



Australian Government
Australian Taxation Office

Introduction to Financial Crime

OECD Tax Academy for Tax and
Financial Crime Investigation

Presented by Melanie Johnston

November 2024

OFFICIAL | EXTERNAL

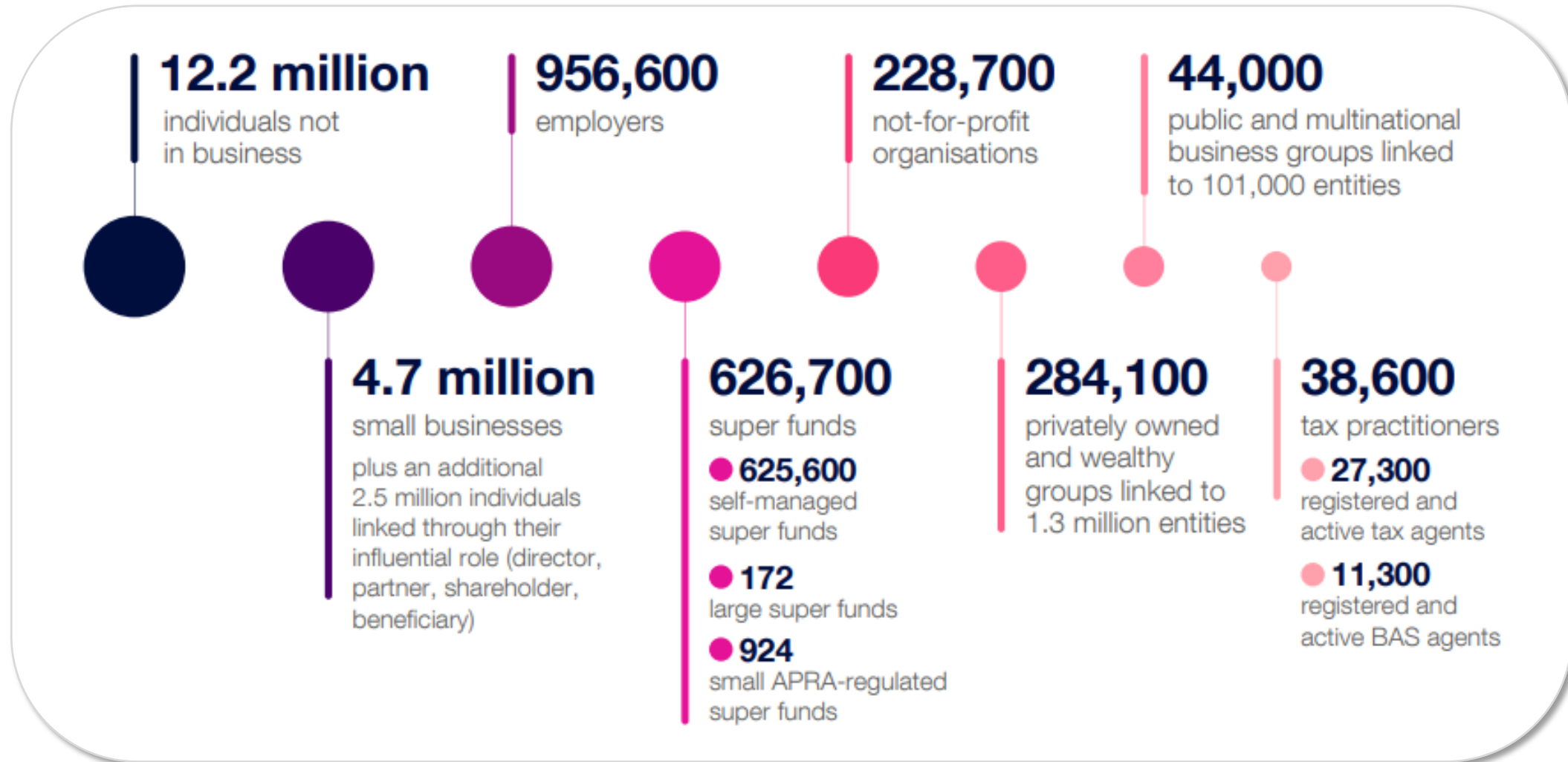
The ATO– Who we are



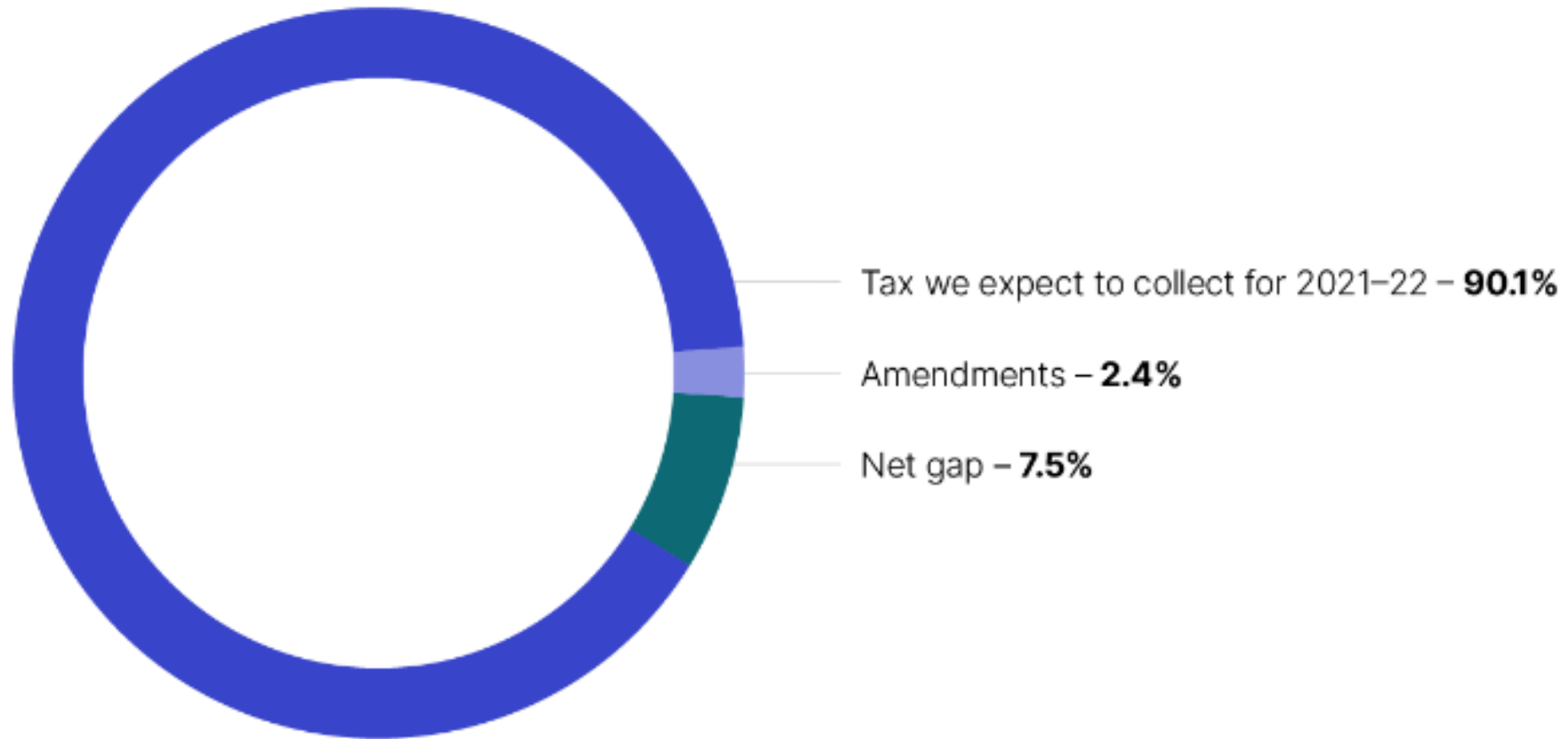
Australian Government
Australian Taxation Office

- The Australian Taxation Office (ATO) is the principal revenue collection agency of the Australian Government
- Our purpose is to contribute to the economic and social wellbeing of Australians by fostering willing participation in the tax, superannuation and registry systems
- Our role is to effectively manage and shape the tax, superannuation and registry systems that support and fund services for all Australians
- This includes:
 - Collecting the right amount of tax
 - Addressing risks in the tax system to maintain community confidence
 - Administering the major aspects of the Australian superannuation system
 - Custodian of the Australian Business Register (ABR), director IDs and Foreign Ownership of Australian Assets

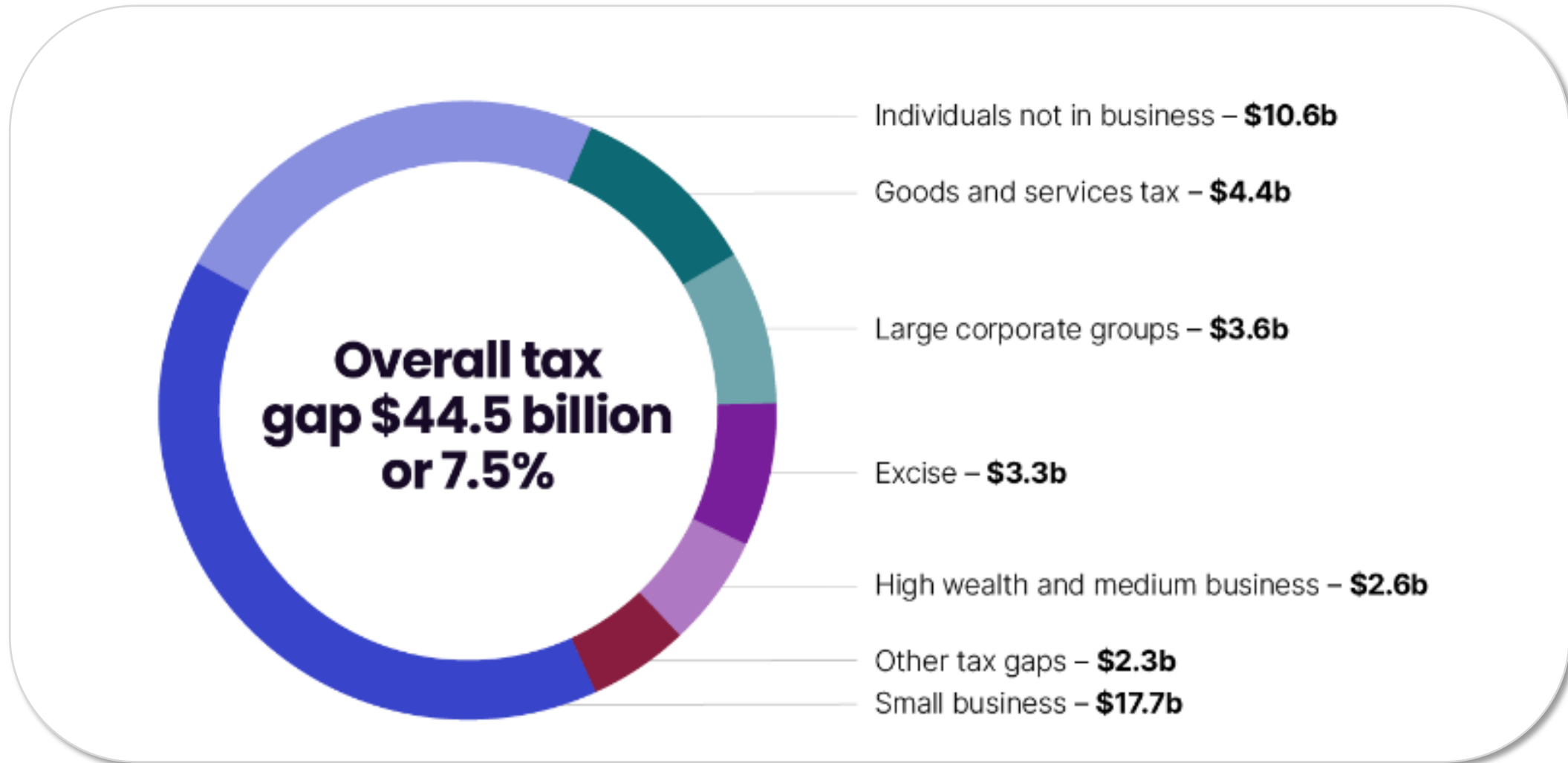
ATO landscape as at 30 June 2024



Tax Gap Overview (2021-22)



Tax Gap Overview (2021-22)



Discussion: Tax Gap

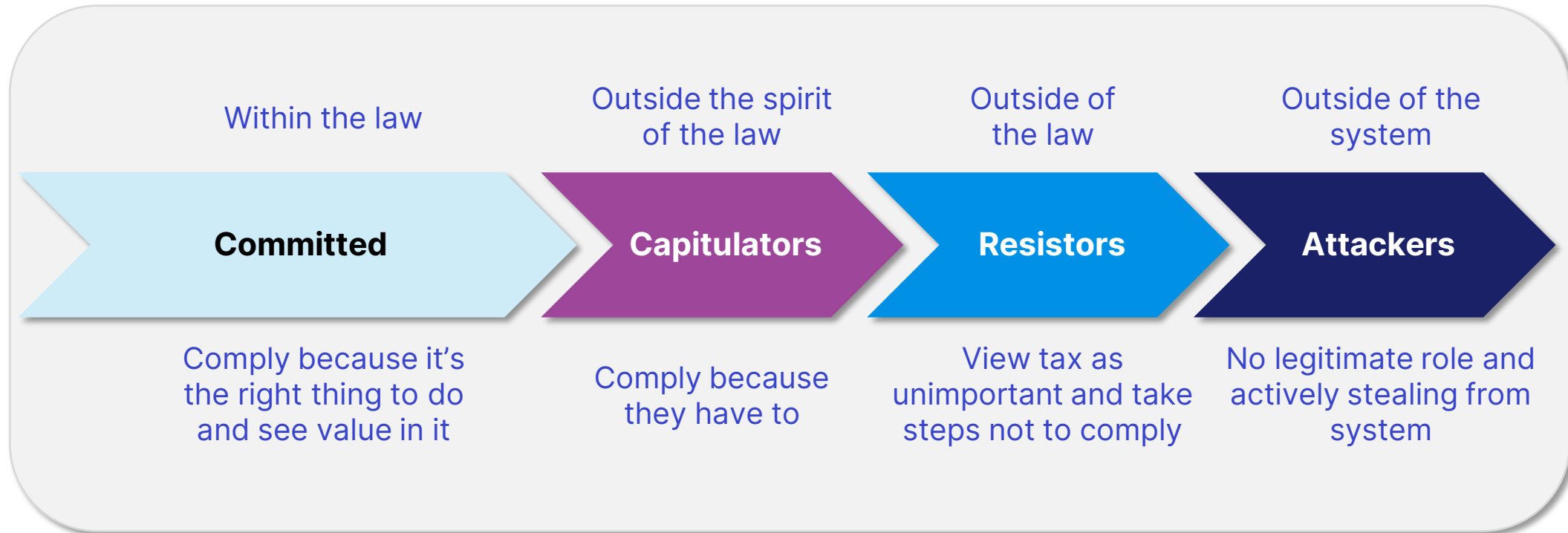
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Do you measure the tax gap in your jurisdiction?

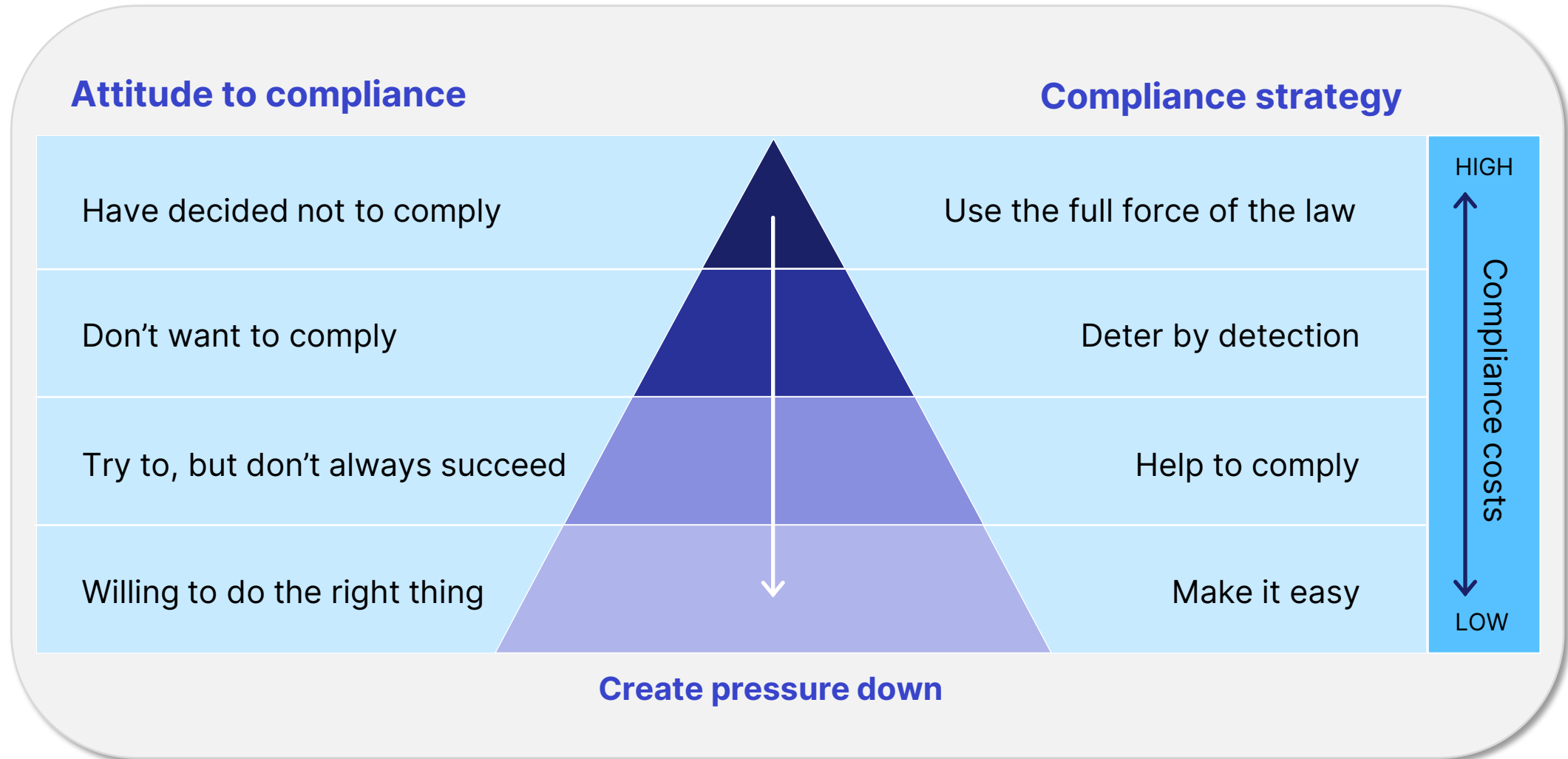
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Do you know approximately what the tax gap is?

Compliance Attitudes



Compliance Model



OECD – Who are they

- Organisation for Economic Co-operation and Development (OECD) is an international organisation that works to build better policies for better lives
- Goal is to shape policies that foster prosperity, equality, opportunity and well-being for all, drawing on over 60 years of experience and insights to better prepare the world of tomorrow
- Establishing evidence-based international standards and finding solutions to a range of social, economic and environmental challenges
- Provides a unique forum and knowledge hubs



OECD OSLO Dialogue launched 2011

- Dynamic and adaptable criminal activities quickly take advantage of new opportunities for financial gain
 - Economic crises exploitation
- Countermeasures require:
 - Greater transparency
 - Effective intelligence gathering
 - Co-operation, information sharing
- Whole of Government approach



OECD: Ten Global Principles

OECD 'Fighting Tax Crime – The Ten Global Principles'

Principle 1: Ensure tax offences are criminalised

Principle 2: Devise an effective strategy for addressing tax crimes

Principle 3: Have adequate investigative powers

Principle 4: Have effective powers to freeze, seize and confiscate assets

Principle 5: Put in place an organisational structure with defined responsibilities

Principle 6: Provide adequate resources for tax crime investigation

Principle 7: Make tax crimes a predicate offence for money laundering

Principle 8: Have an effective framework for domestic inter-agency co-operation

Principle 9: Ensure international co-operation mechanisms are available

Principle 10: Protect suspects' rights

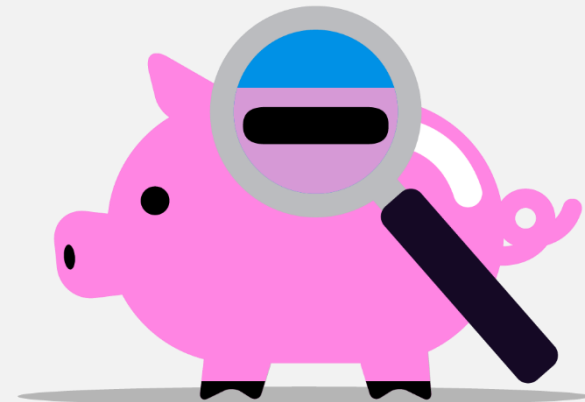
About Tax and Crime

- Tax crimes, money laundering and other financial crimes threaten the strategic, political and economic interests of both developed and developing countries
- Undermines citizens' confidence in their governments' ability to get everyone to pay their taxes and may deprive governments of revenue needed for sustainable development



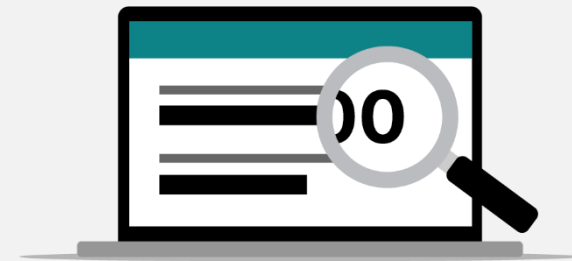
Tax crime and Money Laundering

- Substantial similarities between committing tax crimes and the techniques used to launder the proceeds of crimes
- Sophisticated financial crimes are often being carried out through complex and opaque arrangements, with no border limitations
- OECD co-operates with FATF to improve the Whole of Government approach
- OECD and FATF recommendations
- Tax Crime = Predicate Offences to Money Laundering



Financial Crime – What is it?

- Not victimless and has a serious economic impact on the community
- Deprives the community of funding for essential services such as health, education and infrastructure
- Can have significant impacts directly on individuals and businesses:
 - Cyber criminals who steal peoples life savings or identity crime
 - Illegal phoenix activity
 - ❑ Avoids paying creditors or sub-contractors
 - Excise avoidance robs communities of millions in unpaid revenue
 - ❑ Takes business away from legitimate retailers
- Victims of financial crime can also experience:
 - Decline in emotional wellbeing and physical health
 - Relationship breakdowns



Financial Crime – Proceeds

- Decreases revenue available to Government for essential services
 - Education
 - Health
- Illegally obtained proceeds from financial crimes are often used to facilitate organised crime
 - Drug Trafficking
 - People Trafficking
 - Terrorism



Financial Crime – Indicators

- Use of nominees or straw directors
- Unexplained wealth or wealth that is at odds with their reported income
- Giving false or misleading statements
- Failing to lodge taxation obligations
- Mischaracterising the true nature of transactions
- Understating income
- Overstating expenses
- Failing to keep records or intentional destruction of records
- Making payments in cash



Discussion: Financial Crime indicators

1

What indicators are you seeing in your jurisdiction?

2

How do you identify and potentially treat these risk indicators?

Financial Crime – Activities

Tax Evasion

- Intentional / Blameworthy Act or Omission



Tax Fraud

- False statements
- Recklessly careless if statements made are true or false



Other Offences

- Money laundering
- Identity theft



Tax Evasion or Fraud – Examples

- Claiming deductions not entitled to
- Withholding information from the Taxation Commissioner
- Failing to keep records
- Submitting false, backdated or altered documents
- Paying wages in cash and not reporting the wages paid to the ATO
- Not remitting GST, Pay As You Go Withholding (PAYGW) tax or Superannuation Guarantee charges to the ATO
- Making false statements
- Disguising expenses intended for personal benefit as business expenses



Discussion: Tax Evasion or Fraud

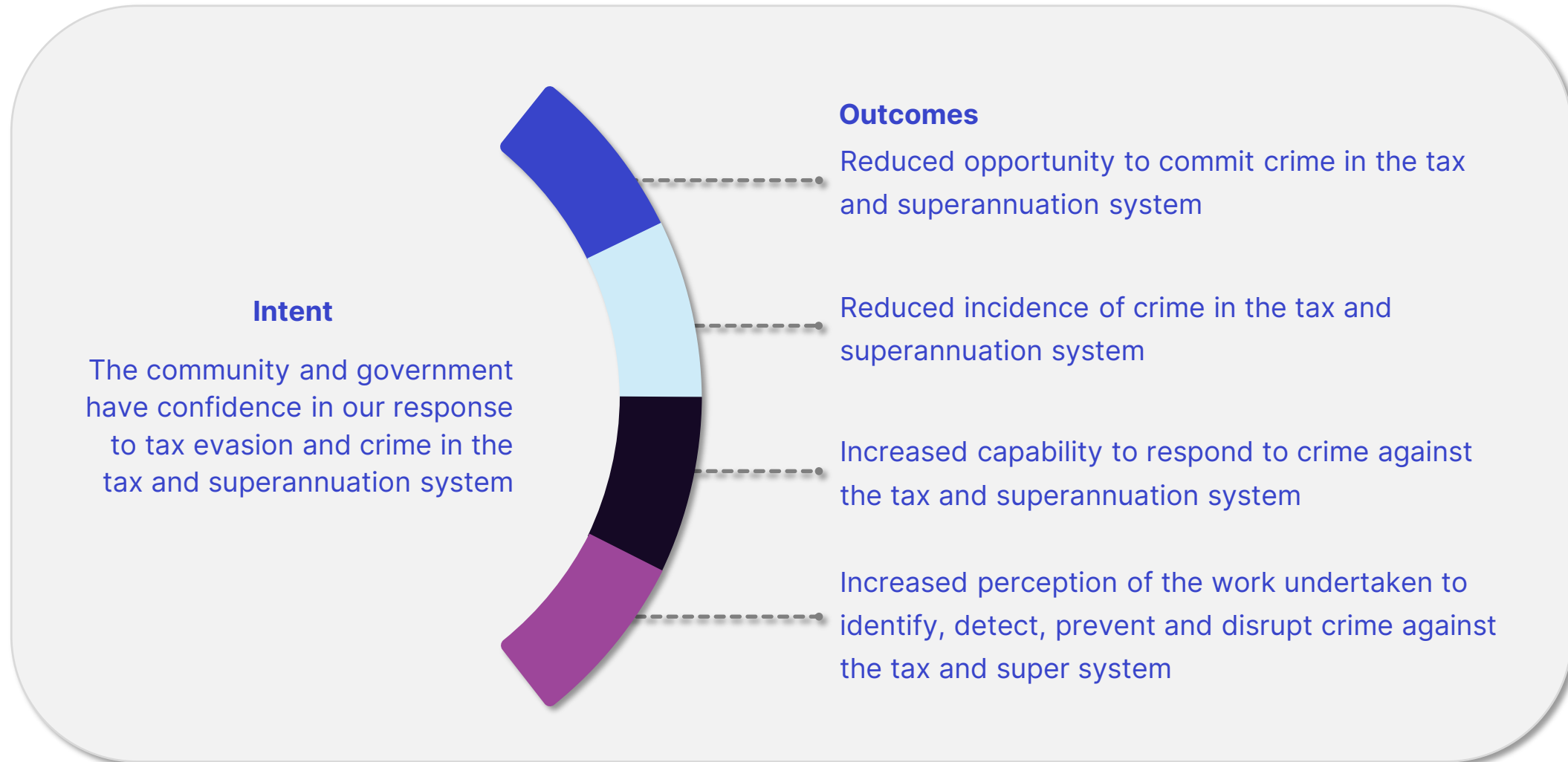
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How do other jurisdictions treat Tax Evasion or Fraud?

2

How effective are your identification and subsequent treatment methodologies?

Tax Evasion and Crime Response



Financial Crime – Activities

Tax evasion

Blameworthy Act or Omission



- Not remitting GST/VAT
- Paying wages in cash and not reporting the wages paid to the ATO

Tax fraud

False Statements



- Submitting false, backdated or altered documents
- Claiming deductions knowing them to be false or not entitled to

Other offense

A person acting intentionally or recklessly to dishonestly receive an ATO payment



- Referral to Criminal Investigations
- Other treatments

Dealing with Financial Crime

The ATO is a key participant in taskforces and co-ordination groups:

- Serious Financial Crime Taskforce (SFCT)
- Criminal Assets Confiscation Taskforce (CACT)
- National Anti-Gangs Squad (NAGS)
- Illicit Tobacco Taskforce (ITTF)

International

- Joint Chiefs of Global Tax Enforcement (J5)
- Joint International Tax Shelter Information & Collaboration (JITSIC)



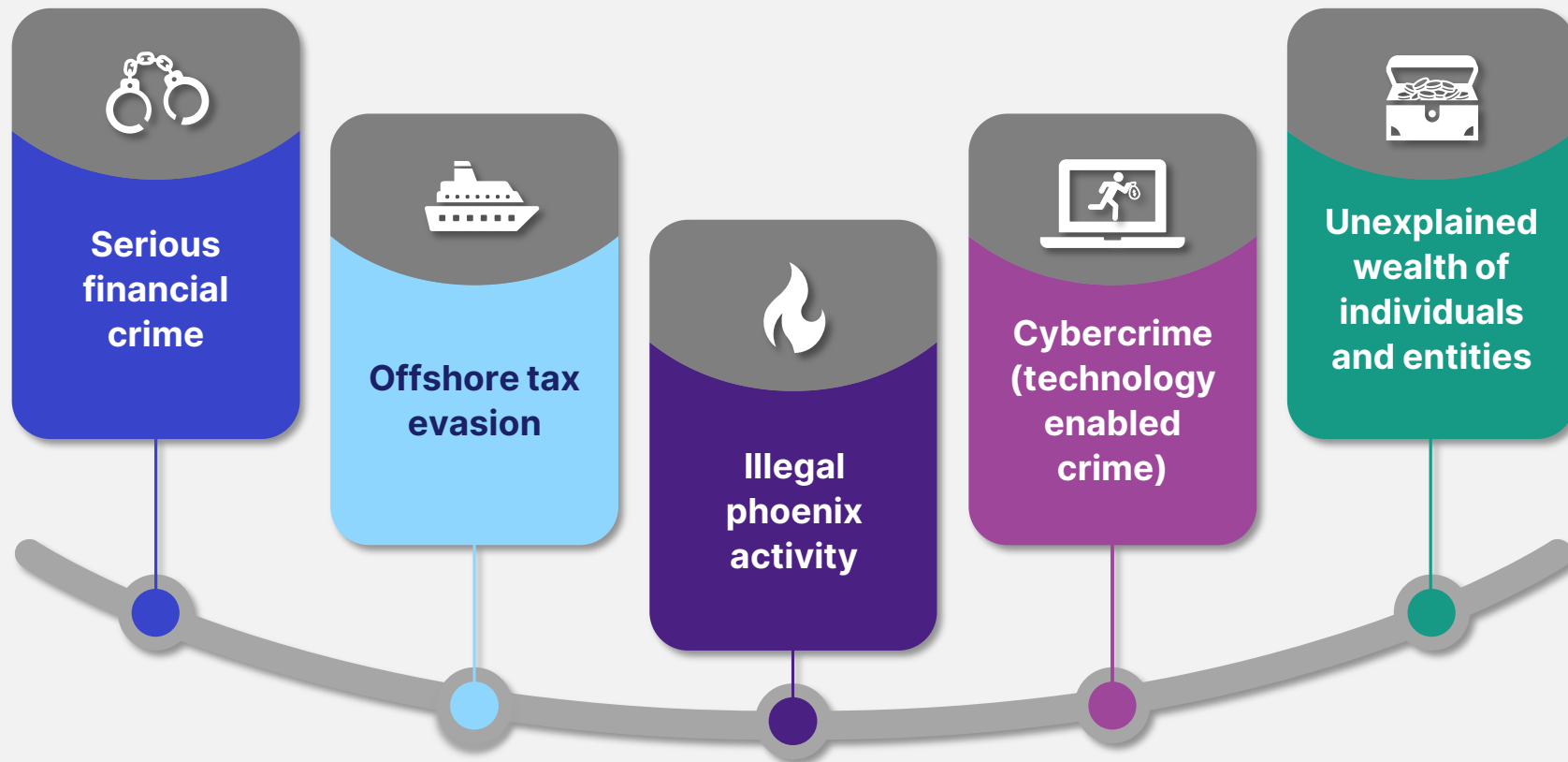
Serious Financial Crime Taskforce (SFCT)

Led by the ATO, the SFCT is a join-agency taskforce made-up of experts from a range of federal law enforcement and regulatory agencies.



SFCT – Target Areas

Targeted tax crime areas:



Case Study – Operation Protego

- ATO led investigation into large-scale GST fraud promoted on social media, involving individuals:
 - Creating a fake business
 - Lodging fraudulent ABN application
 - Lodging fraudulent Business Activity Statements to obtain GST refund
- Commencing late 2021, increase noted:
 - ABN and GST registrations
 - Incoming bank referrals
- Large scale, unprecedented uptake
 - Over 57,000 individuals engaged
 - Over \$4.7 billion attempted in GST refunds
- Civil account remediations occurred
 - Lodgments amended
 - Debts raised



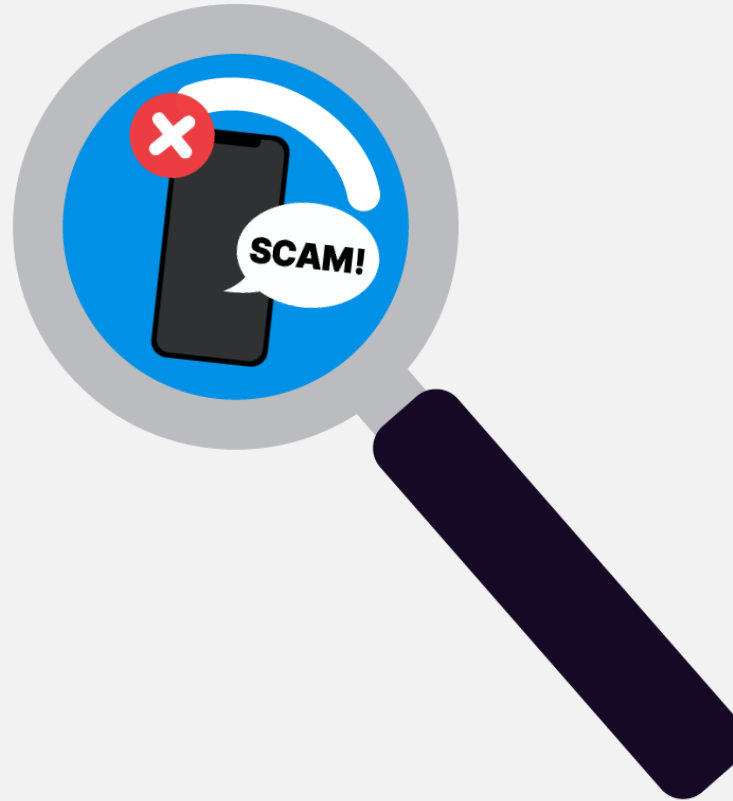
Case Study Continued

- Target development occurred with initial search warrants executed in June 2022
 - ATO criminal investigations
 - Australian Federal Police
 - State law enforcement
- Court outcomes have varied
 - Imprisonment
 - Good Behaviour bonds
 - Reparation Orders



Op Protego – Lessons Learnt

- At scale fraud event
 - 57,000 individuals
- Compliance attitudes
 - Safety in numbers
- System Improvements
 - Registration
 - Data analytics



Questions

