

ATO declares war on cash economy

Nassim Khadem

June 12, 2008

HUNDREDS of tax investigators will be swooping on people participating in the illegal “cash economy”.

Tax Commissioner Michael D’Ascenzo has described the cash economy as “a rogue cog in the wheel, a cog that gums up the works”, and said it was a “high priority” as part of Tax Office investigations this year.

Mr D’Ascenzo said cash economy participants were “cheating” the community, and warned that the Tax Office would be “drilling deeper” into industries prone to making unreported cash transactions.

He singled out building and construction, the taxi industry, restaurants and cafes, and some areas of retailing and transport.

“Through unrecorded and unreported cash transactions, the cash economy introduces unfair practices that adversely impact many small businesses,” Mr D’Ascenzo said in a speech to the national summit of the Council of Small Business of Australia.

“These practices reach into the pockets and confidence of honest taxpayers.” He said the practices also distorted the marketplace “in terms of business costs, profits and unfair competition”.

The Tax Office has about 470 investigators working to track down people dealing in the cash economy.

Over the past three years investigators have written to, telephoned or visited more than 140,000 taxpayers and done close to 2000 audits, collecting nearly \$50 million in money owed.

Mr D’Ascenzo said some unreported cash transactions had been referred for prosecution.

Over the previous two financial years, investigators had established that more than \$238 million was owed.

They had reduced debt owed by helping more than 100,000 businesses deal with their tax debts, he said.

While the growth rate in collectable debt from small business has been lower in recent years, the amount owed has increased.

Debt owed by small business jumped from \$5.4 billion in 2003-04 to \$6.5 billion in 2004-05. It hit \$6.8 billion in 2005-06 and \$7.2 billion in 2006-07.

Debt owed by all taxpayers, not just small business, has also increased. It was \$10.8 billion in 2006-07, \$10.2 billion in 2005-06, \$9.6 billion in 2004-05 and \$7.5 billion in 2003-04.

Mr D’Ascenzo said the tax evasion hotline, new technology and the ability to match federal and state government data against its own taxpayer records had helped detect tax evasion.

He said that in the past year the Tax Office had also helped trade associations, tradespeople, taxi operators and tax practitioners by giving them “benchmarks” to compare their performance with the rest of the industry and check their tax records to accurately reflect their business practices.

The benchmarks give guidance on the time and materials involved in doing an average job, for example the amount of paint and roof tiles used in building jobs.

“... If the income reported by a business is consistently less than the industry benchmark, it could indicate a business is not declaring income properly,” Mr D’Ascenzo said.

He said three new industry benchmarks, for the floor sanding, roof tiling and painting industries, were available on the Tax Office website.

More benchmarks would be developed for other industries.