



Australian Government

Australian Taxation Office

Precious Metals Industry Workshop

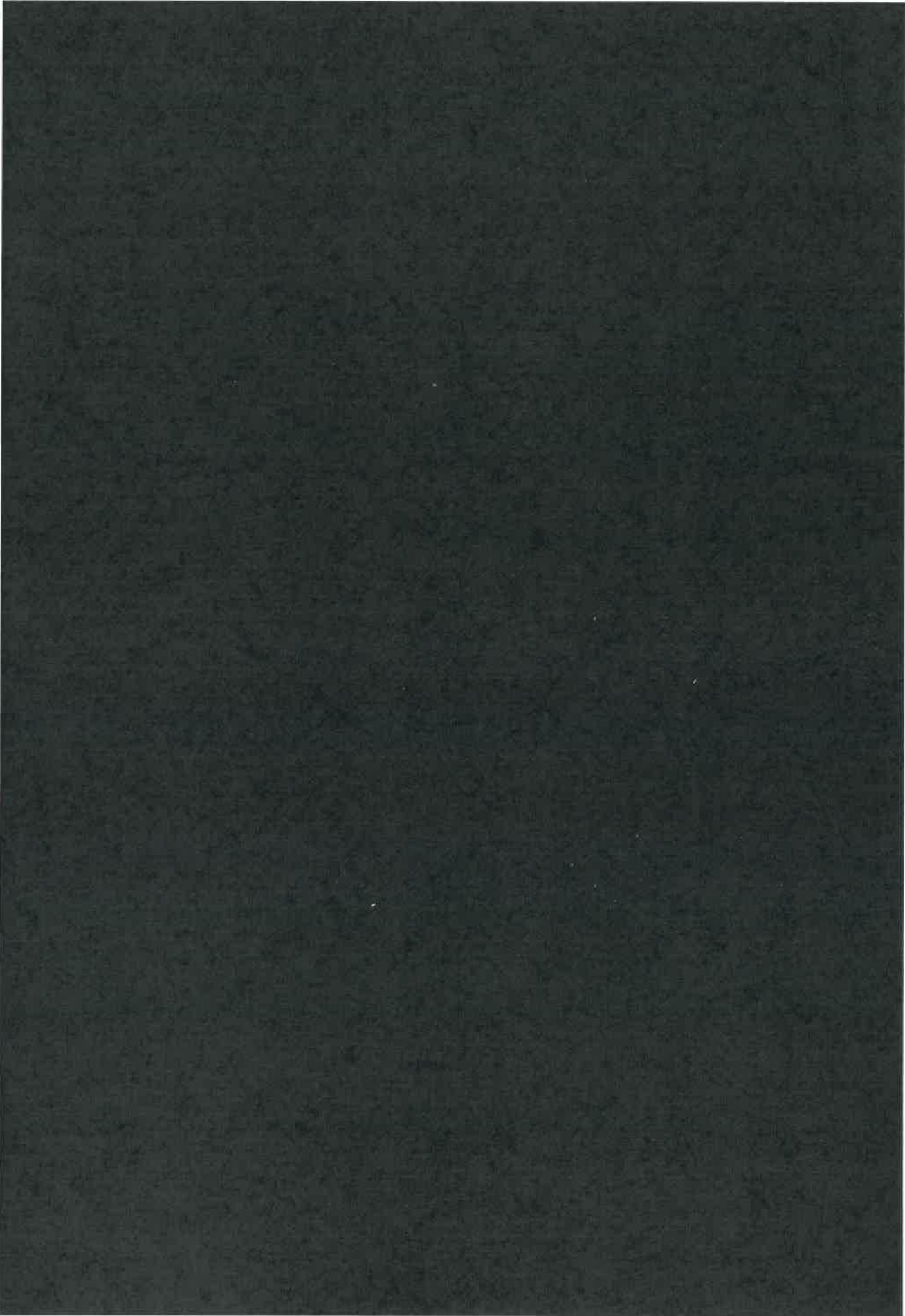
Improving Industry Compliance

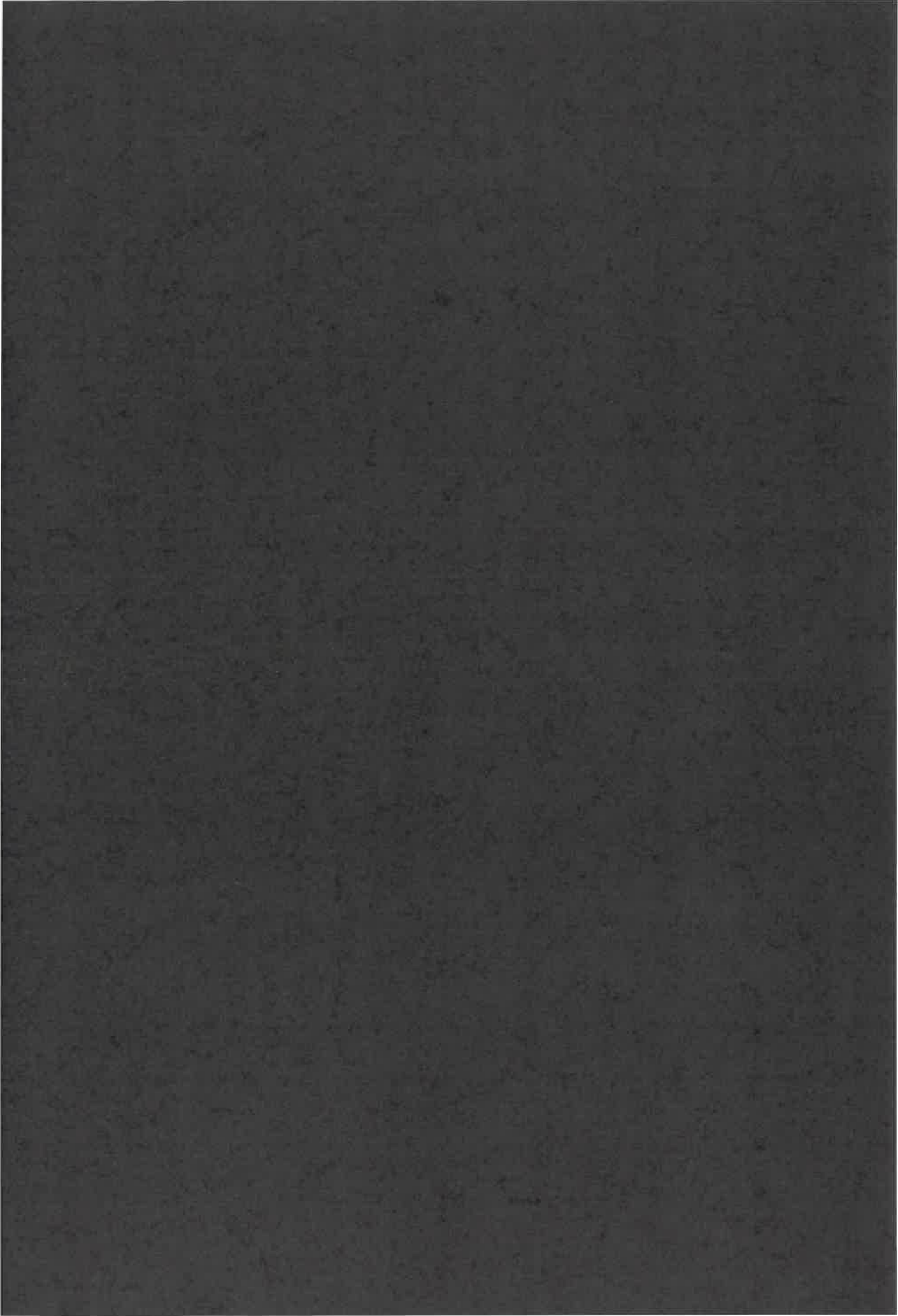
Australian Taxation Office
Risk & Strategy GST Evasion

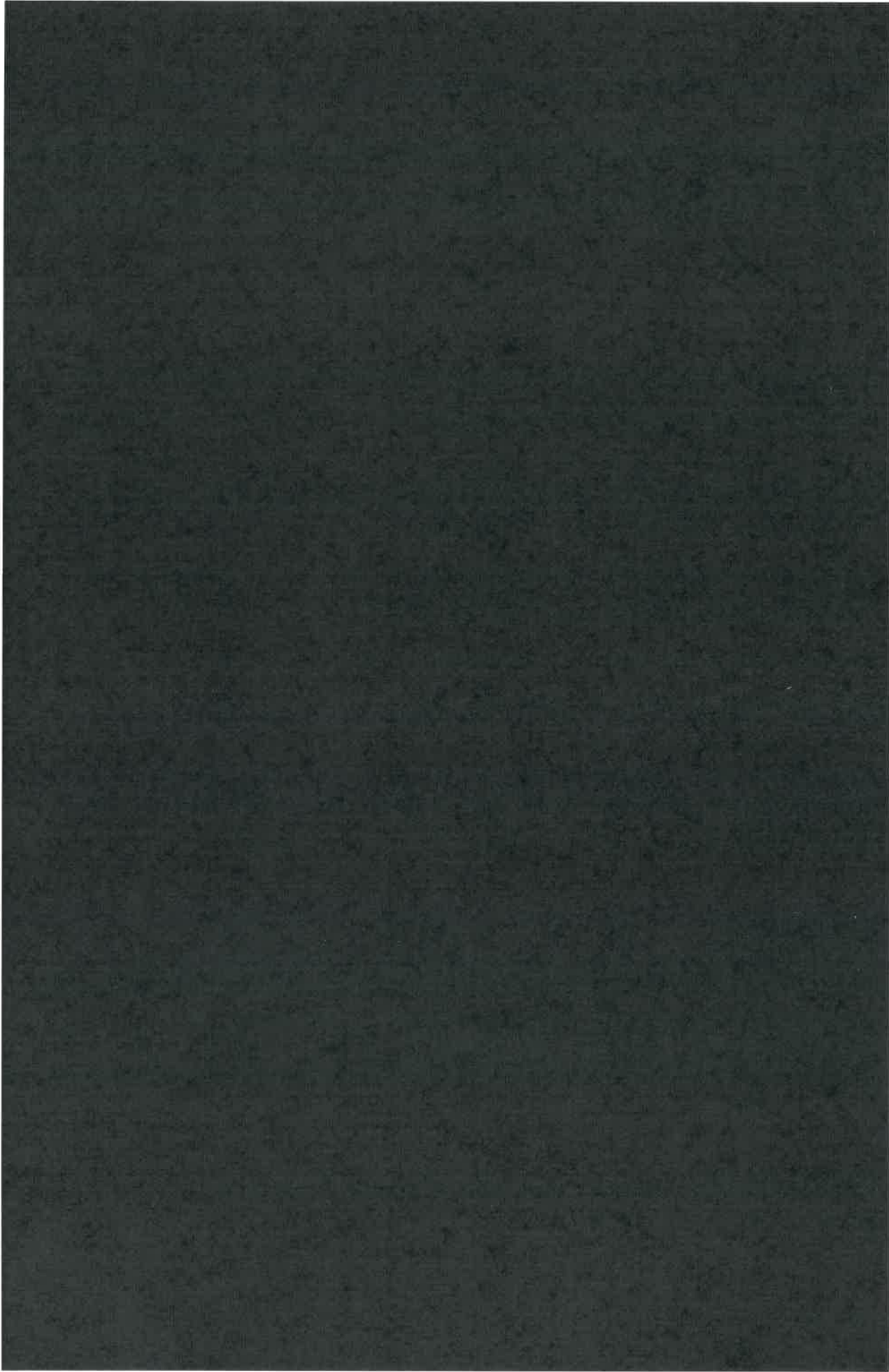
James Webeck
Jasmine Edwards

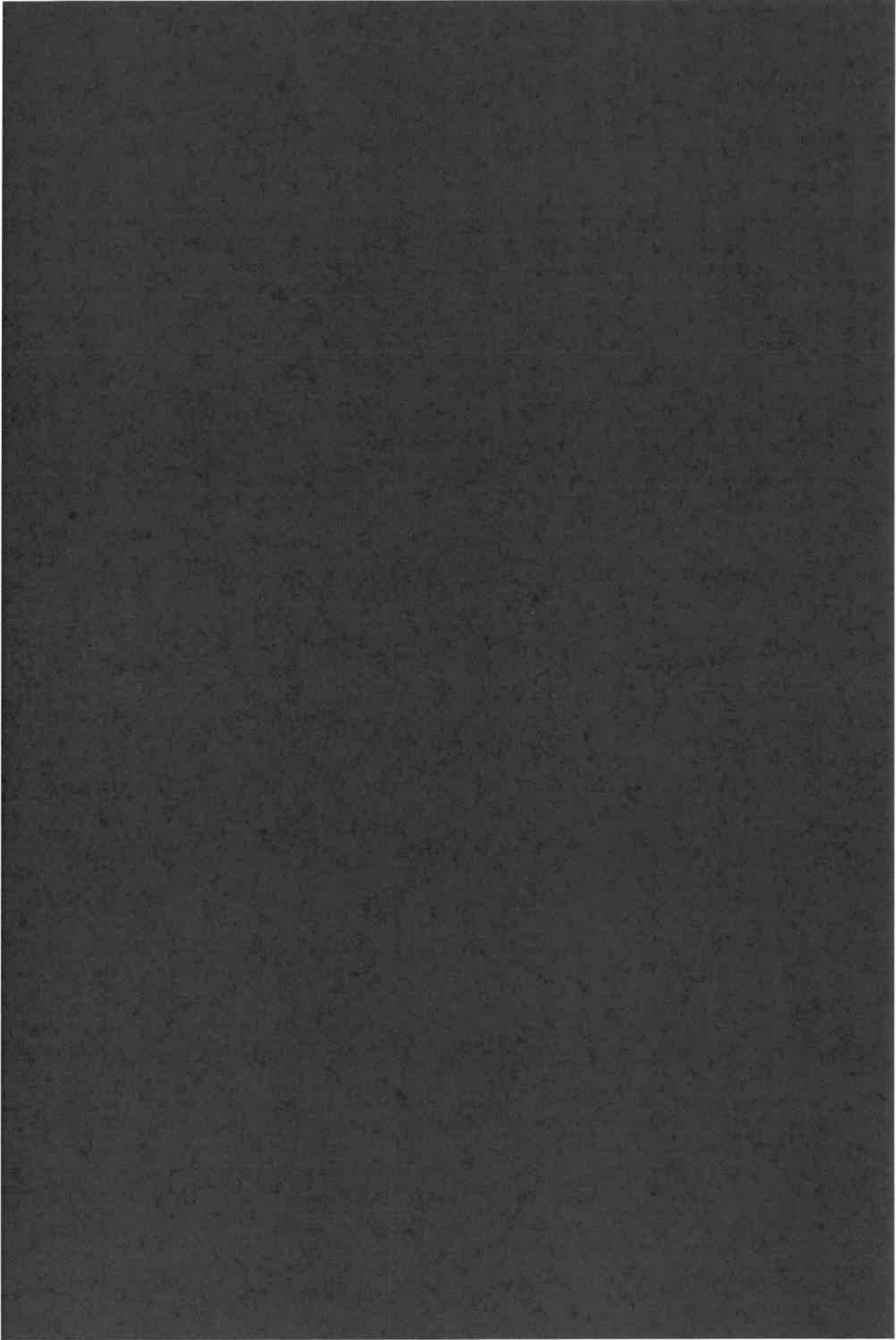
10th May 2016

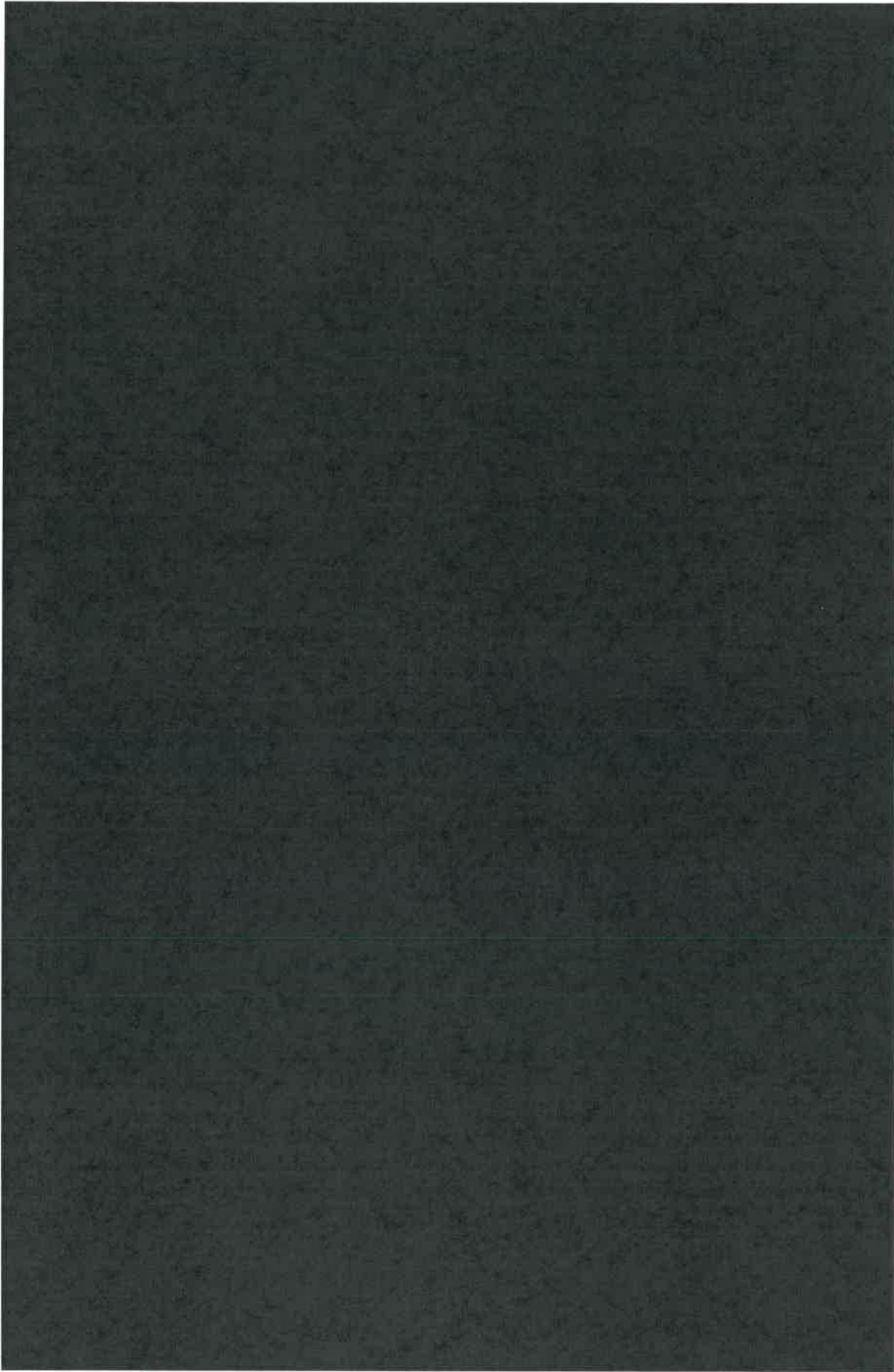


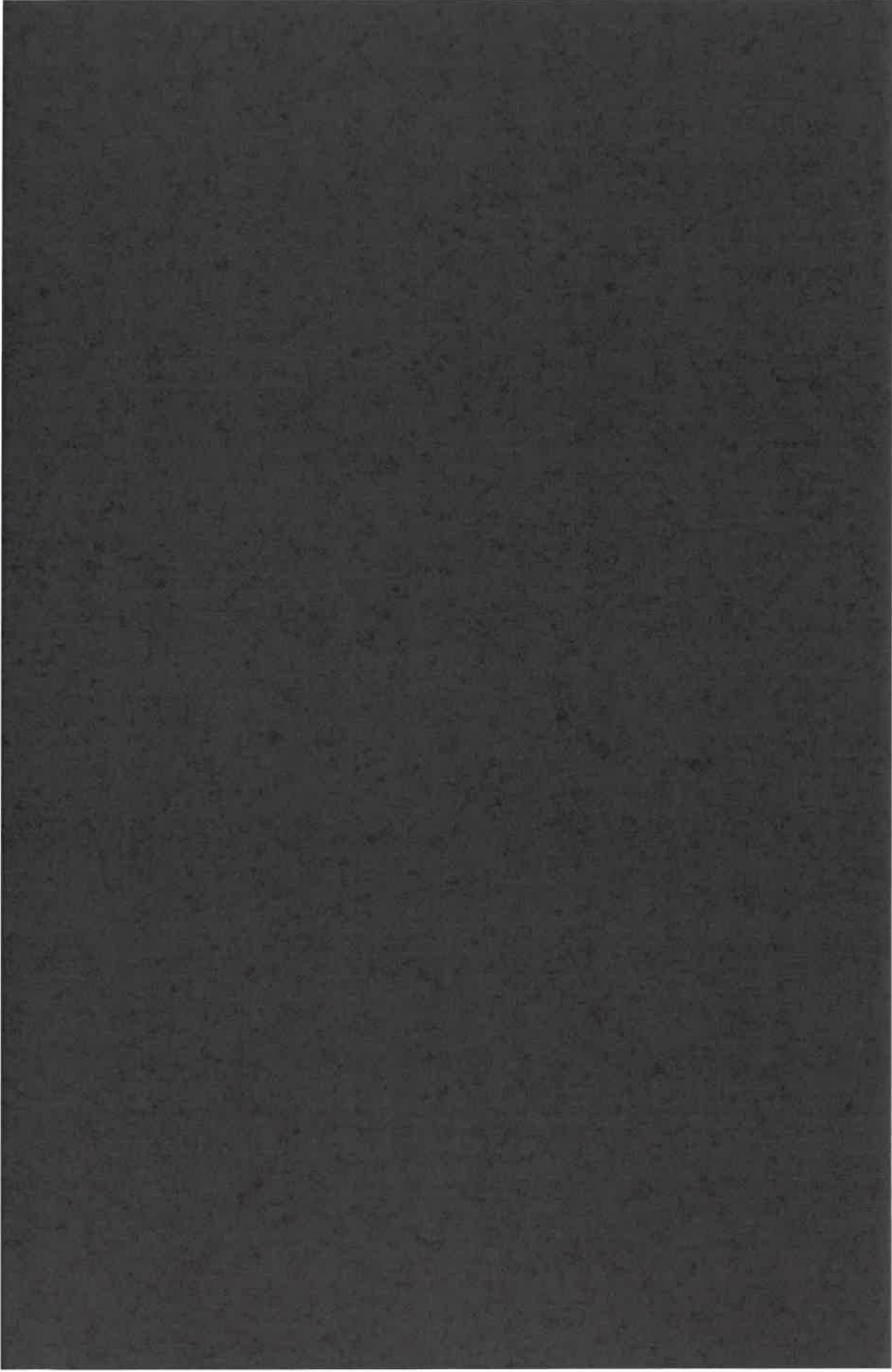




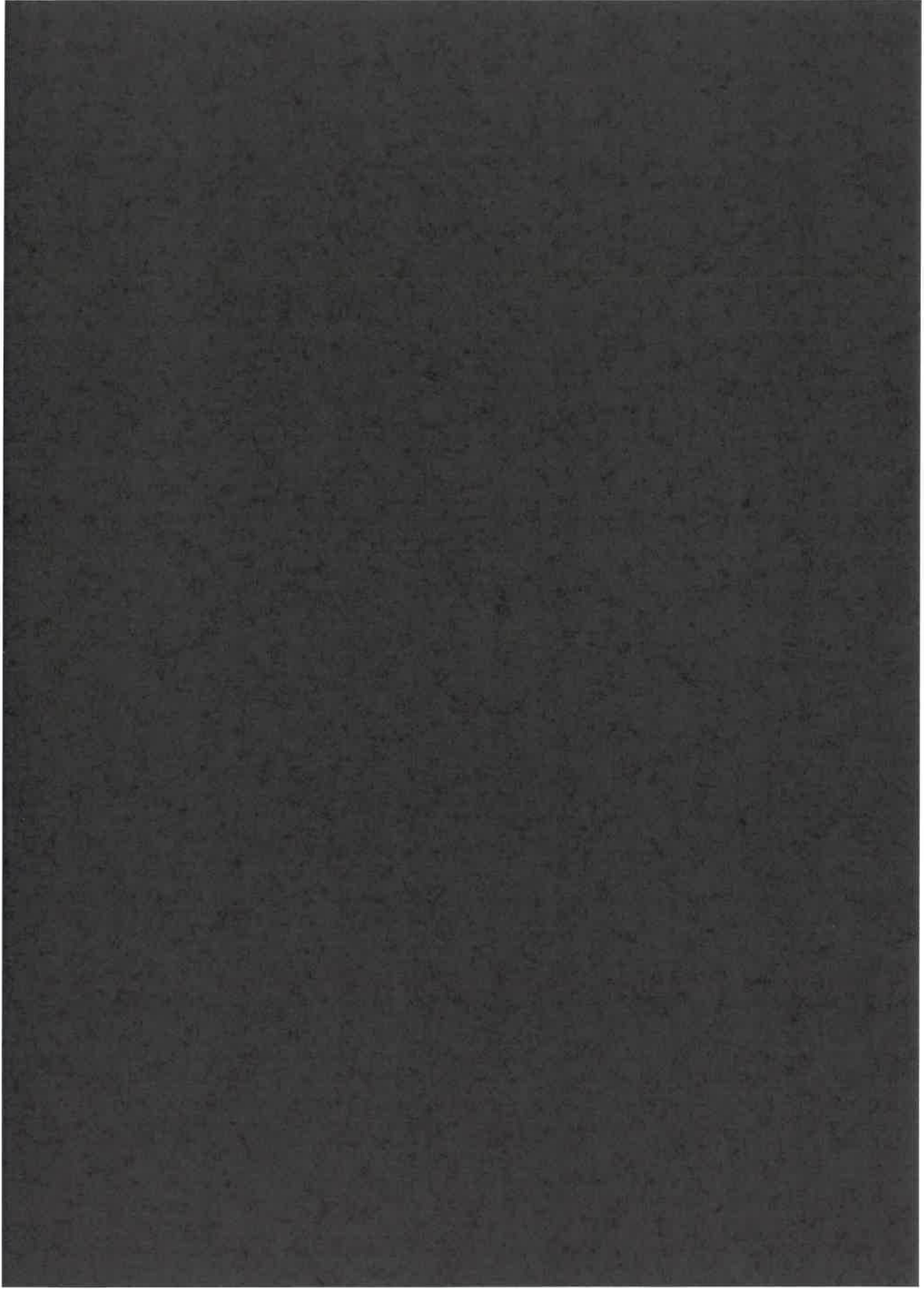












Issues



- ☐ Silo approach audit are not effective - labour and time intensive audit enquiries on “supply chains” are critical to ascertaining the true nature of transactions.
- ☐ Formal “information gathering” processes required for supply chain participants (*suppliers, contractors and employees*) and extensive third party enquiries (*notices, interviews and affidavits*) may not assist in establishing change of form due to collusion.
- ☐ WHS issues are evident within the industry as “mules” are recruited with criminal backgrounds.
- ☐ Real-time ATO response required to address behaviours (liquidation and insolvency, introduction of new supply chain entrants and increased volume trading) as proliferation is evident despite compliance activities.
- ☐ Issues with consistency in taxpayer treatment including technical (Private Binding Rulings - conflicting ATO views) and audit decisions – core provision arguments are difficult to sustain requiring use of anti-avoidance mechanisms.
- ☐ Restricted opportunities to prosecute and apply Criminal Assets Confiscation Taskforce (CACT) treatment.
- ☐ Debt Recovery opportunities are limited due to movement of precious metal and funds (in transit).
- ☐ Lack of level playing field and industry bodies – self regulation is unlikely due to competitiveness and significant profit incentives.
- ☐ The defacing and altering of precious metal is not a criminal offence – common theme in schemes (conversion).
- ☐ High value of transactions means that minimal transactions can result in significant leakage in short time frames.
- ☐ Retention of refunds (*Multiflex decision*) presents difficulties due to time limitations to hold and time taken to verify.



Case for Reform

- ☐ **Tax administration** - should be effective in the sense of ensuring high compliance by taxpayers, and efficient in ensuring administrative costs are low relative to revenue collected. Well-designed tax policy is required to address industry practices and emerging avoidance schemes as identified through compliance activities.
- ☐ **Simplicity** – legislative provisions should be easy for the government to administer and enforce and simple and inexpensive for taxpayers to comply with.
- ☐ **Efficiency** - reduce the compliance burden on government and taxpayers and prevent revenue leakage.
- ☐ **Certainty** - Provide certainty to the industry on technical application of legislation and remove ambiguity on issues which are subject to interpretation and manipulation (protect the community from future harm)
- ☐ **Scheme Prevention** - Identified schemes all involve the altering or misclassification of the “form” of precious metal, mechanisms are required to mitigate the problems and opportunity for artificial markets and profits.
- ☐ **Equity** - Facilitate a level playing field and remove opportunities for non-legitimate players to enter the market.
- ☐ **Whole of government** response to address criminality (punish, deter, disable)





IGT-PM-REQ2

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Treasury liaison and law reform

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- 10 May 2016 – Precious Metals Industry workshop, including attendees from Parliamentary and other key ATO stakeholders (document not provided due to case sensitive information).

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Supporting documents

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18. GST treatment of Precious Metals - from 10 May 2016 workshop (not provided due to case sensitive information)

[REDACTED]

[REDACTED]



Executive brief

Title: Precious Metals Industry – Law Reform – Treasury Engagement	
Issue date: 28 July 2016	
Sponsor: Kelly Canavan Les De Wind	Business line/branch: Indirect Tax
Author: Various	Contact: James Webeck x45804

Purpose of paper

To provide a suggested recommendation on a proposed outline of initial discussions with Treasury with respect to the Precious Metals Industry and our options for a legislative response:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Background

Overview

- [REDACTED]

2. A workshop was held on 10 May 2016 with key stakeholders. The discussion was guided by the *Precious Metals Industry GST Options Paper - Improving Industry Compliance (April 2016)* which articulated the operation of the industry, identified schemes, issues and provided a framework of potential options.

(b) (7)(C), (b) (7)(D)

Abstract

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ITX Executive Briefing Minute

COMMISSIONER(S):	George Montanez Assistant Commissioner ITX Public Group Engagement	Copies To:	Les De Wind Assistant Commissioner ITX PERMS
Subject:	Precious Metals Industry	Contact Officer:	James Webeck ITX PERMS Director
Issue Date:	6 th May, 2016.	Response Date:	N/A

Purpose

- To update you on the current status in progressing Legislative Reform considerations of intended application to the Precious Metals Industry.

Key messages

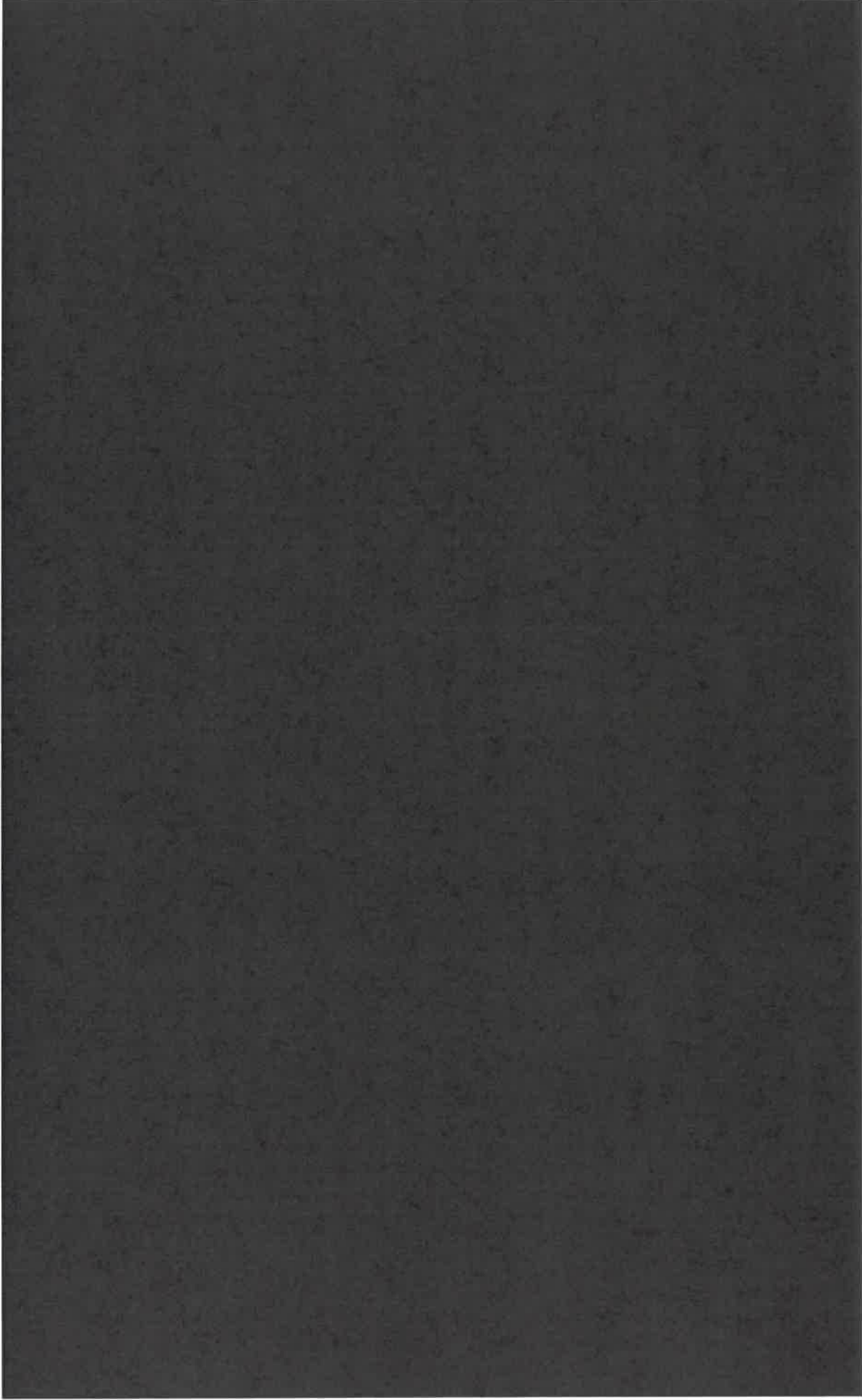
- As is evident from compliance and other actions to date the risk presents complexities in identification and treatment, principally due to unique attributes of the operation of the Precious Metals Industry and the current GST legislative framework.
- The potential for law reform is being considered as a potential opportunity to enhance the corporate capability to appropriately treat and mitigate the risk and impact observed industry behaviours.
- The current estimated revenue at risk is estimated to exceed \$250M p.a. with very real prospects of proliferation if left unaddressed.
- While administrative changes remain subject to consideration law reform is the preferred opportunity for risk mitigation. We have established limitations in effectively applying core provision arguments to the entities claiming the refunds. The anti avoidance provisions may prove effective in some instances however application requires significant time investment and complexity in audit conduct..
- ITX GST Evasion Risk & Strategy has ownership of reform and is well advanced in the progression of potential Treasury recommendations for the Precious Metals Industry.
- The key stakeholder group includes ITX GST Evasion Risk & Strategy, Integrated Tax Design, Technical Leadership and Advice and Government Relations.
- Exchange of information activities have been undertaken by ITX GST Evasion Risk & Strategy and other interested stakeholders, with jurisdictions including Canada and New Zealand. Singapore has provided a written legislative overview - no further discussions are expected at this stage. Other jurisdictions further being considered include United Kingdom and South Africa. New Zealand has the most comparative regime and further discussions may be required in the future, pending potential recommendations to be adopted.
- An Advocacy Alert has been issued to Treasury on 21st January, 2016 advising that the ATO is considering options to reduce the prevalence of non-compliance within the industry.
- Potential solutions to the identified issues have been articulated in an Options Paper which is scheduled to be presented in a workshop on 10 May 2016 with multiple stakeholders (ITX Risk, CA&E, PGH Audit, RDR, Smarter Data, RAB, Parliamentary Services and IDT).
- Industry consultation is considered likely should Reform be progressed.

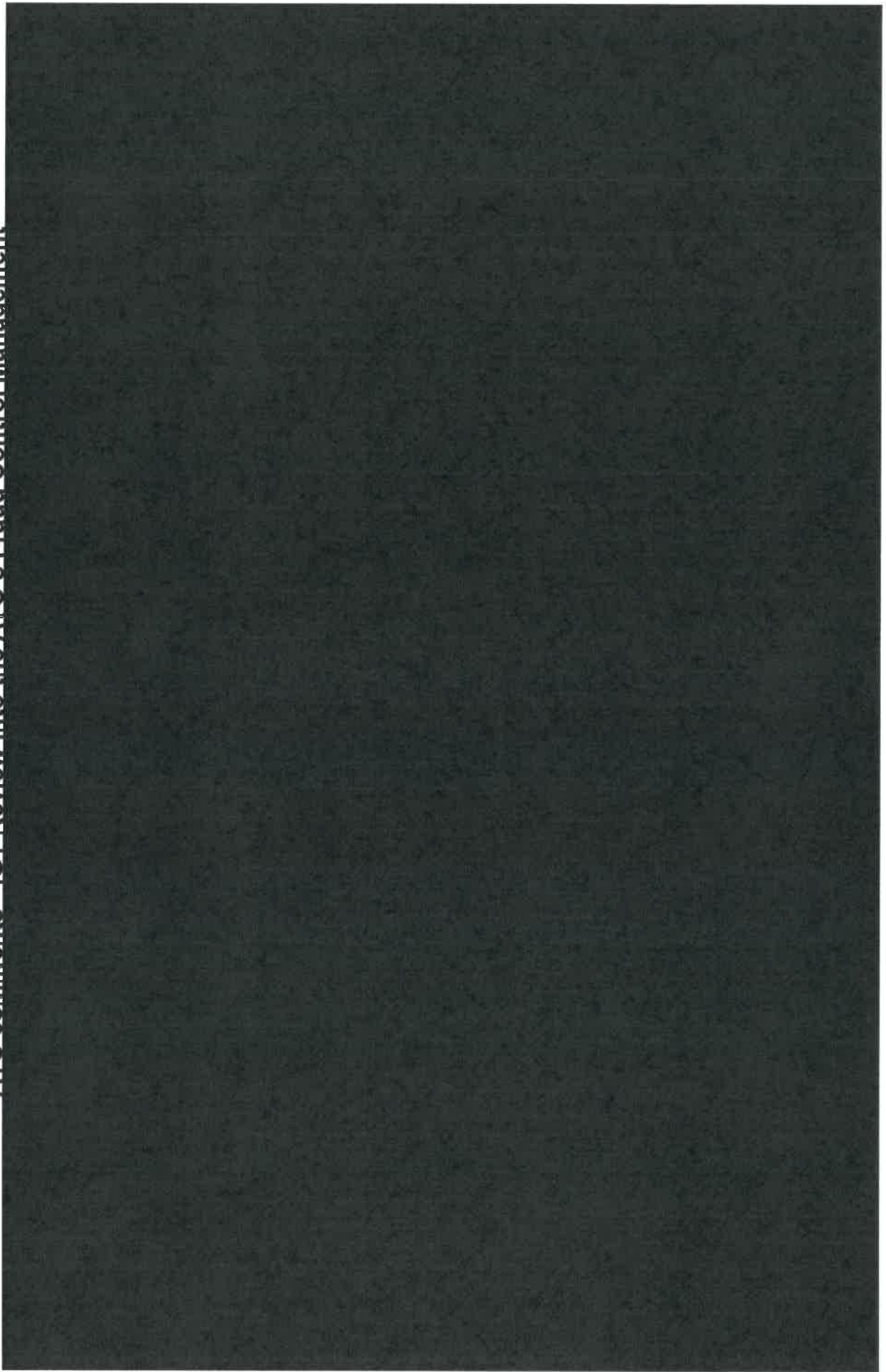
We will keep you informed of the progress in this matter.



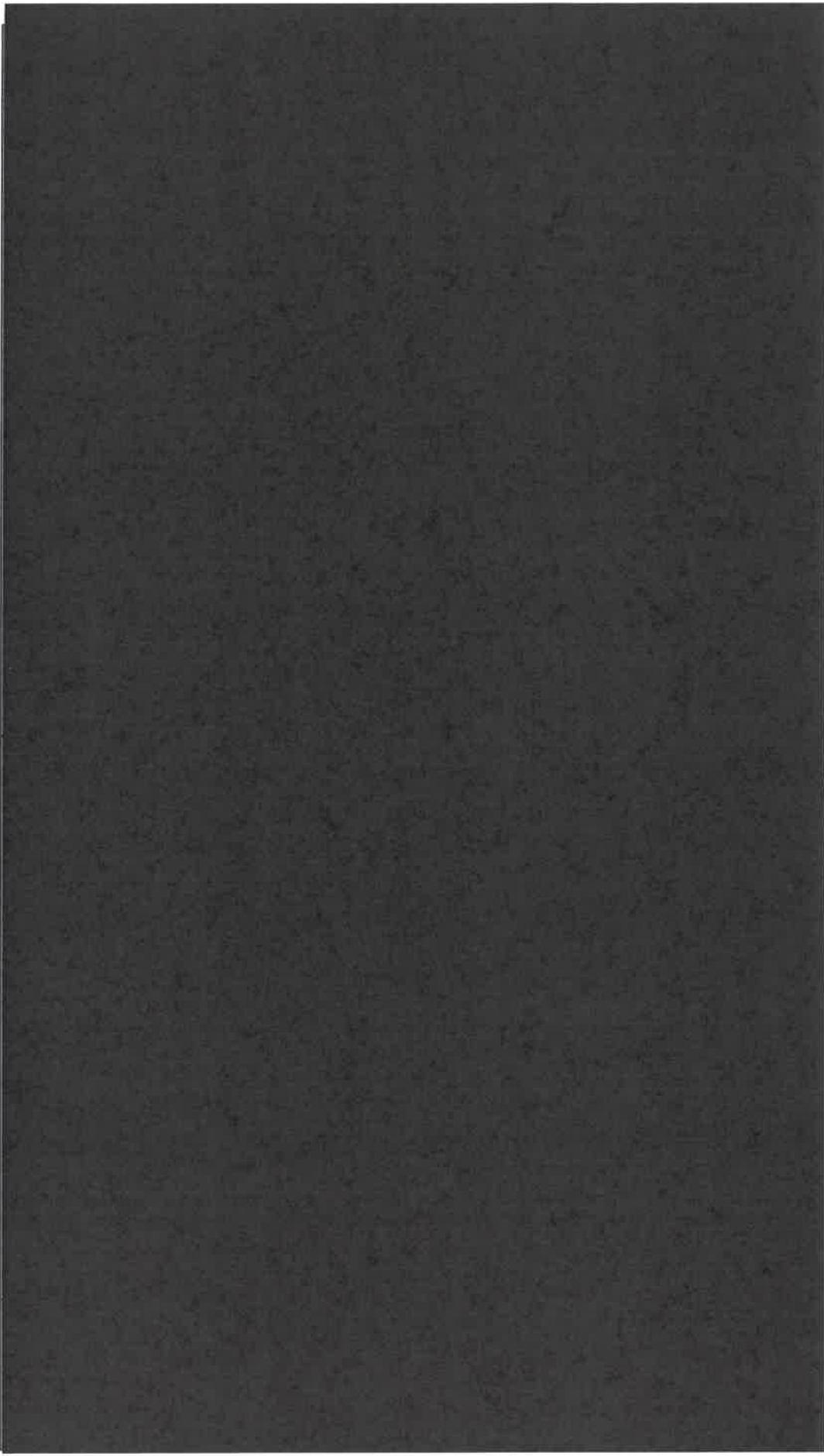
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ATTACHMENTS

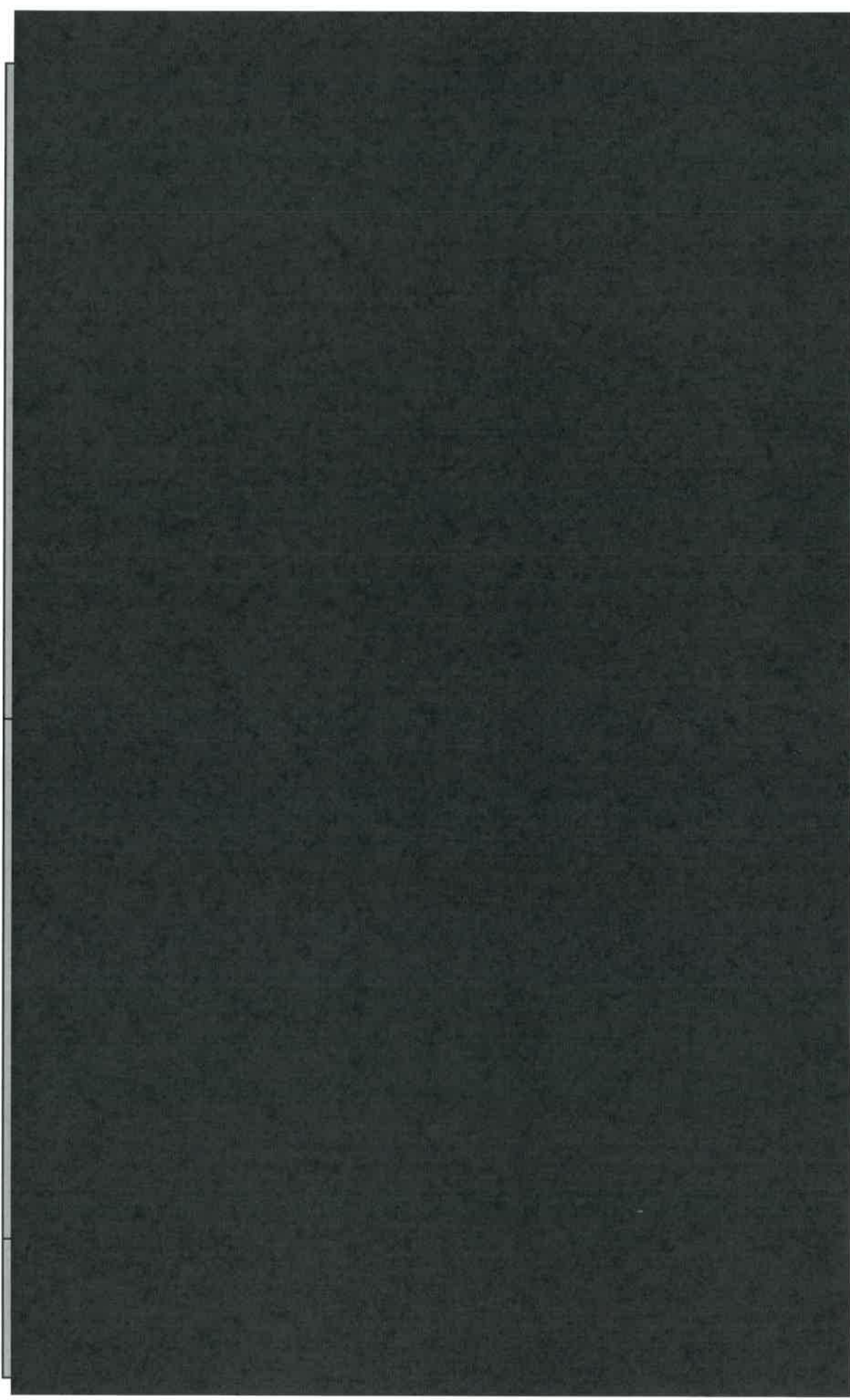


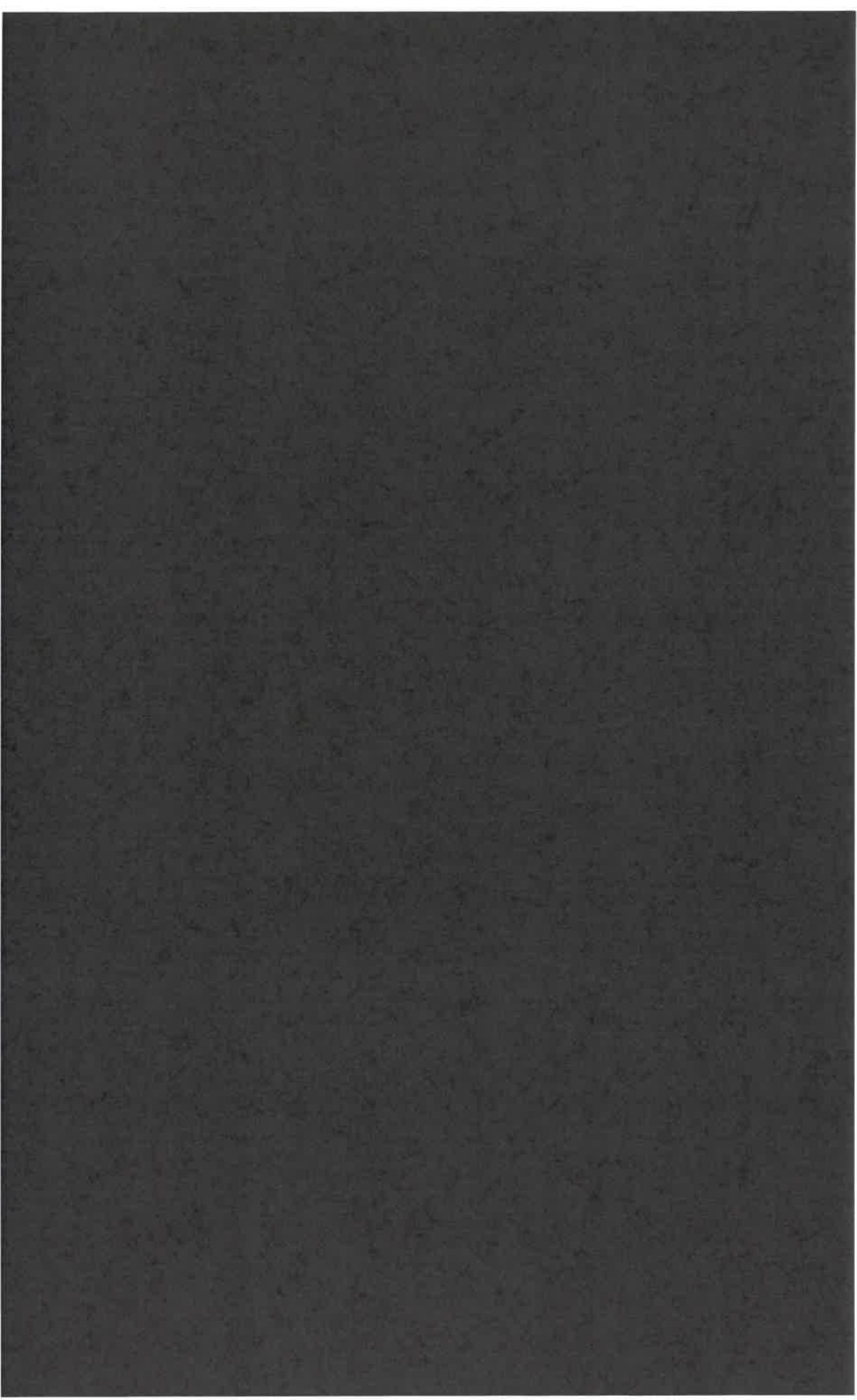


ATO comments - IGT Review into the ATO's Fraud Control Management

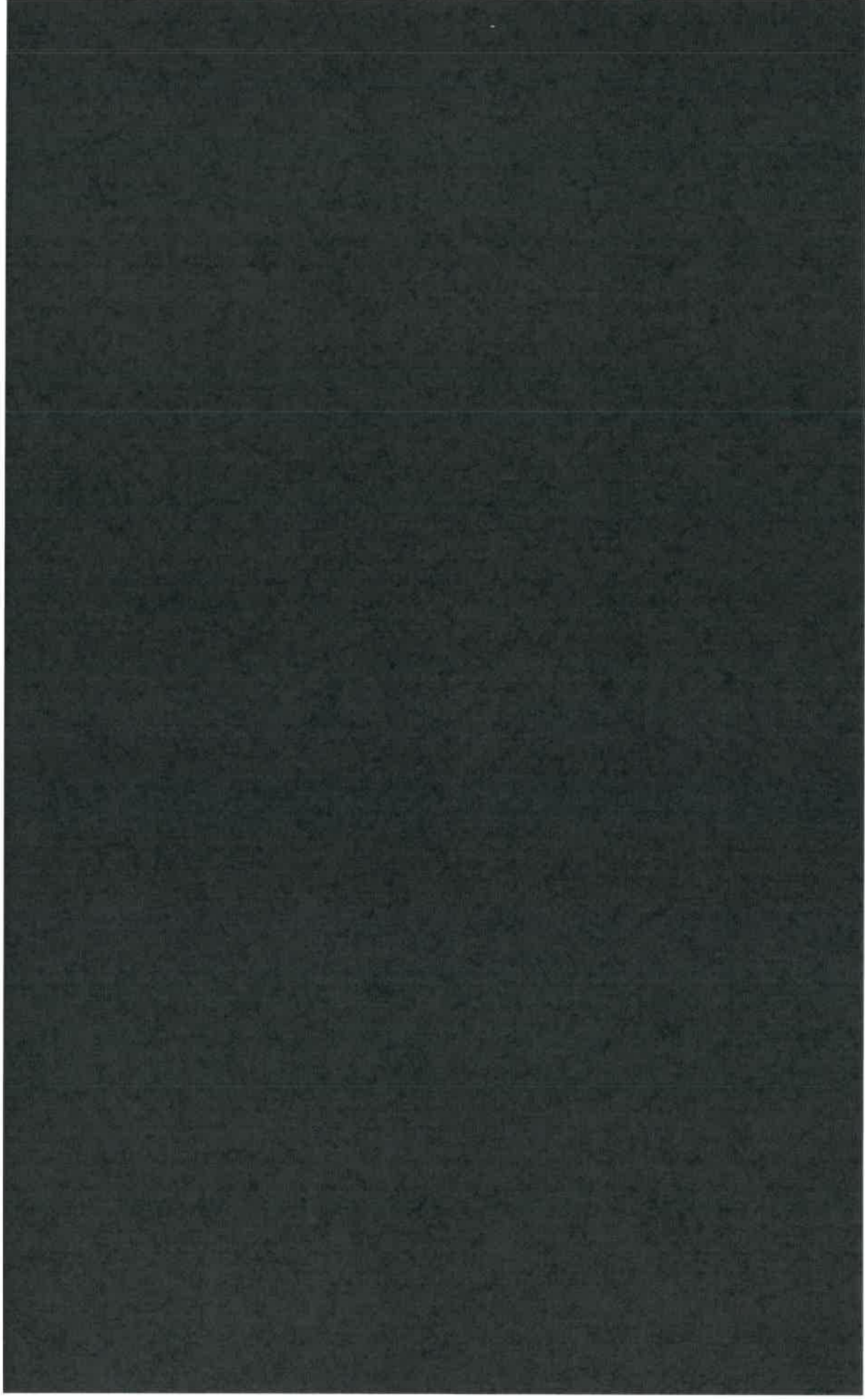


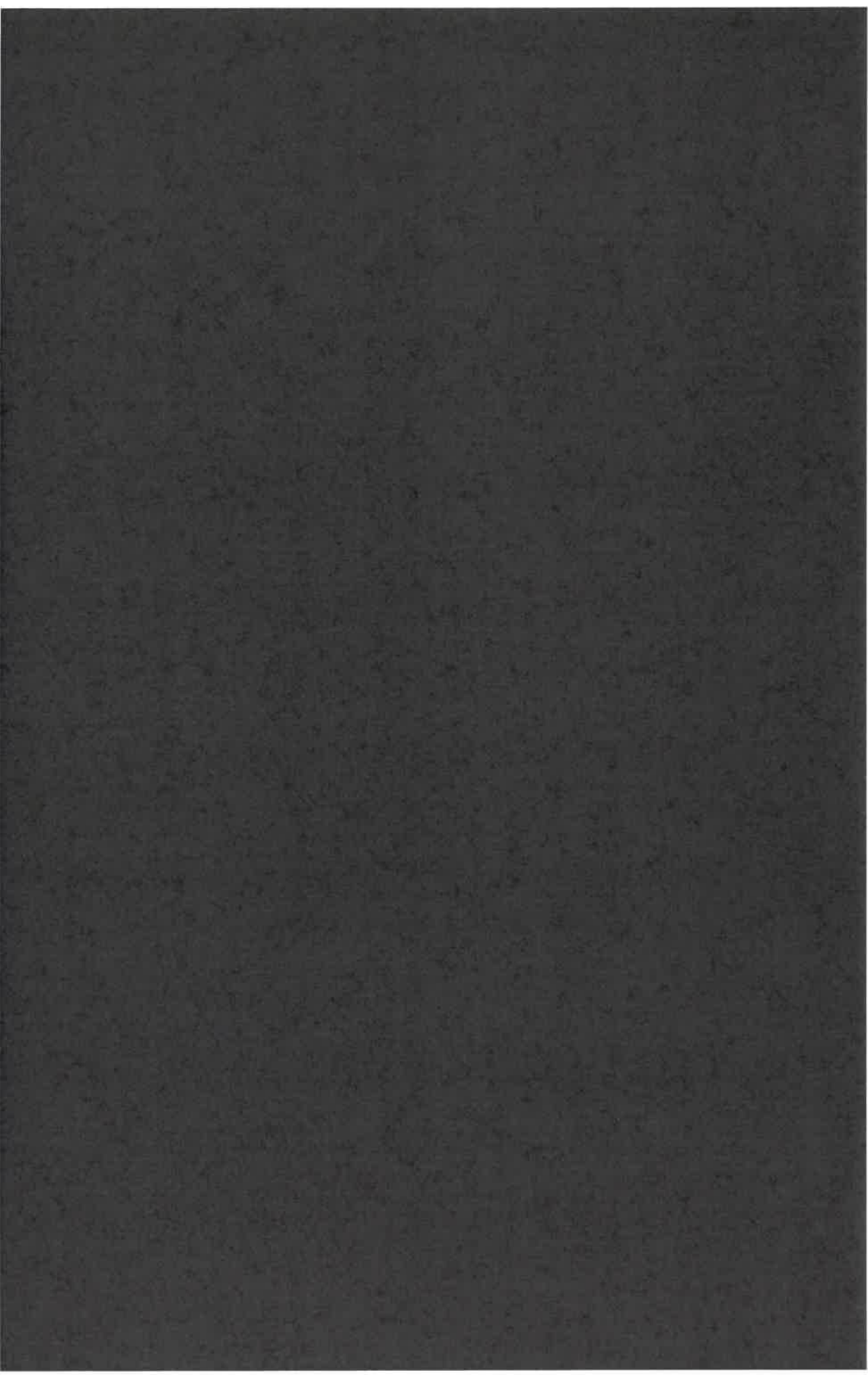
ATO comments - IGT Review into the ATO's Fraud Control Management



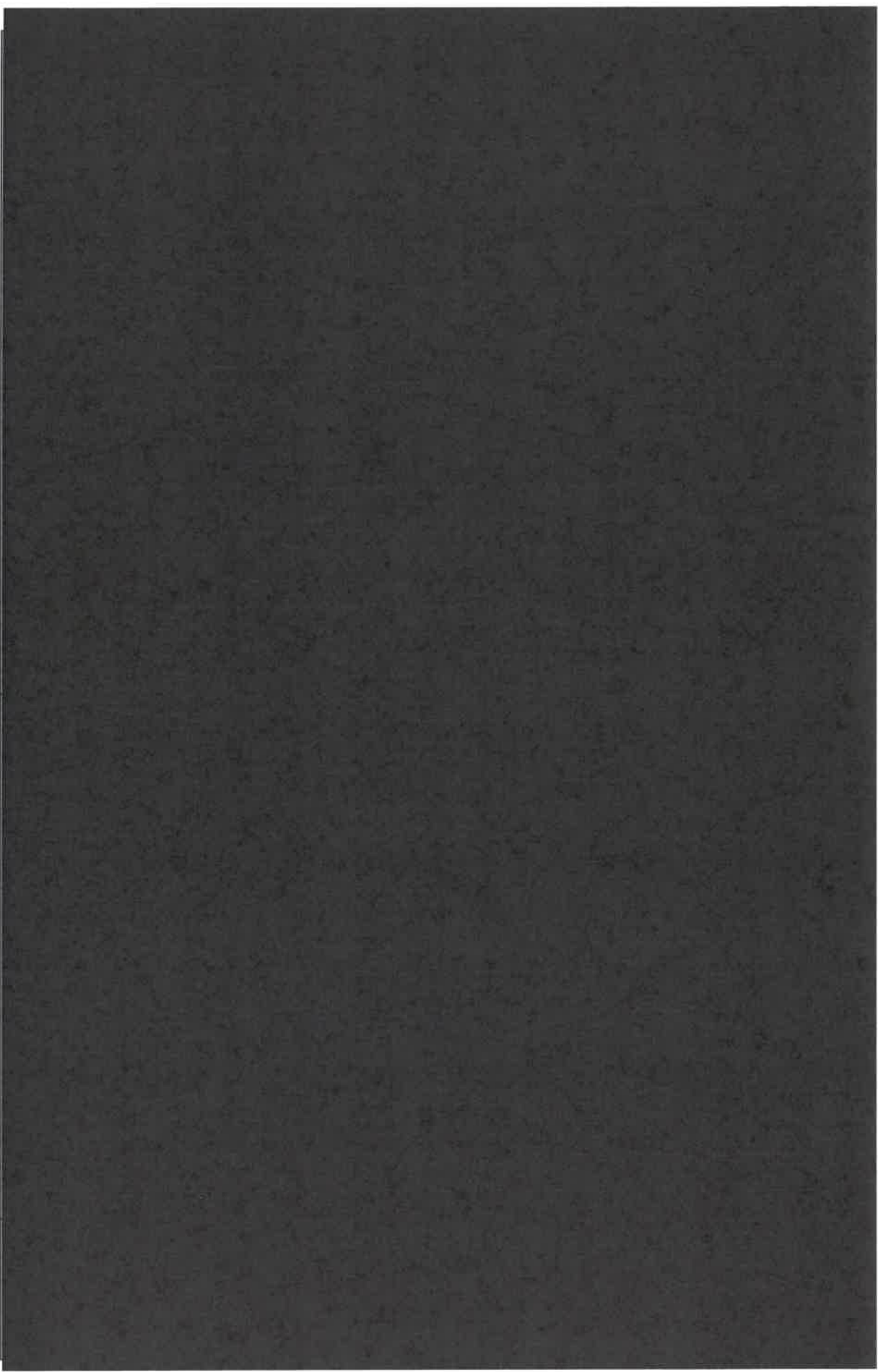


ATO comments - IGT Review into the ATO's Fraud Control Management

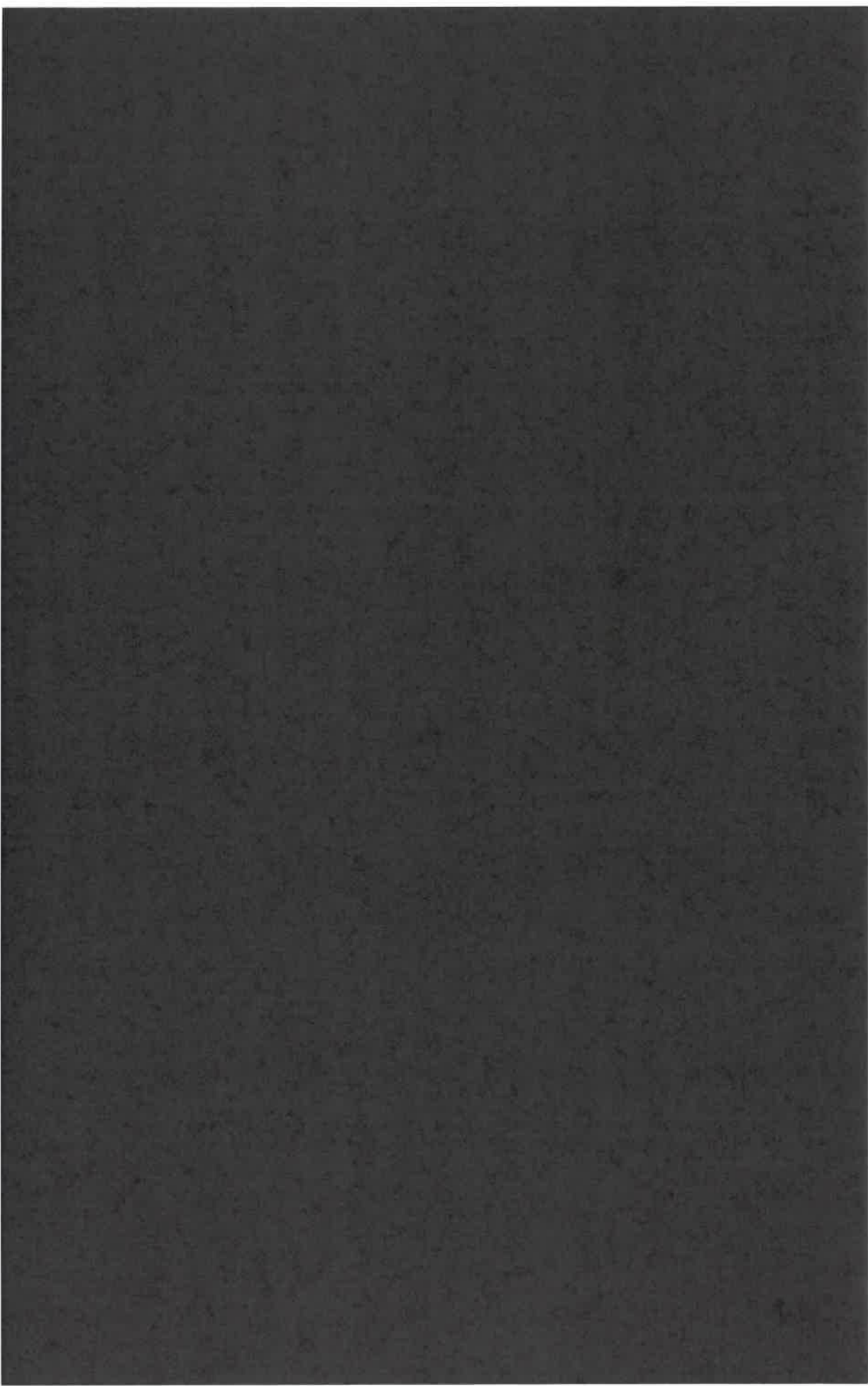


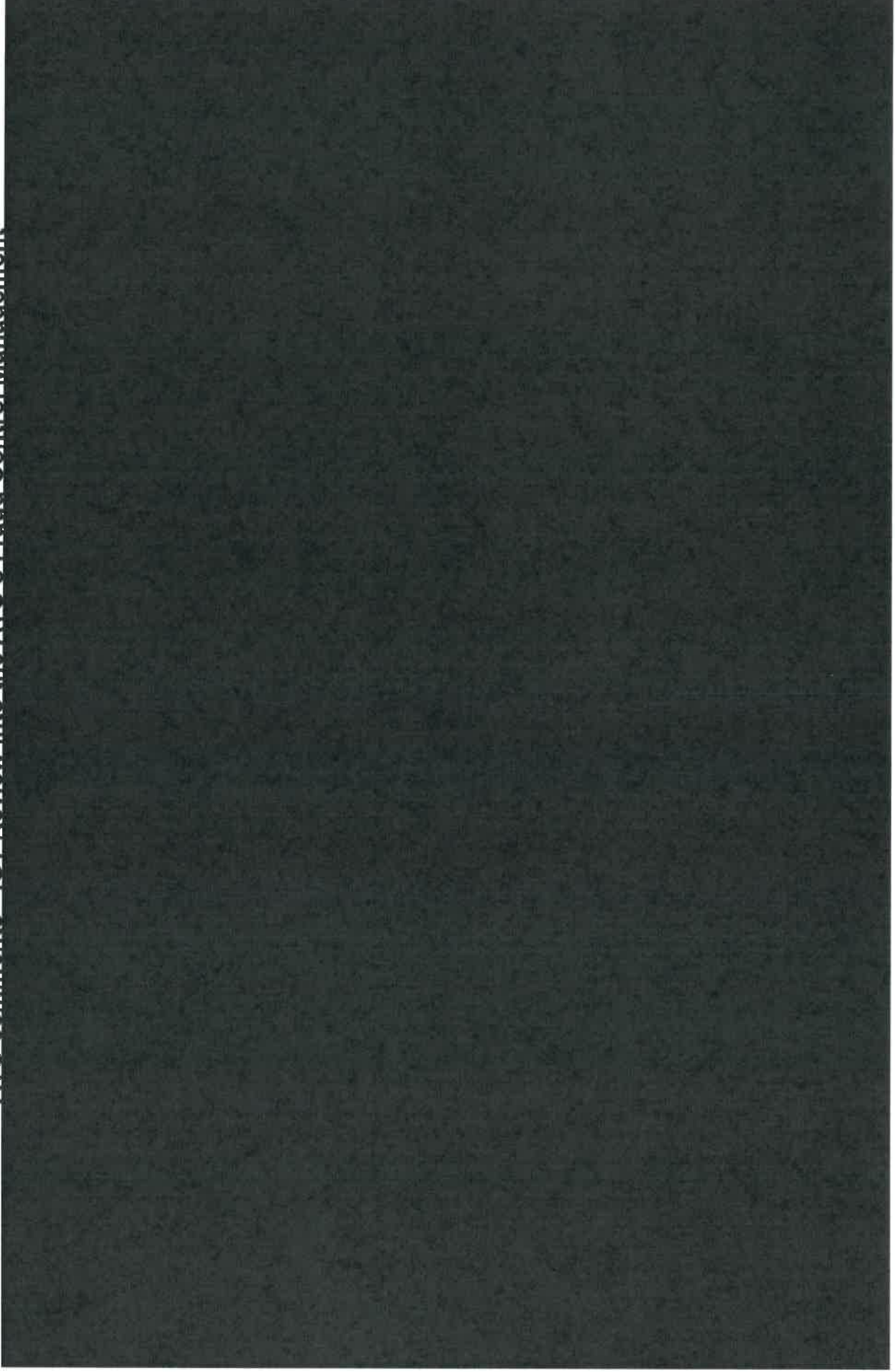


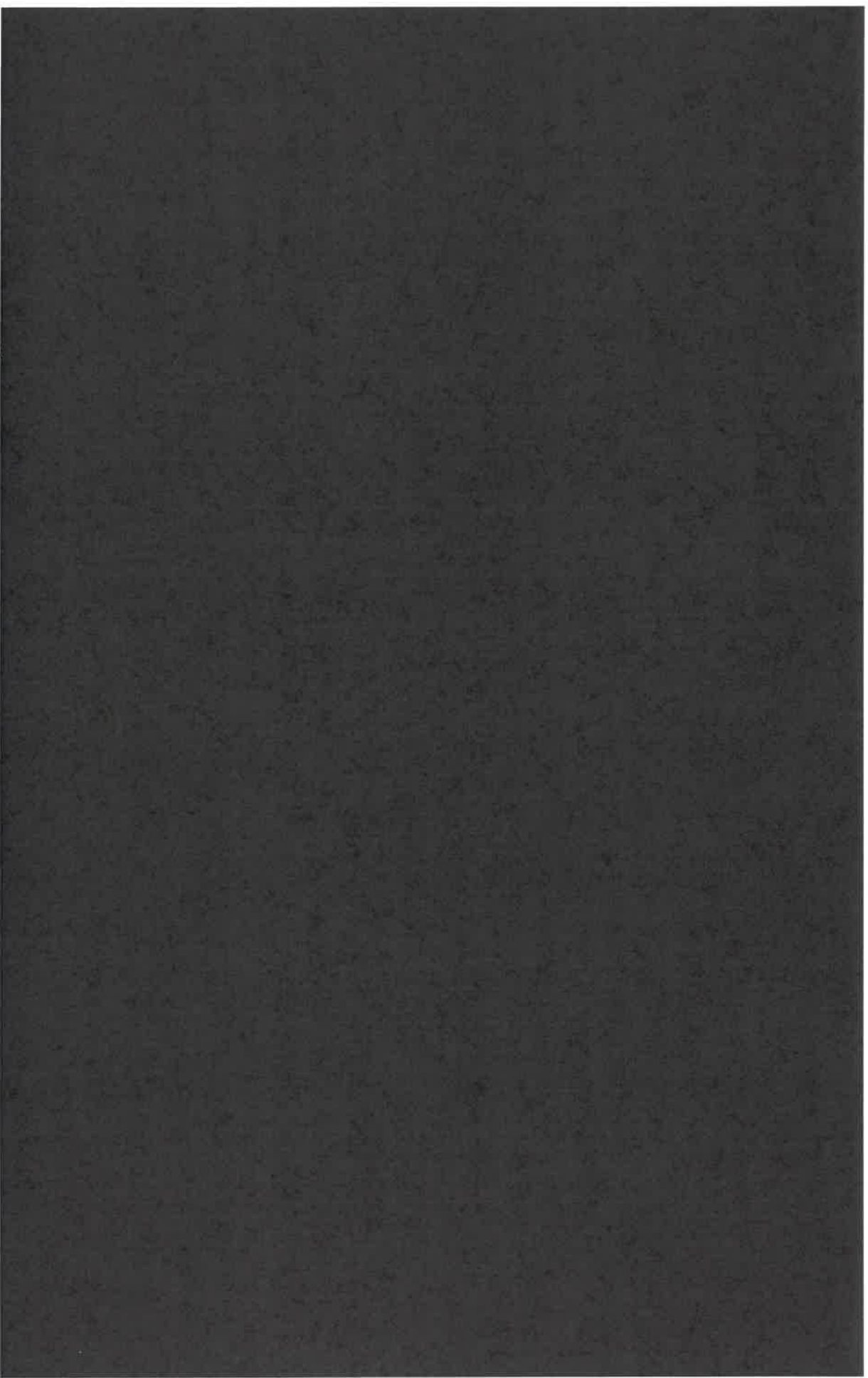












ATO comments - IGT Review into the ATO's Fraud Control Management

	Appendix D A3.49 Due to resource constraints¹⁰²⁰, the ATO delayed the commencement of a further criminal investigation until January 2015.¹⁰²¹ On 28 August 2015, a cross-agency Gold Bullion Prosecution Workshop was held to discuss the investigation's progress on this group¹⁰²² and 14 months later the ATO made a formal referral to the SFCT to investigate the gold fraud which was later accepted for investigation and treatment.¹⁰²³ Correction required – Incorrect content As previously advised, the date of this workshop is incorrect. The workshop was held on 10 May 2016. Previous suggested rewording sent through: <i>On 10 May 2016, a cross-agency Gold Bullion Prosecution Workshop was held to discuss the investigation's progress on this group (and ors) and in November 2016 the ATO made a formal referral to the SFCT to investigate the gold fraud which was accepted for investigation and treatment.</i>
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