

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 135

Topic: Taxation claims by foreign backpacking travellers

Hansard Page: Written

Senator Bushby asked:

1. There are suggestions that foreign backpacking travellers have been putting fake income claims into the ATO, and receiving money in tax refunds despite having never worked in Australia.
 - a) Is the ATO aware of this practice?
 - b) Did the ATO successfully prosecute 44 people in 2008 in relation to backpacker fraud?
 - I. How much estimated money in tax refunds was deposited into the accounts of the 44 people prosecuted?
 - II. How many more estimated cases of fraud of this nature is the ATO aware of?
 - III. How much money does the ATO estimate was wired to bank accounts of people committing backpacker fraud in 2008?
 - c) What systems have been put in place in the ATO to prevent backpacker fraud from continuing?

Answer:

1. a) The Tax Office is aware of the allegation.

However, potential backpacker fraud cases are grouped with other refund fraud cases. Where Tax Office controls detect fraud, returns are closely scrutinised and refunds denied in suspect cases. The Tax Office uses sophisticated analytical models and intelligence to review returns and have stopped significant numbers of refunds from issuing where it reasonably suspect refunds should not be paid. In 2009, the Tax Office has introduced new models that are detecting returns that are considered high risk and where refunds are not being issued.
- b) No. None of the 44 cases which involved refund fraud prosecuted by the Commonwealth Director of Public Prosecutions on behalf of the Tax Office in the 2007-08 income year were prosecutions of backpackers.
 - I. Not applicable.

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- II. The Tax Office cannot accurately estimate the extent of any backpacker refund fraud but the Tax Office focuses on detection and prevention by continuing to tighten and reinforce the control measures that are in place especially during high risk periods.
- III. For the reasons given above, such a figure is not available.
- c) The vast majority of taxpayers, including visitors to Australia, do the right thing. There is a small element (some opportunistic and more organised groups) who are willing to accept the risk of committing fraud and the serious consequences of being caught. The Tax Office has put in place a comprehensive range of prevention and detection strategies that aim to strike a balance between creating unnecessary delays in providing refunds to genuine taxpayers (including backpackers) and protecting the integrity of the tax system, including:
- automatically checking refunds against a set of criteria based on intelligence from the Tax Office compliance activities. A number of additional models are now in place to further identify cases with fraud characteristics.
 - strengthening its processes in relation to e-tax by which taxpayers authenticate their identity as first time lodgers
 - investigating appropriate cases for prosecution action
 - working closely with other Commonwealth and State agencies, including the Department of Immigration and Citizenship, to share intelligence, cross check identity data, improve systems to monitor and detect refund fraud and conduct investigations, and
 - reviewing the proof of identity requirements for individuals living outside Australia to ensure appropriate rigour is applied to establishing identity and the need for registration.

Community education strategies include:

- encouraging members of the community with information about those involved in fraud to call the Tax Evasion Referral Centre (1800 060 062) of the Tax Office
- educating different community groups about tax file number (TFN) security and possible threats posed by identity crime. For example:
 - a series of radio segments about identity crime and refund fraud on SBS in 10 languages, and
 - information about lodging a correct return in 19 languages is available online at www.ato.gov.au/otherlanguages
- emailing in June 2009, over 20,000 international students using the Student VIP email subscription service to remind international students about the importance of tax file number security and compliance with the Australian tax system.
- developing information products. For example:

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- a *Working in Australia* brochure that explains tax obligations for backpacking and which is distributed to hostels and Tax Office shopfronts nation-wide, and
- a *Keep your TFN safe* postcard that explains how to prevent identity crime and refund fraud and is available in 13 languages.

These products are available online at www.ato.gov.au/identitycrime