



**Australian Government**

**The Treasury**

3 July, 2018

**File:**

Mr Wayne Poels  
Executive Director  
Office of Best Practice Regulation  
Department of the Prime Minister and Cabinet  
1 National Circuit  
BARTON ACT 2600

Dear Mr Poels

**CERTIFICATION OF INDEPENDENT REVIEW: THE BLACK ECONOMY TASKFORCE FINAL REPORT EQUIVALENT TO A REGULATORY IMPACT STATEMENT (RIS)**

I am writing to you regarding the Regulatory Impact Statement (RIS) requirements for two measures – Expansion of the Taxable Payments Reporting System (TPRS) and an Illicit Tobacco Package – announced in the 2018-19 Budget in response to the Black Economy Taskforce Final Report.

I certify that the Black Economy Taskforce undertook a process and analysis equivalent to a Regulatory Impact Statement (RIS) in the preparation of the Black Economy Taskforce Final Report (attached) and wish to submit the report to meet the RIS requirements for these measures.

As part of the Cabinet Submission process, Treasury agreed regulatory costs for these two measures with your office. In my correspondence to you of 13 March 2018, I also certified that the Taskforce's final report adequately addressed the first four RIS questions for an Early Assessment RIS. Specifically, the Taskforce's report has:

- Identified that the black economy creates a growing negative economic and social impact;
- Stated that the objectives of Government intervention is to target factors that drive black economy participation, ensuring those who are doing the wrong thing are held accountable and without imposing a blanket regulatory burden on people doing the right thing;
- Provided a list of 80 recommendations, with each recommendation considering the most appropriate way to combat black economy activity through effective regulatory systems;
- Given thorough consideration to efficiency gains through recognising ongoing processes, existing taskforces and overlapping state and territory jurisdictions.

In regards to the three remaining RIS questions for these two measures, I again wish to certify that the Taskforce's report adequately addresses these questions.

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In regards to question 5, the report initiated broad-scale consultations including:

- a dedicated reference group sourced from major industry associations across Australia,
- a national roadshow to all capital cities and some major regional centres;
- 144 bilateral meetings with companies and associations from a range of industries;
- An open submissions process, eliciting 149 submissions from individuals and organisations;
- Close engagement across 20 Australian Government agencies.

Note that further consultation for these measures is also being conducted with relevant stakeholders and on draft legislation.

In regards to question 6, the report drew on consultations and submissions to consider the best options to address under-reporting of income by contractors and combat illicit tobacco. Government action draws directly from this work.

The TPRS will be expanded to the road freight, IT and security industries as recommended by the report.

The illicit tobacco package aims to address the three main sources of illicit tobacco (smuggling, domestic crops, and warehouse leakage). To achieve this, the package will follow the report's recommendations to:

- Move the taxing point for tobacco excise (addressing warehouse leakage); and
- Deliver coordinated enforcement through a new Illicit Tobacco Taskforce (addressing smuggling).

To support the work of the Illicit Tobacco Taskforce in addressing smuggling, a permit system will be introduced to provide for quicker and more efficient importation. The vast majority of tobacco is imported by three large companies who have indicated, through consultation, that they are supportive of this measure. Additional resources will also be provided to the Australian Taxation Office to address the third area of risk (domestic production) as well as to allow for a systems upgrade.

In regards to question 7 and as mentioned above, these two measures are largely being implemented in line with the report's recommendations. Both measures will require legislation, which is expected to be introduced in the Spring T sittings. Evaluation of these measures will occur through the 5-year review of the black economy measures as well as TPRS industry reports and tracking of tobacco seizure volumes.

I certify that the Taskforce's report has now adequately addressed all seven RIS questions.

I also note that the regulatory burden to business, community organisations or individuals has been quantified using the Australian Government's Regulatory Burden Measurement framework. These have been agreed with your office and are provided below.

<b>Average annual regulatory costs (from business as usual)</b>				
Change in costs	Business	Community organisations	Individuals	Total change in cost
Extending the Taxable Payments Reporting System (TPRS) to high risk industries	\$4,223,000	\$0	\$0	\$4,223,000
An Illicit Tobacco Package	-\$198,931	\$0	\$0	-\$198,931
<b>Total, by sector</b>	<b>\$4,024,069</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,024,069</b>

Regulatory offsets are yet to be identified and Treasury will seek to pursue net reductions in compliance costs by working with affected stakeholders and across Government to identify regulatory burden reductions where appropriate in the implementation of policy proposals.

Accordingly, I am satisfied that the attached report meets best practice consistent with the *Australian Government Guide to Regulation*.

Yours sincerely



Maryanne Mrakovic  
Deputy Secretary  
Revenue Group