

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**TREASURY**

**Australian Taxation Office**

(Budget Estimates 30 May 2006)

**Question BET 131**

**Topic: HIGH WEALTH INDIVIDUALS**

**Written Question on Notice**

Senator **Sherry** asked:

The 2006-2007 Budget allocated an extra funding for the *High wealth Individuals Task Force*

1. How is a “high wealth individual” defined?

**Answer:** A High Wealth Individual is a resident individual who, together with associated family members, effectively controls net wealth equal to or greater than \$30m.

2. How many high wealth taxpayers are engaged in serious tax avoidance?

**Answer:** For the years ended 30 June 2005 and 2006, the Tax Office is considering applying Part IVA to approximately 12 High Wealth Individuals or their associated entities. In addition, the Tax Office has identified 13 high wealth individual taxpayers that are using complex offshore structures to conceal assets and income. These taxpayers are currently subject to audit or dispute.

3. How many high wealth individuals are currently being (a) investigated and (b) prosecuted?

**Answer:**

a) The High Wealth Individual Taskforce had 36 High Wealth Individuals under audit as at 1 June 2006.

b) .

Whilst there were no prosecutions of high wealth individuals or any of their associates in 2004-05 and 2005-06, 3 cases in 2004-05, and 2 cases in 2005-06, were discussed with the Director of Public Prosecutions with a view to pursuing prosecution action. However, it was considered too early to progress action at that time. This situation has now changed and 2 of the cases referred to above are now actively being reconsidered for prosecution in light of further evidence.

Part IVA is applied where the Commissioner believes that there has been an avoidance of tax. However, the fact that Part IVA applies does not mean that a prosecutable offence has been committed by the tax payer.

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4. The 2006-2007 Budget has allocated an extra funding for the High Wealth Individuals Task Force. Why is this extra funding needed?

*Answer:* The Tax Office has observed some particularly aggressive behaviour by some members of this high risk group. They often employ complex structures, including trusts, and their operations are difficult to unravel.

With the additional resources the Tax Office will develop and use more sophisticated economic and analytical tools to identify and assess tax compliance risks for the top 1000 high wealth individuals and their associated closely held private company groups. These resources will enable us to increase our active compliance coverage.

There is little publicly available information about these privately held groups and they are often very complex requiring close scrutiny to establish their behaviour patterns.

5. How much funding has the Task Force received to-date?

*Answer:* .In addition to the Tax Office managing the funding of the High Wealth Individuals Taskforce from within its total appropriation, the Tax Office has received \$89.6 million from 1996-97 to 2009-10 specifically to develop. strategies to take action to address undesirable tax practices and to improve high wealth individuals' compliance with the tax