



Video grabs: shadow economy

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Transcripts and video

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The shadow economy generally refers to activities that take place outside, misuse or abuse the tax and regulatory systems – for example, when not all income is declared, when people demand (or pay for) cash in hand to avoid obligations, as well as other illegal activities such as illicit tobacco, sham contracting and ABN fraud.

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Although most people do the right thing, some businesses deliberately avoid paying the right amount of tax. Those who participate in the shadow economy reduce the funds available for essential community services, such as health care, disaster response, education, and infrastructure.

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Our tax system funds the services that benefit all of us. The Australian way of life depends on everyone paying the right amount of tax.

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Businesses who operate in the shadow economy are undercutting competitors and gaining an unfair advantage in their industry. Participating in the shadow economy is not okay.

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It's not fair if an honest business misses out on sales because a competitor is under-cutting them by doing things like under-declaring or not declaring income.

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Businesses who pay cash in hand or fail to lodge income tax returns or business activity statements, get an unfair advantage, and make it harder for other businesses that are doing the right thing. By detecting and addressing this behaviour, we're helping to keep things fair and honest for small businesses.

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Unfortunately, there are some people in our community who seek to illegally profit from others.

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It's all about ensuring that everyone pays their fair share of tax and that honest businesses can compete fairly.

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We get on average over 3,500 tip offs a month from people who know or suspect tax evasion or shadow economy behaviour, this suggests that the community, including honest businesses, have had enough of those who are cheating the system and getting an unfair advantage.

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We value referrals from the community. Tip-offs are assessed and reviewed by experienced staff. If you think someone is doing the wrong thing, let us know. Go to **ato.gov.au/TipOff**, or phone us on **1800 060 062**. All tip-offs are private, and you can remain anonymous.

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We know that most people and businesses do the right thing, but we are exploring better ways to use new and existing sources of data to target those who are deliberately operating in the shadow economy.

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Where we discover a discrepancy, our first step is always to contact you or your tax professional to check if you've fully reported these payments in your tax return. It's better to come forward and fix omissions before we come to you.

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It's true that digital payments have increased in popularity, but this doesn't mean that the shadow economy has disappeared. We're continuing our efforts to identify and deal with shadow economy behaviour. It's all about giving honest businesses a fair go.

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We're cracking down on businesses suspected of using illegal point-of-sale electronic sales suppression tools also known as ESS tools that permanently delete transactions, re-sequence transactions, reduce sales values, falsify transactions, and produce fake records – for example a customer orders a \$60 steak and a \$100 bottle of wine and the ESS tool then puts that through the point-of-sale system as a \$10 bowl of chips and a \$4 bottle of soft drink.

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