



Australian Government  
Australian Taxation Office

# Identification and registration of SMEs and methods to reduce the informal economy

An Australian view

Presented by:  
Greg Topping  
Australian Taxation Office  
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Parallel Session 2  
Stream B

# Introduction

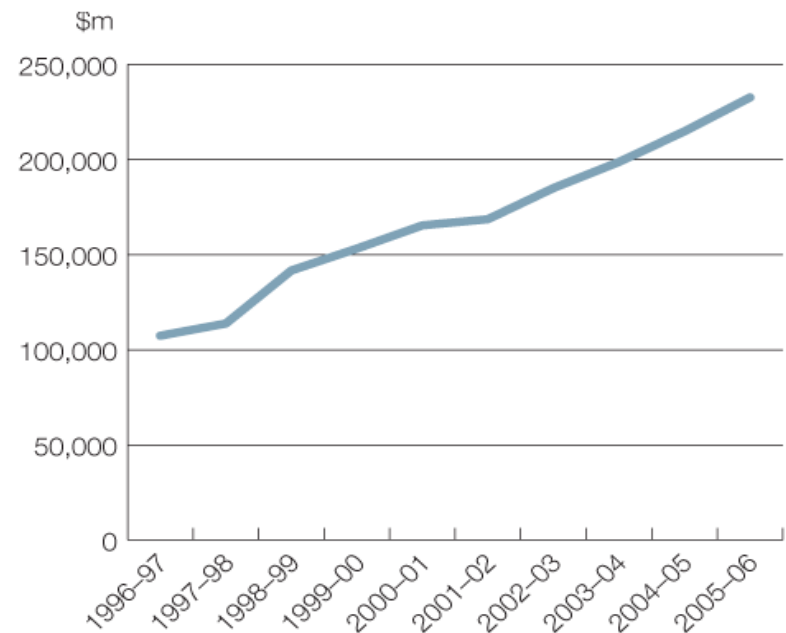
- Informal economy defined in many ways
- Representation of an endemic risk across many jurisdictions, including Australia
- The Australian definition of ‘cash economy’

# Overview of the Australian Tax System

- Self-assessment
- Taxes we collect
- Goods and services tax (GST)
- Our role to administer the tax system:

*To optimise voluntary compliance in a way that builds community confidence*

Total Tax Office collections, 1996–97 to 2005–06



# Our compliance approach

- Specific approaches to suit six market segments
- Cash economy compliance activity focus on the Micro segment
- Community attitudes to the cash economy
- Factors that influence participation in the cash economy



# Our cash economy journey

- Cash economy task force established in 1996
- Australian National Audit Office reports 2002 and 2006
- Move emphasis on *business to business* transactions to both:  
*business to business* transactions and  
*business to consumer* transactions
- Revision of cash economy definition to address non-declaring of cash transactions



# Impacts of tax system design on cash economy

- Higher degree of voluntary compliance in business to business transactions
- Integrity measures such as:
  - Australian Business Number
  - Australian Business Register
  - GST registration
  - Business Activity Statement
  - Non-ABN withholding

# More on integrity measures

- Incentives for businesses to register
- Easier for businesses to deal with each other when registered (for example non ABN withholding)
- Sanctions and penalties for non-compliance
- Easier access to the Tax Office through the Business Portal via [www.ato.gov.au](http://www.ato.gov.au)



# Change in definition and approach

- Revised definition of cash economy to focus on omitted income
- In 2007-08 introduction of specific strategies to address cash economy risks.

These are:

- Trade and business operation benchmarks
- Third party data
- Improvements to receiving and actioning community information
- Conspicuous consumption
- Non-compliance across multiple obligations

# Our ongoing focus

- Industry groups and association
- Tax Practitioners
- Research
- Community engagement



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