

# ATO steps up fight against tax havens

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The Australian Taxation Office will bolster efforts to target individuals and companies using tax havens, after a vow by the federal government to crack down on tax abuse and tax havens.

Authorities around the world have agreed to work together to try to make up for the loss of revenue caused by the global recession.

The ATO's "targeting tax crime" strategy was released yesterday, as the government confirmed that more than \$313 million in tax liabilities had been collected in the past financial year from Project Wickenby's investigations into cross-border tax avoidance and the targeting of phoenix business scams.

Phoenix companies deliberately go into liquidation to avoid tax and other financial liabilities and re-emerge as another corporate entity with the same management.

However, only \$117 million of \$406 million in total tax liabilities uncovered by Wickenby has been collected to date.

"The ongoing Wickenby investigations, prosecutions and reports in the media of tax avoidance by customers of certain overseas banks, indicates there is still much to be done," the ATO's assistant commissioner for international relations, Malcolm Allen, said. "The progress achieved in the past six months is significant and will contribute greatly to minimising opportunities for Australians to engage in tax crime globally, which deprives other Australians of vital tax revenue."

## Targets

### How the government is tackling tax crime

Project Wickenby	Serious non-compliance	Phoenix practices	Vanuatu tax avoidance schemes
<p>■ <b>Target</b> The abuse of overseas tax havens</p> <p>■ <b>Result</b> By the end of May, \$352.72m in tax liabilities was raised, more than \$110 million collected and over \$75m restrained from the proceeds of crime. The Tax Office also identified an additional \$76m in tax collected in subsequent years from people who have been subject to Wickenby action.</p>	<p>■ <b>Target</b> Serious fraud or evasion</p> <p>■ <b>Result</b> In the 2007-08 financial year, the ATO completed 178 audits, resulting in more than \$330m in tax liabilities being raised. During the same period, a total of 77 tax crime cases were brought to court, with convictions achieved in every case. Of these convictions, 46 resulted in jail sentences.</p>	<p>■ <b>Target</b> Businesses that use liquidation as a means of avoiding their financial obligations, without risking their assets and with the full intention of resuming business operations through a new entity.</p> <p>■ <b>Result</b> During the 2008-09 financial year the ATO had finalised 73 audits and raised \$83.3m in tax and penalties.</p>	<p>■ <b>Target</b> People using false invoices between Vanuatu and Australian companies that resulted in over-claiming of tax deductions.</p> <p>■ <b>Result</b> Some 90 audits have been conducted that have recovered more than \$100m in deductions. Charges of tax fraud and money laundering have also been laid against several offenders.</p>

SOURCE: ATO

World leaders at the Group of 20 summit in London in March agreed to increase co-operation on sharing tax information between revenue and law-enforcement authorities. The agreement included breaking down bank secrecy laws and tax havens that offer clients financial privacy, limited regulation and low taxes.

The Organisation for Economic Co-operation and Development estimates that up to \$7 trillion in global assets is held offshore in tax

havens, threatening government revenue and the integrity of the international financial system.

As well as stepping up efforts to work closely with overseas tax administrations, the ATO will increase liaison with local authorities.

The ATO will target organised criminal networks, including those that use sophisticated business models to disguise themselves as trade, travel and tourism operations.

The Tax Office will also expand

scrutiny of the use of offshore bank accounts and international credit cards.

Tax commissioner Michael D'Ascenzo warned that tax crime was not victimless, and cost the community money that could provide infrastructure, services and welfare support.

"If individuals and businesses don't pay their fair share of tax, this places an unfair burden on honest taxpayers and puts businesses under

a competitive disadvantage," he said. "We're working with our partner agencies and departments at the local, national and international level to out-manoeuvre tax criminals and preserve the integrity of Australia's tax and superannuation systems.

"Our objective is simple: we want to maintain community trust and confidence by coming down hard on tax crime, taking action to address secrecy, poor information-sharing, tax havens and money laundering."

The government extended the funding of Wickenby in the federal budget for three years, allocating a further \$122 million.

It is expected to sign agreements to exchange tax information with more opaque jurisdictions this year.

Over the past four years, Australia has signed such agreements with six jurisdictions previously considered to be tax havens: Antigua and Barbuda, Bermuda, the British Virgin Islands, the Isle of Man, the Netherlands, Antilles and Jersey.

The OECD threatened to blacklist countries that did not agree to take part in the international shake-up. This led to Liechtenstein, Andorra, Austria, Luxembourg and Jersey pledging to undertake to wind back bank secrecy rules.

The OECD also published a "grey list" of countries, including Switzerland, Singapore, Hong Kong and China, that have signed up to key standards of taxation and banking openness but not yet fully implemented them.