

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

2014 - 2015

Department/Agency: ATO

Question: SBT 12-18

Topic: Cancellation of the ABN

Reference: written - 27 October 2014

Senator: Bushby, David

Question:

12. To what extent was the creation and use of the ABNs intended as a tool to minimize the size of the cash economy?
13. To what extent is the use of ABNs still a useful tool in that regard?
14. What other advantages result from the use of ABNs?
15. What is the policy rationale behind cancelling an inactive ABN? What are the negatives that flow from not keeping such an ABN?
16. Are these type of desirable outcomes considered more important than the role of ABNs in minimizing the size of the cash economy?
17. If no, surely, all that should matter in managing the cash economy is that anyone receiving payment from another company or individual either quotes a TFN or ABN. It should not matter beyond that. The ATO can then assess payments and tax paid.
18. For the ABN system to work, it should be easy to get, to use and keep. Otherwise, a built in incentive to avoid its provisions will lead to counter-productive outcomes?

Answer:

12. The Explanatory Memorandum to the A New Tax System (Australian Business Number) Bill 1998 states that, when introduced, the purpose of the Australian Business Number (ABN) was to change the system of business registration to make it possible for business to deal with the whole of government at one place and with one business identifier.

The introduction of the ABN was also intended to improve the integrity of the taxation system, complementing other reporting systems such as pay-as-you-go and providing a record of entities that carry on business-like activities.

The ABN is the public registration number for Goods and Services Tax purposes; therefore its introduction was expected to assist the Australian Taxation Office to improve tax compliance. An entity that supplies goods or services must provide an ABN when issuing a tax invoice; otherwise tax is required to be withheld from payment. The withholding rate for failure to provide an ABN is specified in regulation 38(2) of the *Taxation Administration Regulations 1976*. That is, the amount to be withheld from the payment is an amount equal to the product of the top rate and the amount of the payment.

13. The ABN assists better recording of business-to-business transactions, the goods and services tax payable, and the input tax credits claimable, under the Goods and Services Tax legislation. The ABN provided on a tax invoice in a business-to-consumer transaction also provides a consumer with a greater degree of confidence

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that the business correctly meets its Goods and Services Tax obligations in relation to that transaction.

The ABN also provides a mechanism for data from a number of different sources to be matched together to better understand the circumstances of a business and whether it has fully met its taxation obligations. A mechanism that allows the effective matching of data can assist with a wide range of tax administration functions, including reducing the amount of omitted income associated with the cash and hidden economy.

14. As noted above, the ABN is a business identifier that is relied upon by business and the community to verify the operation of a business. The record of entities that carry on a business is maintained on the Australian Business Register. Australian Business Register information (available on ABN Lookup) allows the public access to information about businesses they deal with, including verifying if the business has an active ABN and whether the business is registered for Goods and Services Tax.

Government agencies at all levels can also access non-public Australian Business Register information for a wide range of purposes to support business and community outcomes. This includes for the purposes of service delivery, compliance and enforcement, research, policy development, grant funding and disaster response and recovery.

Entities that hold an ABN may also be entitled to business-to business incentives, such as wholesale pricing, savings on the purchase of a utility vehicle or access to customised business telephone packages.

15. As outlined in the responses to questions 12 and 14, the integrity of the Australian Business Register is vital for the national taxation system, the planning and delivery of government support and infrastructure for business and the community, as well as business-to-business confidence.

To be entitled to an ABN an entity must be carrying on an enterprise. When that enterprise ceases operating, the entity is no longer entitled to have an ABN. To support the integrity of the Australian Business Register, the Registrar regularly reviews the details held in the Australian Business Register. An ABN may be cancelled as part of these reviews, where information held by the Registrar suggests that a person is no longer entitled to an ABN. The Registrar undertakes bulk ABN cancellations where there has been no business activity evident in the previous four years of income tax returns and there has been no business activity reported in the last four years of Goods and Services Tax lodgements. The Registrar will also initiate an ABN cancellation following a company deregistration by the Australian Securities and Investment Commission.

If an ABN is cancelled and the registration is still required, registrants should contact the Australian Business Register to discuss having their ABN reinstated. If they are not satisfied with the outcome, the registrant can seek a formal review of the decision to cancel the ABN.

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The consequences of no longer holding an ABN (if still required), are that if an entity that supplies goods or services cannot provide an ABN when issuing a tax invoice, tax is required to be withheld from payment.

16. While there are a number of objectives for the use of the ABN, the relative importance of those objectives is a matter of judgment.
17. The ATO is unable to comment.
18. The ATO is unable to comment.