

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

TREASURY

Australian Taxation Office

(Budget Estimates 30 May 2006)

Question **BET 137**
Topic: **DRUG BARONS**
Hansard page: **Written Question**

Senator **Sherry** asked:

To find out if the ATO is ‘tracking and taxing the flow of money that sustains the lifestyle of drug barons’, particularly in relation to the gangland killings and drug activities in Victoria.

In May 2004 Costello commented in a speech that the Federal Tax Authorities are committed to assisting law enforcement agencies in their quest to catch and prosecute ‘drug barons’.

“A few weeks ago I called for a sense of outrage about what is happening in our midst. And I pledge that if Federal Tax authorities can assist in tracking and taxing the flow of money that sustains the lifestyles of these drug barons then everything that can be done will be done. We stand ready, anxious, to assist.”

In questions asked to the ATO during Senate Estimates in February 2006, the ATO said

“The Tax Office has no details of prosecutions arising from tax office involvement with “drug barons”. This activity of this nature is not undertaken by the tax office. Prosecution information is held by other agencies such as the various State Police forces, the Australian Crime Commission and the Australian Federal Police.”

1. Do you recall this statement from the Treasurer?

Yes

2. In response to a question taken on Notice from Senate Estimates in February, the ATO said it had no details of prosecutions arising from tax office involvement with ‘drug barons’. Is that still accurate?

Answer: The Tax Office has to date received four referrals from Victoria Police as a direct result of its Purana Task Force operations. Audit action resulting from this work has seen assessments and penalties of \$4.37M issued. The Tax Office has not yet had any tax related prosecutions resulting from referrals from Victoria Police in relation to gangland killings and drug related activities in Victoria.

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3. So no specific programs have been initiated in response to the Treasurers request?

Answer: There was no need for specific programs to be initiated. There have been regular high level meetings between the Tax Office and Victoria Police over several years on this issue as well as operational assistance from the Tax Office as required by the Victoria Police. Broadly, the Victoria Police have confirmed at least 20 matters are to be profiled and referred to the Tax Office in due course. In addition to the audit action referred to in the previous answer, the Tax Office will also be committing resources to this work. We have determined that the most effective approach in these particular circumstances is for the Tax Office to work closely with the Victoria Police.

4. It would appear the Treasurer has said he wants the ATO to do something, without consulting or seeking advice from the ATO - is that an accurate assumption?

Answer: It is not appropriate to comment on an assumption.

5. On reflection is it the case that the Tax Office is in fact not the correct agency to be conducting these sorts of investigations?

Answer: As the agency with experience in investigating compliance with the tax law, we are well placed to conduct tax related investigations, audits and financial analysis to assist a Proceeds of Crime process. In relation to criminal prosecution we are well placed to work with and support the Australian Federal Police, the Commonwealth Director Public Prosecutions and the Australian Crime Commission to bring a collective suite of skills and treatments to tax related fraud and evasion.

6. Al Capone was finally jailed on charges of tax evasion, not racketeering but for that to happen. Has the ATO prosecuted drug barons in a similar fashion?

Answer: The Tax Office does not prosecute cases. The Tax Office investigates and provides tax expertise to the Commonwealth Director of Public Prosecutions in tax related prosecutions. The Tax Office continues to work closely with law enforcement in the investigation of individuals (believed to be involved in drug dealings and other forms of illegal behaviour) for tax related offences. This operates at two levels:

- auditing or investigating and referring for prosecution matters involving tax offences depending on the circumstances; and
- providing assistance to Law Enforcement Agencies by providing, in accordance with section 3E of the *Taxation Administration Act 1953*, information to assist in the investigation of serious offences.

7. If not, why not?

Answer: See (6) above