



# Shadow economy

Explains what the shadow economy is and how it affects all Australians.

## The shadow economy explained



What the shadow economy is and how it undermines Australian society.

## Action to address the shadow economy



The ATO takes action to address the shadow economy.

## Co-ordinated Government Response



The ATO is part of a whole-of-government response to the shadow economy.

## Tax Integrity Centre



Use the tip-off form or phone 1800 060 062 to report illegal activity, phoenix, tax evasion or shadow economy behaviour.

## What you can do



How you can help protect Australia from the shadow economy.

# The shadow economy explained

What the shadow economy is and how it undermines Australian society.

**Last updated** 20 March 2025

The shadow economy refers to legal and illegal economic activity that is not reported or taxed.

The shadow economy is behavioural driven and is a result of opportunistic or deliberate actions to avoid tax or exploit the regulatory system. These activities are not victimless crimes, they put pressure on Australians who are doing the right thing and have harmful consequences such as:

- workers missing out on their entitlements (for example, proper wages, leave or employee protection)
- honest businesses being undercut when others don't pay the tax or superannuation they're supposed to
- criminal or illegal activities that are funding organised crime.

The shadow economy is constantly changing and adapting. In particular, with changes in ways of working and business models, the growth of the digital economy, wider social changes and the economic environment. This can lead to new shadow economy activities emerging and some existing ones expanding in scale or scope.


In 2012, the Australian Bureau of Statistics estimated its size to be 1.5% of GDP while the 2016 government taskforce estimated the economic impact of the shadow economy may be as large as 3% of GDP (approximately \$50 billion at the time, up to \$80 billion in present terms). More recent estimates from the ATO's tax gap program have shown the tax impact of the shadow economy to have grown from 3.8% in 2017 to 5.3% in 2022.

The shadow economy impacts our broader community; reducing funds for essential services such as health, education, transport, infrastructure, and disaster response.

We are committed to tackling the shadow economy and creating a level playing field. Learn about:

- our **Action to address the shadow economy**
- our role in the **Co-ordinated Government Response**
- our **Tax Integrity Centre**.

For information on how we estimate and reduce the shadow economy tax gap, see **Shadow Economy tax gap**.

For information on the whole-of-government response to tackle the shadow economy, see [shadow economy Treasury Website](#) .

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## Action to address the shadow economy

The ATO takes action to address the shadow economy.

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The government announced a whole-of-government package in response to the taskforce report to tackle the Shadow Economy in 2016 ([Shadow Economy Treasury Website](#)) . The Shadow Economy Compliance Program was established in response to the taskforce report. Since establishment, this measure has been extended through to 2027–28 with the most recent funding boost announced in the December 2024 Mid-Year Economic Forecast.

A number of new measures were implemented during the formation of the program including:


- removing tax deductibility of non-compliant payments
- expanding the Taxable payments annual report requirements into new industries
- increasing the integrity of the Commonwealth procurement process
- collecting tobacco duties and taxes at the Australian border

- establishing the new **Tax Integrity Centre** (making it easier to **make a tip-off**) – a single point of contact to report suspected or known illegal activity or behaviour of concern.

Shifting to a compliance focus through the Shadow Economy Compliance Program extensions, by 30 June 2024 the ATO has identified and treated \$7.9 billion in unpaid taxes. The program seeks to address the shadow economy across a range of activities and risk areas by focusing on:

- identifying and responding to new and emerging risks through improved risk detection analytical models
- prevention activities focusing on building knowledge and participation in the tax and superannuation systems through community education and support for small businesses
- ensuring Lodgment obligations are met to facilitate correct reporting and payment, as well as support correct treatment of employer obligations
- addressing opportunistic and deliberate behaviour such as omission and under reporting of income and unexplained wealth
- addressing digital tax fraud, which involves the use of software and other mechanisms to hide or redirect income
- addressing the domestic production of illicit tobacco to prevent the supply of illicit tobacco into the retail market
- addressing illicit alcohol by removing the most egregious entities from the supply chain
- ensuring tax professionals and other intermediaries do not participate in the shadow economy or negatively influence their client's behaviour
- enabling cross-agency information sharing and activities through the Shadow Economy Taskforce.

For more information see:

- updates on recent government announcements **on tax and superannuation law and policy**
- '[Essentials to strengthen your small business](#) ' learning platform for small business support with business essentials .

- illicit tobacco

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## Co-ordinated Government Response

The ATO is part of a whole-of-government response to the shadow economy.

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The Shadow Economy Taskforce (SET) is an ATO-led joint-agency taskforce bringing together the knowledge, experience and resources of 11 federal government agencies to identify and address shadow economy activities impacting on the taxation and regulatory systems.

The purposes of the SET are to:

- protect the public finances of Australia by combating shadow economy activities and behaviours
- detect, deter, investigate and enforce the law relating to participation in, or promotion of, shadow economy activities and behaviours
- work across government to analyse shadow economy behaviours and propose regulatory, administrative and legislative responses.

The Members of the SET include:

- Australian Taxation Office (ATO)
- Australian Border Force (ABF)
- Australian Criminal Intelligence Commission (ACIC)
- Australian Federal Police (AFP)
- Australian Transaction Reports and Analysis Centre (AUSTRAC)
- Commonwealth Director of Public Prosecutions (CDPP)

- Department of Employment and Workplace Relations (DEWR)
- Department of Home Affairs (Home Affairs)
- Services Australia
- Fair Work Ombudsman (FWO)
- Treasury.

The government is acting to address the shadow economy. By doing the right thing, you can help protect Australia from the shadow economy and keep the system fair for everyone. Find out more about our Tax Integrity Centre or what you can do.

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## Tax Integrity Centre

Use the tip-off form or phone 1800 060 062 to report illegal activity, phoenix, tax evasion or shadow economy behaviour.

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## What is the Tax Integrity Centre

The Tax Integrity Centre (TIC) is the community's single point of contact to report information on suspected or known illegal activity or behaviour of concern relating to phoenixing, tax evasion, the shadow economy.

We use the information you provide to ensure the integrity of the tax and superannuation systems.

The TIC also:

- engages enhanced analytics to makes better use of the information you provide
- strengthens protections for those reporting information.
- We have information about the Tax Integrity Centre in selected other languages.

## **What you can report**

You can report any known or suspected activity where someone is gaining a competitive advantage by intentionally doing the wrong thing.

This is not just limited to tax issues. It involves behaviours such as:

- demanding or paying for work cash in hand to avoid obligations
- not reporting or under-reporting income
- underpayment of wages
- bypassing visa restrictions and visa fraud
- identity fraud
- Australian business number (ABN), goods and services tax (GST), and duty fraud
- illegal activity and behaviour of concern relating to COVID-19 or JobKeeper
- illegal drugs and tobacco
- sham contracting – presenting an employment relationship as a contracting arrangement
- phoenixing – deliberately liquidating and re-forming a business to avoid obligations

- excise evasion
- money laundering
- unregulated gambling
- counterfeit goods.

## **How you can make a difference**

When you provide information through a tip-off, we will always analyse and consider it. Even if we don't take immediate action, the information you provide is still very important to us. It helps us understand industry trends and emerging issues and forms part of our engagement strategies.

However, due to privacy and taxpayer confidentiality laws, we won't be able to:

- provide you with progress updates
- inform you of the outcome of the information you provide.

Remember, when you make a tip-off you help keep the system fair for everyone.

## **Making a tip-off**

If you suspect or know about illegal activity or behaviour of concern relating to phoenix activities, tax evasion, the shadow economy, we want to hear about it. Find out how to **make a tip-off**.

## **Privacy**

You don't have to identify yourself when making a tip-off if you don't want to.

However, if you choose to provide your name and contact details, we may use that information:

- to understand the information you have provided
- to contact you to seek more information about your tip-off
- as part of our investigation of the alleged misconduct.



We will not disclose any information we have which would identify you, except where we are required or authorised by law to do so.

Our **privacy policy** (summarised in the **Short form privacy policy**) contains important information about your privacy, including information about how:

- you can access and seek correction of information we hold about you
- you can complain about a breach of the Australian Privacy Principles or the Privacy Code
- we will deal with any privacy complaint.

We also have a specific page about **your privacy** if you make a tip-off.

## Contact us

Phone us on **1300 661 542**:

- if you have questions about our privacy policy
- to report an instance where you suspect your privacy has been compromised.
- if you have questions about our privacy policy, you can also write to us at the address below

**AUSTRALIAN TAXATION OFFICE**  
**GPO BOX 9990**  
**[insert the name and postcode of your capital city]**

For example:

**AUSTRALIAN TAXATION OFFICE**  
**GPO BOX 9990**  
**SYDNEY NSW 2001**

# What you can do

How you can help protect Australia from the shadow economy.

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Most Australians are honest and compete fairly. They also believe it's unfair for others to gain a competitive advantage by intentionally doing the wrong thing.

The everyday choices and actions of all Australians make a dramatic difference to the growth and resilience of the shadow economy. The following behaviours fuel the shadow economy:

- asking for or accepting a discount or payments off-the-books
- not getting or providing receipts for services
- incorrectly claiming business expenses
- not keeping proper tax records
- taking money out of the business when it's not your money.

If you're concerned about your tax or super position, you can:

- **engage with us for advice**
- **correct a mistake** by requesting an amendment or making a voluntary disclosure
- contact your registered tax professional for help and advice.

The community can have confidence that we will actively deal with those opportunistically or deliberately doing the wrong thing.

If you suspect tax evasion or shadow economy behaviour, we encourage you to report it by calling **1800 060 062** or online at [ato.gov.au/tipoff](https://ato.gov.au/tipoff). Reporting is strictly confidential and can be anonymous.

**Note:** Record the reference number when you submit your **tip-off form**. You will need to quote the reference number if you want to add any information later.

Remember, it's everyone's responsibility to keep the system fair.

## **Our commitment to you**

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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