

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

TREASURY

Australian Taxation Office

(Budget Estimates 30 May 2006)

Question: BET 135

Topic: TAX FRAUD

Written Question on Notice

Senator Sherry asked:

At a Senate Estimates hearing in February regarding the total cost of reported fraud across government, the Attorney-General has advised that the AFP had investigated or had referred for investigation 376 cases from the ATO totalling \$42,552,008 in the cost of fraud. Conversely, Centrelink had 26,118 cases for a lower reported cost of fraud \$41,910, 587. This is a huge disparity and clearly shows the Howard government has got it wrong. Labor says there are not enough Federal agents to combat major tax fraud and the Budget delivered just 23 new Federal Police officers

Extra funding of \$93 million has been directed to various government agencies (ATO, DIMA, AFP and Centrelink) to crack down on welfare fraud with a particular emphasis on more sophisticated methods to infiltrate the cash economy.

Another \$13 million has been provided to the DPP in anticipation of an extra thousand welfare fraud cases being referred to it. Welfare cheats accounted for two-thirds of cases handled by the DPP last year, provoking regulators and experts to accuse him of chasing soft targets while ignoring white-collar criminals.

1. How many cases of tax fraud were referred to the AFP for investigation by the ATO in 2004-2005?

Answer: Nine matters were formally referred by the tax office in 04-05 to the AFP in relation to suspected fraud. The tax office regards a matter as referred to the AFP where the AFP substantially takes over and leads the investigation.

The tax office is also reliant upon the AFP for various investigative support activities such as the execution of search warrants and extradition arrangements. The tax office understands that AFP tax case numbers include all instances where the AFP has given assistance to the tax office.

2. What was the total cost of this tax fraud?

Answer: The estimated loss in tax fraud matters in 2004-2005 was \$42.5 million. This is an initial estimate of the loss, assessed and reported on as at 30 June 2005.

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3. How many AFP officers are seconded to the ATO?

Answer: As at June 2006 there is one AFP officer seconded to the Tax Office in Melbourne, Victoria. There are another four out posted AFP officers who assist with work in The Tax Office. They are in Melbourne, Brisbane, Townsville and Sydney.

The primary role of out-posted AFP officers is liaison between the two agencies and they also contribute actively to training of tax officers, provide quality control and can assist in areas where the Tax Office has no jurisdiction. For example the Tax Office refers some surveillance actions and forensic investigations to the AFP.

4. Is there consideration for this number to be increased?

Answer: The Tax Office is not considering seconding other AFP officers at this time because the current arrangements are effective to meet both agencies' needs. Tax officers are also routinely co-located within the AFP or the Australian Crime Commission teams according to needs.

5. Do you believe the AFP should have a permanent presence in all cases emanating from the following ATO compliance units: Serious Non-Compliance Unit, Large Business and International Business line and the High Wealth Individuals project?

Answer: No. The Tax Office considers the presence of AFP officers to be optimal in highly complex, potentially criminal, investigation cases which are dealt with by the Tax Office's Serious Non-Compliance area and its Fraud Prevention and Control Unit.

6. A service agreement exists between the AFP and Centrelink, specifically relating to the out-posting of federal agents to Centrelink for the purpose of assisting Centrelink in improving its performance in identifying, detecting and investigating fraud offences. Is there a need for a similar agreement between the AFP and the ATO?

Answer: There are very strong and effective relationships between Tax Office specialised investigation areas and the AFP. There are regional out-posting agreements between the AFP and the Tax Office as described in response to question 3. The AFP/Tax Office National Service Agreement includes a paragraph on out-posted AFP Officers. Search warrants under the criminal code in tax matters are executed generally by the AFP. In some cases the Australian Crime Commission or State police officers may perform this role.

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7. In the 2006-2007 Budget, how much extra funding did the ATO receive to crack down on welfare fraud?

Answer: Welfare fraud is investigated by Centrelink not the Tax Office. The Budget papers note that the Tax Office will assist Centrelink through the provision of data.

Centrelink is predominantly responsible for compliance activities in relation to welfare fraud.

8. How does that figure compare to funding for a crackdown on tax cheats?

Answer: The Tax Office has directly allocated approximately \$71m to Serious Evasion and Fraud compliance activities for 2006-07. However, it should be noted that the Tax Office has a range of remedies available to deal with tax evasion and fraud ranging from administrative penalties and sanctions through to criminal prosecution by the Commonwealth Director of Public Prosecutions (CDPP). The Tax Office also undertakes prosecutions in its own right for a range of summary taxation offences under a delegated authority under the CDPP.

The Tax Office understands that Centrelink refers all offences to the CDPP for possible prosecution, because Centrelink does not have an in-house prosecution capability.

9. How much of that is extra funding for Operation Wickenby?

Answer: In 2006-07, there is specific funding of \$39.11 million allocated to the Tax Office for Project Wickenby.