

BLACK ECONOMY ADVISORY BOARD

MINUTES OF MEETING #4

Held 1:30 – 4:30pm, 21 February 2020, Melbourne

ATTENDEES

Members

Michael Schaper (Chair)
Charles Cameron, Chief Executive, Recruitment, Consulting and Staffing Association
Rachel Mackenzie, Executive Director, Berries Australia Limited
Peter Strong, CEO, Council of Small Business Organisations of Australia
Wes Lambert, Chief Executive, Restaurant and Catering Industry Association
Susan Franks, Senior Tax Advocate Chartered Accountants Australia and New Zealand (substitute for Michael Croker)
Ali Noroozi, Partner, Tax, PwC, (substitute for Pete Calleja)
Jeremy Hirschhorn, Acting Second Commissioner, Client Engagement Group ATO
Bradley Armstrong, Deputy Comptroller-General and Group Manager of Customs Group, Australian Border Force
Paul McCullough, Division Head, Corporate and International Tax Division, The Treasury (substitute for Maryanne Mrakovcic)

Government Advisors

Patrick Boneham, Division Head, Black Economy Division, the Treasury
Deborah Jenkins, Deputy Commissioner, Small Business, ATO

Guest speakers

Sally Bektas, Assistant Commissioner, Marketing and Communication, ATO

Secretariat: Johanna Travis, Kate Drain and Bonnie Denness, Black Economy Division, the Treasury

1. Welcome

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

The Chair welcomed the substitute members who were filling in for regular members who were unable to attend the board meeting:

Susan Franks, Chartered Accountants Australia and New Zealand (substitute for Michael Croker); and Ali Noroozi, PwC, (substitute for Pete Calleja).

Members endorsed the minutes for the third meeting, held on 12 September 2019.

2. Private sector feedback on new and emerging trends

The Chair emphasised the role of the Advisory Board is to engage with the business community and identify emerging issues to report to Treasury. The Chair noted the importance of educating and creating awareness of black economy issues. The meeting included a workshop discussion on messaging around the black economy.

The Chair raised the recent natural disasters and considered the work of government to support those who were impacted. It was noted natural disasters can create new avenues for black economy activity including cash jobs and un-licensed tradies which can undercut honest businesses. Members noted that it is important to educate businesses on how they can be better prepared for natural disasters such as digitising records, taking photos of infrastructure and regular backups.

Members discussed:

The complexity of dealing with different award rates and individual circumstances, leading to wage underpayments. Smaller businesses may be reluctant to comply when larger companies are non-compliant. Treasury noted the Attorney General's Department released a discussion paper on 12 February 2020 which outlined a range of compliance and enforcement options to deter wage theft.

A concern was raised that labour hire companies are forming and phoenixing within 12 months to avoid regulatory scrutiny.

New laws around overtime payments in the horticulture industry have led to the increased use of labour hire firms. There are still reports of labour hire companies seizing wages from workers, pushing workers into the black economy.

Treasury noted Standards Australia is developing supply chain standards. The first meeting of the committee shaping this work is expected in the first quarter of 2020. Members noted the benefits of having a third party accreditation system to improve the reputation of certain industries and make it easier to identify those who are doing the right thing.

The variety and complexity of pay rates that exist in the hospitality industry is not reflected in payroll software making it difficult to accurately pay correct wages

Worsening economic conditions can lead to increased black economy activity, as struggling businesses cut corners to survive. There have been observed improvements in the level of compliance in industries that have previously struggled such as hospitality. However, members discussed the need for education to support a wider cultural change to address black economy behaviours and encourage compliance.

3. Messaging around the black economy

Patrick Boneham and Sally Bektas led a discussion on messaging on the black economy.

The Board stressed that it is important to raise awareness of the negative social consequences of black economy activity. This requires changing social norms which can be difficult. There is an observed culture of giving people 'a fair go', even if this can unintentionally undercut honest businesses. Members

agreed that the concept of the ‘black economy’ does not cut through with the community and a new name should be considered.

The Australian Border Force (ABF) has an information campaign, called ‘Border Watch - if it doesn't feel right, flag it’, which encourages members of the community to report suspicious or illegal immigration, customs and border-related activity.

The Board supported raising awareness of the black economy and considered that a campaign should be long term and multifaceted in order to have a meaningful and lasting effect. It was also noted that people have multiple interactions throughout the day and not having full understanding or awareness, may unintentionally contribute to the black economy. It was suggested to examine other social change campaigns, including international examples to inform possible approaches.

Members suggested the government could meet with industries and businesses to gather important intelligence on the black economy.

4. Update from Government Agencies

Government members provided updates on the progress of the cross agency work to address black economy issues.

The ABF provided members with an update on an ongoing joint ABF, AFP and ATO investigation relating to large-scale customs fraud and alcohol smuggling. The ABF also provided an update on work to enhance the framework for combatting imports of counterfeit goods, and on recent legislation allowing for the immediate destruction of seized tobacco at the border.

ATO business visits program is paused following natural disasters. Achievements from the first 18 months of the program include: more than 96,000 tip-offs from the community; over 4,000 applications for statement of tax record; more than \$1.5 billion in additional revenue raised; primary school education resources developed; cross agency standing taskforce formed.

Treasury provided an update on the new measures announced in the 2019-20 MYEFO to tackle the black economy. These included a sharing economy reporting regime for online platform providers and assisting businesses to meet their reporting obligations.

Treasury also provided an update on implementation of the Black Economy Taskforce report recommendations, consultation process and emerging trends.

5. General Business

The Chair raised the issue of keeping board members up to date if media or related public statements emerged between meetings. It was also noted that the Senate is shortly due to consider the proposed \$10,000 cash payments limit legislation.

Action:

- Agencies to send board members any black economy-relevant press releases or major statements when they are issued.

- Treasury to advise members of the Senate Economics Committee report when it is handed down.

The next meeting will be scheduled for the second half of 2020.