

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 29, 30 & 31 May 2007

Question: BET 14 (ATO)
Topic: Mortgage Brokers – Liaison With ASIC
Hansard Page: Written

Senator SHERRY asked:

- 1) Have you had any liaison with either ASIC or state regulators in the area of mortgage brokers who, in many cases, provide low doc loans?

Answer:

Yes. The Tax Office sponsors the Financial Services Industry Partnership (FSIP) with participation by the Australian Securities and Investments Commission (ASIC) and other regulators. Representatives of the Finance Brokers Association of Australia (FBAA) and the Mortgage Finance Association of Australia (MFAA), the two major industry bodies representing mortgage brokers, also participate.

- 2) If so, when, who with, what was discussed and what is the outcome?

Answer:

A presentation on the tax compliance of mortgage brokers was made to FSIP members on 6 March 2006. ASIC, FBAA and MFAA (previously Mortgage Industry Association of Australia - MIAA) were in attendance.

Further meetings of the FSIP held on 15 June, 14 September and 30 November 2006 included ASIC, FBAA and MIAA participation. At these meetings general matters of tax compliance affecting the mortgage broking industry were discussed, such as impacts of the new Anti Money Laundering and Counter Terrorism Financing legislation on record keeping practices.

The Australian Prudential Regulatory Authority has provided information to the Tax Office in connection with potential high risk mortgage brokers. These were followed up with appropriate compliance activity.

Tax Office representatives met with the NSW Office of Fair Trading to discuss the conduct of mortgage brokers and industry intelligence in October and November 2005.

The Tax Office first met with the FBAA in December 2005 in connection with taxation compliance of mortgage brokers. The FBAA subsequently invited Tax Office representatives to make presentations to its members at a series of

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events on the risks of taxation non-compliance for mortgage brokers. (Six have occurred to date.)

Representatives of the Tax Office have discussed taxation issues with the MFAA on a number of dates as follows:

- 8 August 2005
- 10 November 2005
- 3 August 2006
- 13 April 2007

Following from the meetings with the FBAA and MFAA, the Tax Office used its formal information gathering powers in March 2006 to obtain details from both organisations in relation to members who had been expelled or had been subject to disciplinary action.

The Tax Office has used information from these sources to identify and conduct audits on a number of mortgage brokers.

- 3) A formal response is required to 'Does the Tax Office have any observations on the repossession rates on homes in this sector?'

Answer:

No.