

SENATE STANDING COMMITTEE ON LEGAL AND CONSTITUTIONAL AFFAIRS  
AUSTRALIAN TRANSACTION REPORTS AND ANALYSIS CENTRE

**Question No. 34**

**Senator Ryan asked the following question at the hearing on 22 February 2011:**

1. What processes are in place to ensure that the revenue generated by this cost recovery measure does not exceed the costs incurred by AUSTRAC? How will excess revenue be returned to reporting entities?
2. If the relevant legislation is not passed prior to the commencement of the 2011-12 financial year, will the government make the legislation retrospective?
3. What is the proposed rate of interest payable for late or non-payment?
4. What mechanisms will be in place to enable the review of administrative decisions?
5. What is AUSTRAC's definition of a small business?
6. How much revenue does AUSTRAC expect to generate from small businesses under AUSTRAC's definition of a small business?
7. Is it possible that small businesses will generate more revenue for AUSTRAC than it costs to cover their regulatory costs?
8. How many of these reporting entities are small businesses with less than 20 FTE employees? How many of these small business will pay reporting fees?
9. How many businesses does AUSTRAC expect to cease providing financial transaction services due to the cost recovery measure?
10. Is AUSTRAC planning on redeveloping its website?
11. What specific measures will make the AUSTRAC website easier for small business?
12. What are the criteria for the AUSTRAC CEO to alter/adjust for period of measurement for a reporting entity?
13. What revenue does AUSTRAC expect to generate through the cost recovery measure in rural and regional areas?
14. Which departments did AUSTRAC consult with regarding the cost recovery measure?
15. Did Senator Sherry, as Small Business Minister, or his department, make any representations to AUSTRAC regarding the cost recovery measures?
16. When will the CRIS be released?
17. What was the total cost of the AUSTRAC activities in 09-10 and what was the total additional revenue raised in revenue due to AUSTRAC information?

**The answer to the honourable senator's question is as follows:**

1. Under the Government's Cost Recovery Guidelines, AUSTRAC cannot collect more than the costs of its regulatory activity. In the event that AUSTRAC under-collects or over-collects, it will adjust the levy in the following year accordingly.
2. This is a hypothetical question and it would be inappropriate to speculate.
3. This is a matter which will be addressed in the relevant legislation. Drafting of this legislation is still in progress and its content has yet to receive final policy endorsement from the Government.
4. See response to question 3 above.
5. AUSTRAC does not specifically define small businesses for the purposes of its operations.

6. As noted above, AUSTRAC does not specifically define small businesses for the purposes of its operations. In the exposure draft of the Cost Recovery Impact Statement (CRIS) it was proposed that exemptions from components of the levy would apply to the following businesses:

- non-employing entities
- micro-businesses (those with less than 5 employees)
- affiliates of remitter networks
- entities which have been exempted from the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*, including a proposal to provide such an exemption to small pubs and clubs with less than 10 electronic gaming machines.

These exemptions will primarily benefit small businesses.

7. As a large number of small reporting entities will either not be required to pay the levy or will only be subject to the base component of the levy, it is anticipated that AUSTRAC will not recover more from small reporting entities than it costs to regulate those businesses.

8. See response to question 6 above.

9. Given the exemptions to the levy arrangements (see 6 above) AUSTRAC does not expect the arrangements to have a material impact on the provision of services by reporting entities.

10. Yes.

11. As part of the website redevelopment, AUSTRAC will directly consult with a sample of website users, including small reporting entities, to assist in the development of specific improvement measures for the website.

12. The measurement period relates to the period that will be used to calculate the volume and value of transaction reports to be used to calculate the transaction reporting component. It is proposed that this be the whole calendar year preceding the year in which the levy is calculated.

13. AUSTRAC has not made an assessment of the revenue likely to be generated from reporting entities in regional or rural areas. However, the vast majority of reporting entities regulated by AUSTRAC are located in metropolitan areas. Further, to the extent that reporting entities are located in regional and rural areas, they are more likely to be very small reporting entities or affiliates of remitter networks and, accordingly, will not be subject to a levy (see response to question 6 above).

14. AUSTRAC has consulted with the following Departments: Attorney-General's Department; Finance and Deregulation; Prime Minister and Cabinet; Treasury; Innovation, Industry, Science and Research; and Department of Broadband, Communications and the Digital Economy.

15. No. However, see answer to 14, in that the Department of Innovation, Industry, Science and Research was consulted, specifically the Small Business Policy Division, during the development of the Cost Recovery proposal.

16. AUSTRAC issued the exposure draft of the CRIS on 11 February 2011. This exposure draft was subject to a two-week consultation period which closed on 25 February 2011. A final CRIS will be

released at the time that legislation to give effect to the cost recovery measure is introduced into the Parliament.

17. AUSTRAC's total cost of activities – that is, audited total expenses including depreciation – for 2009-10 was \$59.295 million. It is not possible to accurately calculate total additional revenue raised on the basis of AUSTRAC information. However, as noted in AUSTRAC's 2009-10 annual report, AUSTRAC information contributed to 1,841 Australian Taxation Office cases in 2009-10, resulting in \$272.52 million in additional tax assessments raised. For the same period, AUSTRAC information also contributed to 1,238 cases and \$7.2 million of annualised savings for Centrelink.