts closed the week of the visits.

Between 1 July and 18 August 2019 the ATO has received 2,609 applications for a Statement of Tax Record (STR). The STR shows satisfactory engagement with the tax system and is a requirement for businesses and their first tier subcontractors seeking to tender for Commonwealth Government contracts over \$4million (including GST).

The Black Economy hotline and Tax Integrity Centre have been deployed. There has been a **42% increase in community reports** about black economy behaviour, indicating that the community is less tolerant of those operating in the black economy and not paying their fair share.

General Business

The next meeting is scheduled for Friday 14 February, 2020 in Melbourne.