



Shadow Economy Advisory Forum

Access information from meetings of the Shadow Economy Advisory Forum.

Shadow Economy Advisory Forum key messages 22 May 2023



Key messages from the Shadow Economy Advisory Forum meeting 22 May 2023.

Shadow Economy Advisory Forum key messages 8 March 2023



Key topics discussed at the Shadow Economy Advisory Forum meeting 8 March 2023.

Shadow Economy Advisory Forum key messages 17 November 2022



Summary of the key topics discussed at the Shadow Economy Advisory Forum meeting on 17 November 2022.

Shadow Economy Advisory Forum key messages 9 August 2022



Summary of the key topics discussed at the Shadow Economy Advisory Forum meeting on 9 August 2022.

Shadow Economy Advisory Forum key messages 10 May 2022



Summary of the key topics discussed at the Shadow Economy Advisory Forum meeting on 10 May 2022.

Shadow Economy Advisory Forum key messages 8 February 2022



Summary of the key topics discussed at the Shadow Economy Advisory Forum meeting 8 February 2022.

Shadow Economy Advisory Forum key messages 10 November 2021



Summary of the key topics discussed at the Shadow Economy Advisory Forum meeting 10 November 2021.

Shadow Economy Advisory Forum key messages 1 September 2021



Summary of key topics discussed at the Shadow Economy Advisory Forum meeting 1 September 2021.

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Shadow Economy Advisory Forum key messages 22 May 2023

Key messages from the Shadow Economy Advisory Forum meeting 22 May 2023.

28 July 2023

Welcome and Chair update

Co-chairs, Deputy Commissioner Will Day, Australian Taxation Office (ATO) and Dr Michael Schaper welcomed attendees. No conflicts of interest were declared. Members were reminded of confidentiality requirements.

Member updates

Industry members shared key observations which focussed broadly on current environmental pressures. The discussion noted:

- Small businesses continue to be impacted by labour shortages
- Small businesses continue to struggle to remain afloat, resulting in less engagement with advisors
- Increased regulation/reporting obligations are impacting small business engagement with the regulatory bodies
- Credit rating reporting has increased by 140% indicating lack of trust in business-to-business trading
- There is an uptrend in small business payment related disputes seen by the Australian Small Business and Family Enterprise Ombudsman
- Same Job, Same Pay measure (currently in consultation phase) is causing concern within member industries.

Agency updates

Will Day updated the forum with matters relating to small business and the shadow economy:

- the Shadow Economy Program was extended for a further 3 years, from 1 July 2023 (announced after the Mid-Year Fiscal Economic Fiscal Outlook)
- the Sharing Economy Reporting Regime begins on 1 July 2023 for those in the rideshare and short-term accommodation sectors
- Federal Budget 2023-24 measures:
 - Lodgment penalty amnesty program will remit failure to lodge penalties for lodgements that were due between 1 December

2019 and end of February 2022, when lodged between 1 June 2023 and 31 December 2023 for small businesses, providing them with an opportunity to re-engage with the tax office

- Tobacco excise is set to increase by 5% per year for 3 years, starting from September 2023 which may drive shadow economy behaviours (e.g. sales of illicit tobacco).

Geoff Francis, Assistant Secretary, Treasury provided an update on the following:

- Treasury is still undergoing the Australian National Audit Office (ANAO) audit into the 'Implementation of the government's response to the Black Economy Taskforce Report', with Treasury currently preparing a response to the ANAO section 19 report, which is scheduled to be tabled in parliament in June 2023
- Federal Budget 2023-24 measures of interest to the forum:
 - Extensions of several compliance programs, including:
 - Serious Financial Crime Taskforce (SFCT) and Serious Organised Crime (SOC) programs have been merged and extended for four years
 - GST Compliance Program extended for four years
 - Personal Income Tax Compliance program extended for two years
 - Securing Australians' Superannuation Package - from 1 July 2026, employers will be required to pay their employees' superannuation guarantee entitlements on the same day that they pay the employee's salary or wage
 - Small Business Support:
 - Small Business Instant Asset Write-off threshold of \$20,000 from 1 July 2023 to 30 June 2024 for businesses with an aggregated turnover of less than \$10m
 - Small Business Energy Incentive – providing an additional 20% deduction of the cost of eligible depreciating assets that support more efficient use of energy for businesses with an aggregated turnover of less than \$50m.

Tony Goding Assistant Commissioner, ATO, advised on Action Item 20230308-01 Update on direction to educate modules – how the modules were developed and who was involved in this process.

The module content and structure were developed through a gap analysis including using data from:

- the random enquiry program findings
- risk assessment and treatment plans
- existing webinar feedback from small business owners.

The modules were developed in consultation with ATO Marketing and Communications, Small Business Risk and Strategy and Technical Leadership and Advice areas. SEAF member inclusion will be suggested when these modules are user-tested.

The Australian Border Force (ABF) were an apology for this meeting.

Electronic Sales Suppression Technology presentation

Assistant Commissioner Peter Vujanic and Director Jacinta Lawson of the ATO presented on Electronic Sales Suppression Technology (ESST) to the forum, covering:

- Overview of ESST – the ‘what’ and ‘how’
- ESST legislation
- Quantifying the tax risk, and
- ATO compliance strategy and observations.

There was general member interest in continuing to examine this issue, and in working with industry associations to alert them about this threat and ways to combat it. ESST will be discussed further in future meetings.

CPA Australia Asia-Pacific Small Business Survey

Gavan Ord, CPA Australia presented on the results of the CPA Australia Asia-Pacific Small Business Survey 2022-23 to the forum, covering:

- Survey design and methodology – including 4,280 small business participants
- Small business demographics
- Business and economic conditions
- Cash use within small business data
- Technology and innovation
- Characteristics of high growth businesses, and
- Characteristics of Australian small businesses.

Other business

A member survey regarding this forum has been issued to members with a due date to respond by 31 May 2023.

Face to face meetings were tabled and some members indicated interest in pursuing this for a future meeting.

Members to consider providing a 'Deep Dive' for the industry or organisation they represent at future forum meetings and advise the secretariat if they are agreeable.

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Shadow Economy Advisory Forum key messages 8 March 2023

Key topics discussed at the Shadow Economy Advisory Forum meeting 8 March 2023.

17 May 2023

Welcome and chair update

Chair Will Day, welcomed attendees. No conflicts of interest were declared. Dr Michael Schaper's appointment as Chair of the Gaming and Wagering Commission of Western Australia was noted. Members were reminded of confidentiality requirements.

New members Suresh Manickam and Jason Robertson were welcomed to the forum.

Information protection presentation

Angelene Falk of Office of the Australian Information Commissioner (OAIC) presented to the forum, covering:

- role of OAIC
- practical steps businesses can take to protect the data they hold
- advice regarding collection, retention and verification of personal information in our increasingly digitalised environment
- level of threat, risk, damage and cost to industries caused by identity theft
- regulatory requirements for organisations to make timely assessment of data breaches and notify individuals affected by a data breach.



Member updates

Industry members shared key observations which focussed broadly on current environmental pressures. The discussion noted:

- businesses have less focus on their compliance obligations whilst they struggle to remain afloat
- small businesses continue to be impacted by labour shortages and supply chain issues
- merchant fees are impacting business, resulting in a movement back to a preference for cash sales
- consumer demand is trending down in value, but not in volume
- business to business trade is trending down, with businesses moving to 'just in time' inventory rather than purchasing in bulk.

Agency updates

Geoff Francis provided an update on the following:

- Small Business Technology Investment Boost and Small Business [Skills and Training Boost](#)  legislation
 - The Senate Economics Legislation Committee recommended the bill be passed.
- [Streamlining excise administration: Aligning reporting for smaller business and allowing small-scale takeaway beer sales](#) , consultation period 2 February 2023 to 16 February 2023
- Draft legislation [Strengthening the ABN system](#) , consultation period 1 November 2022 to 29 November 2022.

Katie O'Brien, Australian Border Force (ABF) advised the Australian National Audit Office audit 'Implementation of the government's response to the Black Economy Taskforce Report' is ongoing.

The ABF published an Australian Customs Notice (ACN) No. 2022/42 – 'Conversion of cryptocurrencies into Australian dollars – customs valuation' advising owners who paid for their imported goods using a cryptocurrency, will need to convert this into Australian dollars based on the exchange rate for cryptocurrency on the day of exportation.

Tony Goding advised on the Sharing Economy Reporting Regime – certain ride sourcing and accommodation providers are required to report from 1 July 2023 and other platforms will report from 1 July 2024.

Direction to educate, tax-records education direction can now be used instead of imposing financial penalties, where appropriate during compliance interactions. The basic module will take approximately 45 minutes to complete.

Electronic Sales Suppression Technology work is progressing in the ATO, information about this strategy and insights gained to date will be brought to the forum in a future meeting.

Action item	20230308-01
Due date	May 2023

Responsibility	Tony Goding, ATO
Action item details	Provide the forum with an update of how the Direction to educate modules are being developed, and who is involved in the development process.

Other business

Suggested topic for discussion at a future meeting – Modernisation of Business Register review.

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Shadow Economy Advisory Forum key messages 17 November 2022

Summary of the key topics discussed at the Shadow Economy Advisory Forum meeting on 17 November 2022.

12 December 2022

Welcome and chair update

Co-chairs Dr Michael Schaper and Deputy Commissioner Will Day, welcomed attendees. There were no conflicts of interest declared, and members were reminded of confidentiality requirements.

Assistant Commissioner Tony Goding was introduced as the forum's new ATO advisor, replacing Peter Holt. The co-chairs thanked Peter for his efforts setting up and working with the forum.

Member updates

Industry members shared key observations which focussed broadly on current environmental pressures. The discussion noted:


- Difficulties that small businesses experience with cash flow, especially during times of natural disasters and are exacerbated by

big businesses that delay paying their supplier bills.

- Supply chain issues, staffing shortages and wage rises continue to place pressure on all industries while business to business transactions remain strong.
- Businesses who pay employees in cash are vulnerable to complaints relating to non-payment of withholding tax or superannuation if the relationship breaks down.
- There are privacy concerns relating to the introduction of the public beneficial ownership registry,
- The retail sector has performed well over the past 18 months due to online shopping but expects lower consumer spending to result from rising inflation rates.
- The increase of interest rates is likely to lead to lower consumer confidence and higher cost of doing businesses, with potential consequence of insolvency wave.

Action item	20221117-01
Due date	February 2023
Responsibility	Tony Goding
Action item details	Discuss the rent-a-chair and hybrid arrangements in the hairdressing industry with Sandy Chong.

CPA annual Asia-Pacific survey

Gavan Ord provided an overview of the results of the 2021–22 CPA Australia’s annual [Asia-Pacific small business survey](#) . It is a quantitative survey of approximately 4,500 small businesses across Australia, New Zealand and Asia. The survey results provide an indicator of the prevalence of the (hidden) cash economy on the small business community.

Australian small businesses showed small but significant differences in comparison with other countries in the Asia-Pacific region. The survey indicated that Australian small businesses are least likely to:

- have a significant reliance on cash sales

- earn revenue from online sales
- have reviewed their cybersecurity in the past 6 months.

The results showed that businesses with 5 to 19 employees are most likely to take cash as part of their business transactions.

The survey also indicated that Australian small businesses have a slow digital uptake, including adoption of new payment options, in comparison to other countries. Australia and New Zealand's ageing small business demographics combined with minimal new business churn may be having an impact on overall business performance.

Action item	20221117-02
Due date	9 February 2023
Responsibility	Members
Action item details	Suggest shadow economy questions for future CPA Australia survey of small businesses.

Action item	20221117-03
Due date	9 February 2023
Responsibility	Geoff Francis
Action item details	Provide an update on the status of the Small Business Technology Investment Boost and Small Business Skills and Training Boost draft legislation.

Data breach concerns

The Department of Home Affairs estimates that cyber security incidents (leading to fraud and identity crime) cost the Australian economy up to \$29 billion per year. Data breaches are often carried

out for the purpose of identity theft or fraud by cybercriminals who operate in the shadow economy.

A significant data breach has the potential to wipe out small to medium sized businesses, and often results in lost revenue and interrupted services, as well as significant reputational damage. The penalties imposed for data breaches are also becoming tougher.

The forum discussed the difficulties small business owners experience in managing cyber security threats and identified 3 focus areas for future discussion:

- the need for education on the practical steps that small businesses can take to protect the data they hold
- the general pressures of increasing costs as an inhibitor to investing in cyber security (for example, CPA Australia's annual Asia-Pacific small business survey results identified that only around 35% of Australian small businesses have reviewed their cybersecurity in the past 6 months)
- how small businesses can protect themselves from unscrupulous cyber security professionals who seek to exploit business vulnerabilities
- advice regarding retention and/or verification of personal and commercial information in an increasingly digitalised environment.

The Office of the Australian Information Commissioner has been invited to speak to the forum.

Effective media and messaging

Stuart Austin, Media Unit, ATO discussed the ATO's proactive media approach and the July 2022 media release **Tipped off: ATO reveals most dobbed-in industries**. The release gained excellent traction across national and local media outlets with a potential audience reach of 11.6 million. It demonstrates how an effective proactive media strategy can be used to advocate matters relating to the shadow economy.

The success of the proactive media approach was due to several factors:

- a newsworthy topic to attract attention with new information or data

- providing the media release under embargo to a trusted journalist
- content that is easy for journalists to use for news stories
- availability of a trained media spokesperson.

The ATO will use this approach in future releases on topics relating to the shadow economy, for example: industry-specific, regional and prosecutions.

Members are invited to partner with the ATO to develop industry-specific approaches.


Agency updates

Tony Goding advised that the agency is participating in the Australian National Audit Office's (ANAO's) audit of the Black Economy Taskforce recommendations. The ANAO is assessing the effectiveness of the implementation of the government response to the Black Economy Taskforce report.

The update also included an overview of the October 2022–23 Australian Government Budget ATO measures. The Shadow Economy funding has been extended for 3 years from 1 July 2023. The ATO will continue to support to the Black Economy Standing Taskforce and its compliance approaches to levelling the playing field for small businesses.

Funding has also been provided to the ATO to continue leading the Tax Avoidance Taskforce, address over-claiming of personal income tax deductions and participate in the Fusion Taskforce (which will focus on National Disability Insurance Agency non-compliance).

Katie O'Brien, Australian Border Force (ABF) advised the agency is also participating in the ANAO's audit of the Black Economy Taskforce recommendations.

The forum was advised that ABF also has a community tipoff facility, [Borderwatch](#) , which captures reports of suspicious border activities.

Geoff Francis confirmed that Treasury is also participating in the ANAO's audit of the Black Economy Taskforce recommendations. It was noted that the review of legislation banning the use of electronic suppression software is close to completion.

Other business

The 2023 forward meeting schedule will be confirmed. The meeting closed at 12.20 pm AEDT.

Attendees

Attendee's list

Organisation	Attendees
ATO	Will Day (Co-chair), Small Business
ATO	Alison Scardingo, Integrated Compliance
ATO	Debra Goldfinch (Secretariat), Small Business
ATO	Jane Li, Small Business
ATO	Tony Goding, Small Business
ATO	Stuart Austin, ATO Corporate
Australian Border Force	Katie O'Brien
Australian Hairdressing Council	Sandy Chong
Australian Retailers Association	Jason Robertson
Australian Small Business and Family Enterprise Ombudsman	Bruce Billson
Chartered Accountants Australia and New Zealand	Donna Bagnall
CPA Australia	Elinor Kasapidis

CPA Australia	Gavan Ord
Independent	Michael Schaper (Co-chair)
Master Builders Association	Simon Butt
Treasury	Geoff Francis
Treasury	Liz Jaspers

Apologies

Apologies list

Organisation	Member
Australian Border Force	Kimberlee Stamatis
Australian Retailers Association	Paul Zahra
Chartered Accountants Australia and New Zealand	Susan Franks
Council of Small Business of Australia	Peter Strong
Recruitment, Consulting and Staffing Association of Australia and New Zealand	Charles Cameron
Restaurant and Catering Industry Association	Belinda Clarke

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Shadow Economy Advisory Forum key messages 9 August 2022

Summary of the key topics discussed at the Shadow Economy Advisory Forum meeting on 9 August 2022.

21 November 2022

Summary of the key topics discussed at the Shadow Economy Advisory Forum meeting on 9 August 2022.

Welcome and chair update

Co-chairs Dr Michael Schaper and Assistant Commissioner Peter Holt welcomed attendees. No conflicts of interest were declared by the members.

New members Laura Berger-Thomson, Department of Treasury, Kimberlee Stamatis, Australian Border Force and Simon Butt, Master Builders Association were introduced to the forum.

Deputy Commissioner Will Day was announced as the new co-chair as Deborah Jenkins has moved to a new role.

Members were reminded of confidentiality requirements associated with forum discussions. Should information be required for circulation outside this forum, members are to engage co-chairs who will ensure appropriately classified information is provided for dissemination.

It was noted that the members agreed to extend the tenure and membership of the forum by 12 months, until 30 June 2023.

Member updates

Industry members shared key observations which focussed on factors contributing to a highly challenging business environment. The discussion included:

- raising awareness of the shadow economy by focusing on the behaviour rather than the industry of those high-risk businesses
- cross agency communications and the reference to shadow or black economy (using different words to resonate depending on the industry)
- acknowledging that the terminology could be tailored to the industry and audience to identify the associated shadow economy behaviours

- the impacts of natural disasters and the ongoing pandemic on the mental wellbeing of small business owners and broader community
- businesses are struggling due to a lack of financial literacy
- people may be reluctant to re-engage with the tax system due to a fear of potential consequences
- the construction industry is facing labour and material shortages, including supply chain issues due to the pandemic and the war between Russia and Ukraine
- cash is being used by both employers and employees to avoid some obligations.

Action item	20220809-01
Due date	To be advised
Responsibility	Co-chair Dr Michael Schaper
Action item details	Circulate 'In the Black' article when available.

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Action item	20220809-02
Due date	November 2022
Responsibility	Peter Holt
Action item details	Advise if the tax gap analysis can be used to develop regional messaging

Environmental scan

It was noted that the current environment could result in some businesses shifting their behaviours towards the shadow economy.

Australia's seasonally adjusted unemployment rate was at a record low of 3.5% in June 2022. The inflation rate has increased to 6.14% and the current Reserve Bank of Australia cash rate is 1.85%.

Members noted that the impacts of these issues vary across each sector so messaging needs to be tailored. It is important to communicate the right message for those who want to be honest and provide them with guidance.

Digital systems also have an impact. There is a reluctance, especially in older generations, to onboard new technology. Positive social media messages could engage with millions and target different industries. Communication should be limited to 3 messages at a time as this is more beneficial / easy to recall. The building and construction industry is one of the most reluctant industries to trust digital systems. This is being addressed by providing social media training and education on good business via apprenticeships and in-game messaging.

Members noted that direct messages at the right channels are beneficial towards nudging them to towards legitimacy.

Community research

The ATO conducted research before the COVID-19 pandemic to better understand the shadow economy behaviour, drivers, and demographics of the population. Members were asked to comment on another round of research.

It was noted that consumer behaviour has shifted away from cash over the last few years, but the value of Australian banknotes has increased (up nearly 20% since the start of the pandemic). Many view the cash economy as a victimless crime, with no harm caused or disadvantages to them.

Business and social peer groups can have the greatest influences on a community's belief and behaviour in the cash economy.

Members noted the previous research and expected the same findings will result. They emphasised that it is the behaviour that needs to shift, and this will not change until cultural, technological or generational change eventuates and therefore it is vital to understand the moral reasoning behind the behaviour.

Agency updates

Geoff Francis, Assistant Secretary Treasury provided an update on the Sharing economy reporting regime and the 'direction to educate' legislation.

The legislation has now passed the House of Representatives and been introduced to the Senate.

Kimberlee Stamatis advised that on 1 June 2022 Hon Claire O'Neill was appointed as the Minister for Home Affairs. Hon Andrew Giles is the new Minister of Immigration. It was also noted that because of Machinery of Government changes, the Freedom from Modern Slavery policy now sits with the Attorney General's Department.

Peter Holt advised the 4 year program of funding provided to the ATO to implement the recommendations included in the Black Economy Taskforce Report finished on 30 June 2022. The program raised additional liabilities of \$3.8 billion. New measures to increase voluntary compliance and data and analytics profiling have improved the identification of participants and made it more difficult to participate in the shadow economy.

Action item	20220809-03
Due date	November 2022
Responsibility	Peter Holt
Action item details	Share a status update on the new legislation with Elinor Kasapidis.

Other business

Following on from the Shadow Economy Advisory Forum meeting in May 2022, Gavan Ord has offered to share some detail from the CPA annual Asia-Pacific survey of small to medium enterprise finances, including cash sales and the use of new payment technologies. Gavan is currently on leave and therefore it will be noted on the agenda for the next meeting.

Meeting closed at 3:45 pm.

Attendees

Attendees list

Organisation	Attendees
ATO	Will Day (Co-chair), Small Business
ATO	Debra Goldfinch (Secretariat), Small Business
ATO	Katerina Bosevski (Secretariat), Small Business
ATO	Peter Holt, Small Business
Australian Border Force	Kimberlee Stamatis
Australian Hairdressing Council	Sandy Chong
Australian Retailers Association	Jason Robertson
Australian Small Business and Family Enterprise Ombudsman	Bruce Billson
Chartered Accountants Australia and New Zealand	Susan Franks
Council of Small Business of Australia	Peter Strong
CPA Australia	Elinor Kasapidis
Independent	Michael Schaper (Co- chair)
Master Builders Association	Simon Buttr
Recruitment, Consulting and Staffing Association of Australia and New Zealand	Charles Cameron
Restaurant and Catering Industry Association	Brendon Zhu

Treasury	Geoff Francis
Treasury	Laura Berger-Thomson

Apologies

Apologies list

Organisation	Member
Australian Retailers Association	Paul Zahra
Restaurant and Catering Industry Association	Belinda Clarke

70953

Shadow Economy Advisory Forum key messages 10 May 2022

Summary of the key topics discussed at the Shadow Economy Advisory Forum meeting on 10 May 2022.

7 July 2022

Welcome and chair update

Co-chairs Deputy Commissioner, Deborah Jenkins ATO and Dr Michael Schaper welcomed attendees; no conflicts of interest were declared. While not a conflict, Dr Schaper advised he is now a member of the board of the Gaming and Wagering Commission of Western Australia. The work of Secretary, Paul McCullough, Treasury was acknowledged on his retirement. New member, Simon Butt, Master Builders Association was welcomed to the forum, although he was an apology for this meeting.

Members were reminded of confidentiality requirements associated with forum discussions. Should information be required for circulation

outside this forum, members are to engage co-chairs who will ensure appropriately classified information is provided for dissemination. Caretaker mode was noted.

Community engagement and messaging

Members were presented with a pack of draft messaging artefacts for discussion and feedback along with a calendar of potential speaking opportunities. The draft messages were in an industry-voice, designed to be delivered from members other than the ATO.

Members identified that the term 'shadow economy' may not resonate with all business owners in their industries and suggested using the term 'cash economy' or other alternatives. It was acknowledged that terminology could be tailored to the industry and audience to identify the associated shadow economy behaviours. The growing use of electronic sales suppression tools as growing risk was also raised, acknowledging that the shadow economy is more than the 'cash economy'.

Members agreed firm language is needed to highlight that under reporting activities is a criminal offence, which is not victimless nor good business practice. There was discussion about some international examples. Other suggestions included to make messaging personal/emotive, focus on the ramifications and punishments for engaging in criminal activities, and to explore using behavioural economics to develop messages that would influence the audience. Members also raised additional speaking opportunities for the calendar.

Action item	20220510-1
Due date	30 June 2022
Responsibility	ATO
Action item details	ATO to update messaging pack and calendar based on feedback and discussion from members.

Member updates

Industry members shared key observations which focussed on factors contributing to a highly challenging business environment. This included:

- high inflation not previously encountered by business owners
- wage increases, rising fuel costs, increasing cost of supplies, increase in interest rates, supply chain disruptions, profit margin pressures, insurance affordability, access to finance
- payment of deferred rents and likelihood of annual rental increases based on Consumer Price Index in the coming year
- future changes to the super guarantee percentage and the removing the \$450 per month threshold for super guarantee
- difficulty in attracting and retaining staff is an issue with many industries seeing demand for their services/products at or exceeding pre-pandemic levels, but they are unable to meet demand due to staff and or skill shortages
- COVID-19 has meant changing business models, including hybrid models to ensure on-going sustainability.

Agency updates

Geoff Francis, Assistant Secretary Treasury advised the legislation to introduce a sharing economy reporting regime and the legislation to enable the Commissioner of Taxation to direct an entity to complete an approved record-keeping course as an alternative to financial penalties, known as direction to educate, did not pass the Senate prior to the election being called. This will be progressed with the incoming government, along with the review of the Increasing the integrity of the Commonwealth procurement process measure.

Geoff also advised that the Strengthening the Australian Business Number (ABN) system measure start date has been delayed by 12 months as announced in the recent federal budget.

Vanessa Holben, Customs, Australian Border Force (ABF) advised that the ABF Commissioner will deliver the keynote address at the inaugural International Forwarders and Customs Brokers Association of Australia conference on 20 May 2022. Data connectedness with industry will be a focus of the address. Vanessa also advised that integrity in supply

chains would be an ABF focus next year and agreed to speak with members out of session on the topic of modern slavery.

Deb Goldfinch, Director ATO advised that additional funding was received for a 12 month shadow economy work program as part of Mid-Year Economic and Fiscal Outlook with focus on our compliance program, and prevention work.

Deborah Jenkins, Deputy Commissioner ATO provided members with information about Operation Protego. Deborah thanked members for sharing the recent media release and highlighted that work was underway to address the proliferation of this GST refund fraud risk, including working with banks and social media platforms. A hotline is in place and people are asked to contact the hotline if they have engaged in this behaviour inadvertently.

Action item	20220510-2
Due date	June 2022
Responsibility	Vanessa Holben, ABF
Action item details	ABF to connect with Charles Cameron, Recruitment, Consulting and Staffing Association of Australia and New Zealand and Susan Franks, Chartered Accountants Australia and New Zealand regarding modern slavery.

The next 12 months

Agreement was provided by members to extend the tenure and membership of this forum by 12 months and renew the forum charter. There was discussion around the value of the trust built between forum members, both in and out of session. Future potential meeting topics were raised, including covering behavioural insights, the international context, changes to the taxable payments reporting system, as it relates to shadow economy and the CPA Asia Pacific Small Business Survey results.

Action item	20220510-3
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Due date	30 June 2022
Responsibility	Co-Chairs Deborah Jenkins and Dr Michael Schaper
Action item details	Endorse updated forum charter.

Other business

Co-chairs and members discussed the potential for a face-to-face meeting of this forum. The meeting closed at 3:50 pm.

Action item	20220510-4
Due date	June 2022
Responsibility	Co-Chairs Deborah Jenkins and Dr Michael Schaper
Action item details	Co-chairs to brief new member, Simon Butt, out of session.

Action item	20220510-5
Due date	30 June 2022
Responsibility	Secretariat
Action item details	Test appetite and explore options for a potential face-to-face meeting of the Shadow Economy Advisory Forum.

Attendees

Attendees list

Organisation	Attendees
ATO	Deborah Jenkins (Co-chair), Small Business
ATO	Debra Goldfinch (Secretariat), Small Business
ATO	Johnathon Dickson (Secretariat), Small Business
Australian Border Force	Matthew Mennilli
Australian Border Force	Vanessa Holben
Australian Hairdressing Council	Sandy Chong
Australian Retailers Association	Jason Robertson
Australian Small Business and Family Enterprise Ombudsman	Bruce Billson
Chartered Accountants Australia and New Zealand	Susan Franks
Council of Small Business of Australia	Peter Strong
CPA Australia	Gavan Ord
Independent	Dr Michael Schaper (Co-chair)
Recruitment, Consulting and Staffing Association of Australia and New Zealand	Charles Cameron
Restaurant and Catering Industry Association	Wes Lambert
Treasury	Geoff Francis

Treasury	Tim Woltmann
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Guest attendees

Guest attendees list

Organisation	Attendees
ATO	Clare Gunning, ATO Corporate
ATO	Sarah Tuite, Small Business

Apologies

Apologies list

Organisation	Member
Master Builders Association	Simon Butler

70020

Shadow Economy Advisory Forum key messages 8 February 2022

Summary of the key topics discussed at the Shadow Economy Advisory Forum meeting 8 February 2022.

22 March 2022

Welcome and chair update

Co-chairs Deputy Commissioner Deborah Jenkins and Dr Michael Schaper welcomed attendees. No conflicts of interest were declared,

and members were reminded of confidentiality requirements.

Deborah Jenkins advised that government announced an extension to shadow economy compliance funding for 12 months to June 2023, at mid-year economic and fiscal outlook in December.

Industry led messaging approach and plan

Members discussed benefits of industry leaders speaking up and sharing stories to shift and normalise the desired small business culture, using behavioural insights, industry associations and networks to dispel inaccurate messages the group would like to address.

Key messages

Encourage people to take personal responsibility (whether as a consumer, employee, or business owner/manager).

Good business pays, for example, those businesses in the system were eligible for government support during COVID-19, while those in the shadow economy were not.

Action item	20220208-1
Due date	March 2022
Responsibility	ATO
Action item details	ATO to prepare material and key messages for industry use.

Director identification number and phoenix

The ATO provided an update on the recent changes to director identification number (director ID) and how this will assist in identifying phoenix activity. Members discussed the messaging to directors and were interested in examples of how the ATO will use the director ID. Members expressed an interest in obtaining additional information to share with industry associations and members.

Agency updates

Assistant Commissioner, Peter Holt, ATO advised:

- The ATO continue conversations to consider the impact of COVID-19 and how it may shape the benchmarks in the future.

Geoff Francis, Treasury advised:

- Work is progressing on the sharing economy and ABN reform.

Vanessa Holben, Customs, Australian Border Force advised:

- A digital passenger declaration card is being introduced to coincide with the borders opening on 21 February 2022.

Member updates

Members highlighted key shadow economy issues, and the effects of COVID-19 from their perspectives including:

- Some COVID-19 orders are having unintended impacts. For example, vaccination mandates may see unvaccinated business owners/ staff migrating to the shadow economy when they are unable to return to their workplace but there is still demand for their services.
- Another two years of disruption is expected for small businesses.
- Some businesses are moving away from using professional advisors when they need them the most, for a range of reasons, including cost.
- The end of many deferred liabilities from previous periods is coming up in March 2022, for example commercial rent relief, loans deferrals and taxes deferred due to COVID-19 impacts.
- Importance of recognising that not all businesses are struggling due to COVID-19, some are doing well.
- Some zombie businesses are holding out in expectation of more government assistance.
- In some industries turnover is down as much as 40% this year.
- Some businesses undervalue their work by offering a discount for cash – discussion about the impact of such discounts.
- Currently consumer behaviour may be highly unpredictable as is COVID-19.

- Not having a single set of rules between state government COVID-19 systems can create complexity to the integrity of data.

Shadow economy issues including:

- The shadow economy does not occur in isolation, it is widespread across a range of tax (and non-tax) obligations.
- Delays across the supply chain are causing financial stress for many businesses.
- Building sector is still a significant source of shadow economy activity.
- Anecdotally cash remains prevalent in many regional areas.
- Is at odds with some of the media reports.
- Closure of banks outlets regionally is having detrimental effect.
- A lot of cash in circulation is getting harder to manage.

Action item	20220208-2
Due date	March 2022
Responsibility	Co-chairs Deborah Jenkins and Michael Schaper
Action item details	Invite a representative from the building and construction industry to join the forum.

Other business

Suggestion from members to invite a guest speaker to the meeting to discuss international examples of the shadow economy. ATO noted significant discussions happen globally and information exchange occurs through the Organisation for Economic Co-operation and Development Shadow Economy Community of Interest.

Action item	20220208-3
Due date	March 2022

Responsibility	ATO
Action item details	Consider and invite guest speaker to provide an international perspective to the forum

Attendees

Attendees list

Organisation	Attendees
ATO	Deborah Jenkins (Co-chair), Small Business
ATO	Peter Holt, Small Business
ATO	Debra Goldfinch (Secretariat), Small Business
ATO	Judy Tymms (Secretariat), Small Business
ATO	Katerina Bosevski (Secretariat), Small Business
Australian Border Force	Vanessa Holben
Australian Hairdressing Council	Sandy Chong
Australian Retailers Association	Jason Robertson
Australian Small Business and Family Enterprise Ombudsman	Bruce Billson
Chartered Accountants Australia and New Zealand	Susan Franks
Council of Small Business of	Peter Strong

Australia	
CPA Australia	Gavan Ord
Independent	Michael Schaper (Co-chair)
Recruitment, Consulting and Staffing Association of Australia and New Zealand	Charles Cameron
Restaurant and Catering Industry Association	Wes Lambert
Treasury	Geoff Francis
Treasury	Paul McCullough
Treasury	Tim Woltmann

Guest attendees

Guest attendees list

Organisation	Attendees
ATO	Michelle Crosby, Debt and Lodgment
ATO	Will Day, Small Business

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Shadow Economy Advisory Forum key messages 10 November 2021


Summary of the key topics discussed at the Shadow Economy Advisory Forum meeting 10 November 2021.

Welcome and chair update

Co-chairs Deputy Commissioner Deborah Jenkins and Dr Michael Schaper opened the meeting at 10.00am AEDST and welcomed attendees. No conflicts of interest were declared, and members were reminded of confidentiality requirements.

Deborah advised she had returned to the Deputy Commissioner, Small Business role. She also advised the ATO is gradually recommencing paused case work, as lockdown restrictions are lifted and considering clients' individual circumstances.



Agency updates

Assistant Commissioner, Peter Holt provided a general update to the group, including information about the most recent **tax gap** releases in the **ATO annual report**, and information about [Director identification number](#)  and Super reforms – Your Future, Your Super that commenced on 1 November 2021.

Members were interested in the specific industries and behaviours driving the shadow economy component of the tax gaps. There was discussion about the role that regulatory complexity plays, and whether there are opportunities to leverage community mindedness and use **small business benchmarks** to help address shadow economy behaviour.

Vanessa Holben, Customs, provided an update from Australian Border Force (ABF), highlighting current and future work as borders re-open, addressing migrant worker exploitation, and joint work with the ATO on illicit alcohol and illicit tobacco.

Members suggested there was an opportunity to position the ABF as an ally to small business owners who are doing the right thing.

Geoff Francis, Treasury, provided an update on [implementing a reporting regime for sharing economy platform providers](#) , [Australian Business Number \(ABN\) reforms](#)  and the review of the Commonwealth procurement rules, including statement of tax record.

An update was provided on the action item from last meeting about insecure work.


Action item	20211110-1
Due date	November 2021
Responsibility	Vanessa Holben and Bruce Billson
Action item details	There was discussion about positioning the work of the ABF as an ally for small business owners that are doing the right thing.

Analysis of ATO tip-offs – industry analysis update for members

Assistant Commissioner, Claire O'Neill provided an overview of the ATO's Tax Integrity Centre (an initiative of the Black Economy Taskforce) which plays a vital role in capturing community intelligence. The presentation covered industry analysis of tip-offs, breakdown of tip-offs by entity type and case studies. Key points included:

- the Tax Integrity Centre receives around 50,000 community tip-offs each year
- around half of the tip-offs received are related to shadow economy behaviours, which includes undeclared cash transactions, unexplained wealth, illegal tobacco, alcohol and drugs, mistreatment of workers, phoenix and scheme promoters
- the ATO considers every tip-off received
- not all tip-offs are substantiated.

Members showed a keen interest in the community intelligence and discussed the impact of COVID-19 leading to a reduction in cash transactions accounting for a reduction in tip-offs about this behaviour. There was discussion about an increase in tip-offs related to employers being driven by heightened awareness due to stimulus measures such as JobKeeper and the Early Release of Superannuation. It was re-iterated that not all tip-offs are substantiated and are sometimes based on perception.

There was discussion about illicit tobacco sales in legitimate retail businesses, and whether a barcode-based tracking system could mitigate this (noting this was an original recommendation of the [Black Economy Taskforce Final Report](#)  which was not progressed as

government introduced a range of other measures to combat illicit tobacco). The issue of increasing expenses for small businesses (for example, merchant fees) potentially driving shadow economy behaviour was raised.

Action item	20211110-2
Due date	February 2022
Responsibility	Secretariat
Action item details	Community intelligence to be added as a standing agenda item at future meetings

Member updates

Members highlighted key shadow economy issues from their perspectives, including:

- a small number of players in the shadow economy are having a disproportionate impact suggesting this should be a strong focus of regulators
- drivers 'pushing' small businesses to participate in shadow economy – including increasing expenses, reducing margins, industrial relations changes, and COVID-19 restrictions (for example, some unvaccinated workers not permitted on premises are operating unregistered home-based hairdressing businesses)
- potential to leverage environmental, social and governance notions and incentivise good behaviour of ethically and socially conscious businesses
- promote digitisation so that advisors, and others have better visibility of client activities
- highlighting the risks to consumers as a potential strategy to reduce consumer demand for goods and services purchased through the shadow economy (for example warranties, credit history)
- continuing to reduce regulatory complexity with a suggestion that further examination of the impact of regulation on the shadow economy in Australia may be of benefit.

The effects of COVID-19 were also discussed, including:

- a COVID-19-driven reduction in cash use potentially resolving some shadow economy issues in various sectors for example. the restaurant and catering sector – noting that other behaviours including the use of sales suppression software will continue to be monitored
- the impact on benchmarks for small business – for example, some businesses are carrying additional stock as a safeguard against delivery delays. This, along with the decrease in cash takings, will have an impact on benchmarks.

Action item	20211110-3
Due date	February 2022
Responsibility	Peter Holt
Action item details	ATO to consider and explore appropriateness reliance on historical data for benchmarks, given the impact of COVID-19.

Shadow Economy Advisory Forum future focus topics

Dr Michael Schaper facilitated the discussion around future focus topics for the Shadow Economy Advisory Forum (SEAF) and developing an action plan. Three focus concepts were introduced:

- exploring 'trusted trader' type programs
- an industry-led strategy to raise awareness of the shadow economy and the harm it causes
- proactive sharing of insights to support good compliance.

Member discussion demonstrated:

- Strong support for increased messaging to raise awareness that the shadow economy is not a victimless crime. It causes harm to the community, consumers and small business owners and there is an expectation that regulators will take action against those operating in the shadow economy and support those that do the right thing.

- More work may be needed to explore 'trusted trader' programs, ensuring consistent use of terminology (as it is being used in different contexts with different meaning), and explore costs and benefits to government and small business – not all members were supportive of this broad concept.
- Potential gaps in information sharing regarding work already underway to address the shadow economy including marketing and communications and specific programs.
- A suggestion to engage the building and construction industry in this forum.

Deborah Jenkins offered separate meetings with members to explore the shadow economy challenges and opportunities in their own sectors.

Action item	20211110-4
Due date	February 2022
Responsibility	Co-chairs and ATO staff
Action item details	The Co-chairs and ATO staff to develop a plan out of session.

Action item	20211110-5
Due date	February 2022
Responsibility	Secretariat
Action item details	ATO to circulate program of work based on Black Economy Taskforce Recommendations and Government announcements since that time.

Other business

Future agenda items were noted, and the meeting was closed at 12.30pm AEDST.

Attendees

Attendees list

Organisation	Members
ATO	Deborah Jenkins (Co-chair), Small Business
ATO	Peter Holt, Small Business
ATO	Sarah Tuite (Secretariat), Small Business
Australian Border Force	Vanessa Holben
Australian Hairdressing Council	Sandy Chong
Australian Retailers Association	Paul Zahra
Australian Small Business and Family Enterprise Ombudsman	Bruce Billson
Chartered Accountants Australia and New Zealand	Susan Franks
Council of Small Business of Australia	Peter Strong
CPA Australia	Elinor Kasapidis
Independent	Michael Schaper (Co-chair)
Recruitment, Consulting and Staffing Association of Australia and New Zealand	Charles Cameron

Restaurant and Catering Industry Association	Wes Lambert
Treasury	Paul McCullough

Guest attendees

Guest attendees list

Organisation	Attendees
ATO	Claire O'Neill, Debt and Lodgment
ATO	Debra Goldfinch, Small Business
ATO	Luke McCarthy, Debt and Lodgment
Treasury	Geoff Francis

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Shadow Economy Advisory Forum key messages 1 September 2021

Summary of key topics discussed at the Shadow Economy Advisory Forum meeting 1 September 2021.

9 November 2021

Welcome and chair update

The Co-chair, Dr Michael Schaper, welcomed attendees to the first meeting of the Shadow Economy Advisory Forum (SEAF). The SEAF has been established in place of the Black Economy Advisory Board, which wound up on 30 June 2021.

Andrew Watson, acting Deputy Commissioner, Small Business, ATO was introduced as the Co-chair of the forum.

The SEAF members endorsed the charter (in-principle) with the following five terms of reference:

- advising on improvements to the provision and timeliness of education and advice to businesses
- providing industry insights into non-compliant practices and behaviours
- identifying practical options to reduce regulatory or other compliance burdens
- actively influencing and promoting positive changes in behaviour to support a level playing field
- championing the benefits of engaging with the Australian tax and regulatory system to the community.

Action item	20210901-1
Due date	November 2021
Responsibility	Secretariat
Action item details	Add a fifth term of reference to charter and distribute final version to members with key meeting messages.

Treasury update

Treasury has several legal reforms under development which target the shadow economy:

- The Australian Business Registrar will be able to cancel an ABN if the entity fails to comply with their obligations, which includes not lodging their income tax returns for two or more consecutive years or not keeping their information up to date. The changes will be applied from 1 July 2022.
- Seventeen submissions were received relating to the exposure draft legislation to introduce a third-party reporting regime for sharing economy platform providers. The measure is being designed to

minimise the compliance burden and align to international standards.

SEAF members asked about insecure work, particularly safety risks.

Action item	20210901-2
Due date	November 2021
Responsibility	Treasury
Action item details	Advise the SEAF if action is being taken to address the risks relating to insecure work.

Shadow economy environment

Peter Holt provided an update on the shadow economy environment. The shadow economy continues to evolve in response to the changing environment. It is recognised that multi-pronged approach is required to address new risks forming across this landscape.

Member discussion on the topic included:

- Compliance remains complicated for many small businesses. Where businesses experience growth, they may be tempted to increase their deductions and reduce turnover to minimise their tax liability. Similarly, businesses with a reduction in turnover may resort to cash payments to survive – and cash payments to employees may lead to super guarantee errors.
- It is important to create messaging to highlight that participating in the shadow economy is not a victimless crime and may lead to a loss of benefits for businesses and their workers.
- Industry specific information is limited, however recent estimates suggest that in 2019 about 8% of cash earned in the hospitality industry was unreported while in 2020, this reduced to 2%.

Australian Border Force update

The Australian Border Force (ABF) is responsible for both the migration system and border control. It is one of the largest collectors of

government revenue and focuses on risks relating to illicit tobacco, counterfeit goods and modern slavery.

The agency is also implementing a trusted trader program which is being designed to reward businesses with good practices and compliance.

The issue of parallel importation in the hairdressing sector was raised.

Action item	20210901-3
Due date	November 2021
Responsibility	ABF
Action item details	ABF to discuss parallel importing issues relating to the hairdressing industry with Sandy Chong

ATO update

The ATO is delivering a multi-faceted approach to tackle the drivers of the shadow (formerly black) economy. Due to environmental changes such as the 2020 bushfire disaster and COVID-19 pandemic, the program has been adapted to focus on supporting taxpayers and small businesses.

The expansion of the Taxable Payments Reporting System (TPRS) provides greater visibility of contractor payments. A recent pilot was conducted to influence head contractor behaviour and resulted in noticeable reporting improvements, such as a reduction in payments to sub-contractors with outstanding income tax return lodgments. There are plans to apply this approach across all TPRS industries.

SEAF future focus

Members were invited to contribute their ideas on focus areas that the SEAF could work on in the future. The following potential topics were suggested by members and may be considered for action by the SEAF:

- A trusted trader program focussing on digitisation and payment terms.

- Messaging to small business and the community highlighting shadow economy impacts.
- Synchronisation with other government departments, use of meta data to support messaging.
- Use of intermediaries to promote shadow economy messages.
- Seeking industry input prior to compliance action.

Action item	20210901-4
Due date	November 2021
Responsibility	Secretariat
Action item details	Synthesise ideas for future focus.

Other business

Quarterly meetings have been scheduled for the following dates:

- 10 November 2021
- 8 February 2022
- 10 May 2022
- 9 August 2022
- 15 November 2022

Meetings will be held in the afternoon where possible.

Attendees

Attendees list

Organisation	Members
ATO	Andrew Watson (Co-chair), Small Business

ATO	Alison Scardigno (Secretariat), Small Business
Australian Border Force	Vanessa Holben
Australian Hairdressing Council	Sandy Chong
Australian Small Business and Family Enterprise Ombudsman	Bruce Billson
Chartered Accountants Australia and New Zealand	Susan Franks
Council of Small Business of Australia	Peter Strong
CPA Australia	Elinor Kasapidis
Independent	Michael Schaper (Co- chair)
Recruitment, Consulting and Staffing Association of Australia and New Zealand	Charles Cameron
Restaurant and Catering Industry Association	Wes Lambert
Treasury	Paul McCullough

Guest attendees

Guest attendees list

Organisation	Attendees
ATO	Deborah Jenkins, Small Business
ATO	Debra Goldfinch, Small Business

ATO	Jane Stott, Small Business
ATO	Peter Holt, Small Business
Australian Border Force	Gavin Butler
Australian Retailers Association	Tim Janczuk
Treasury	Geoff Francis

Apologies

Apologies list

Organisation	Member
Australian Retailers Association	Paul Zahra

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