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Shadow Economy Advisory Forum

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QC 67277

Shadow Economy Advisory Forum key messages 28 November 2025

Key topics discussed at the Shadow Economy Advisory Forum meeting 28 November 2025.

Published 23 March 2026

Fair Work Ombudsman

The Fair Work Ombudsman (FWO) presented on their current strategic priorities and connections to the shadow economy, covering:

- Priority sectors include aged care, agriculture and horticulture, building and construction, disability support, fast food, restaurants and cafés, large corporate and universities.
- Collaborative governance arrangements include a peak advisory group providing input on compliance and enforcement policy, and sector-based reference groups, bringing together employers and unions to understand underlying drivers and support practical solutions.
- As part of an adjustment in enforcement posture, the FWO is interested in industry-led certification programs and opportunities for compliance partnerships that support meeting workplace obligations and recognise employers who are doing the right thing.
- Enduring focuses are on small business employers and employees, and vulnerable and at-risk workers, including migrant workers.
- Compliance risk model leverages analytics and data across multiple agencies, industry and union intelligence, and feedback from inspectors are being used to tackle root causes of non-compliance and build sustainable compliance at the industry level.
- Joint field operations with Shadow Economy Taskforce partners, including the Australian Taxation Office (ATO), Australian Border Force (ABF), and state labour hire licensing bodies on Operation TOPAZ, are being used to ensure regional agriculture compliance.

Members welcomed FWO's focus on partnership and recognition of compliant businesses, while noting the effectiveness of labour hire licensing enforcement and the increasing complexity of the workplace relations system.

Agency updates

ATO

Key achievements of the Shadow Economy Compliance Program from 1 July to 30 September 2025 were outlined, including:

- more than 120,000 compliance activities have been undertaken and raised over \$842 million in liabilities
- the Tax Integrity Centre has assessed over 5,800 tip-offs, 68% of these involved shadow economy activities
- the Shadow Economy Taskforce has made 30 disclosures to member agencies in line with the Memorandum of Understanding and Regulations, which included 67 community tip-offs.

The updated shadow economy tax gap estimates have been published, outlining that:

- Shadow economy is estimated at around \$25 billion in 2022–23, with growth primarily driven by small business income tax gaps, fringe benefits tax included for the first time and tobacco excise excluded.
- Key drivers include rising business cost pressures, increasing business complexity and diversity, and changing social attitudes to compliance.
- The ATO's responses included
 - the getting it right campaign, targeted media and education for small businesses
 - visible enforcement through cross-agency field operations and mobile enforcement teams
 - the continued focus on deliberate non-compliance rather than genuine mistakes.

Members raised concerns relating to accidental entrepreneurs who hold an Australian business number but do not see themselves as

operating a business, such as side hustles and influencers. The opportunity to use data indicating business activity revealed through the Sharing Economy Reporting Regime was identified as an early 'nudge' event to encourage business set-up and raise tax awareness. The ATO outlined its longer-term direction including:

- providing simpler, pre-filled reporting experience for people with non-salary income
- using early data, including digital platform reporting, as a prompt to help people set up correctly
- leveraging networks to reach and support these taxpayers.

ABF

The ABF provided an update on migrant worker and post-border compliance activities, noting:

- Field operations remain focused on non-citizens who pose a risk to the community, such as migrant worker exploitation and human trafficking.
- Currently, 212 field visits have been undertaken this year, with around half of these visits focusing on education, emphasising checking work rights through Visa Entitlement Verification Online, understanding visa conditions and ensuring sponsored workers are performing roles that match their visas and claimed qualifications.
- There is increasing collaboration around the Pacific Australia Labour Mobility and related Pacific schemes, and working with other federal agencies, to better understand why some workers disengage from schemes and move into cash jobs.
- There are new powers under the *Migration Amendment (Strengthening Employer Compliance) Act 2024*, including prohibition notices that can prevent a business from employing non-citizens for a set period.
- ABF are shifting more effort towards education and prevention in light of budgetary constraints.
- ABF are deploying artificial intelligence (AI) and intellectual property analysis to identify unlawful immigration assistance scams.

Treasury

The Board of Taxation red tape reduction review is currently underway, with strong participation in recent consultations and alignment with ATO efforts to reduce tax compliance costs.

Work is progressing on updating Statements of Expectations for regulators following the Regulators Roundtable, with an emphasis on:

- regulators working together and sharing information where appropriate
- balancing compliance objectives with the need to avoid unnecessary burden, particularly for small businesses
- secrecy and information-sharing frameworks to support 'tell us once' approaches, including for victim-survivors of financial abuse so agencies can coordinate responses and treatment of debts.

Members suggested exploring broader regulatory information-sharing powers, such as those from Tax Practitioners Board and PwC-related reforms, to support economic regulation and reporting. Treasury noted this aligns with 'tell us once' policy directions and will be considered further.

Member updates

Industry members shared key observations, focusing on current economic pressures, regulatory change, and emerging risks impacting small businesses including:

- Many small businesses remain under significant pressure, particularly during peak trading periods. While confidence has lifted slightly from post-COVID-19 lows, many are focused on survival and durability rather than growth.
- Persistent skills shortages and declining apprenticeship completion rates are impacting sectors like construction, hairdressing and beauty. High proportions of solo operators in some industries can create churn, with employees leaving to work for themselves, and if unsuccessful, leaving the sector altogether.
- Construction insolvencies remain very high, with recent months recording record levels. Delivery of the National Housing Accord is at risk, with a significant shortfall against the first-year target and a need to construct more homes per year than has previously been achieved.

- Concerns about Payday Super implementation and the closure of the Small Business Superannuation Clearing House were raised, including the lack of a free alternative for micro businesses and the risk that additional costs could drive some businesses towards cash arrangements and the shadow economy.
- Strong potential to embed compliance into everyday software workflows, and e-invoicing, was seen as an important opportunity to improve security and streamline compliance-related data flows, if there is clear leadership and policy direction across government.
- There is growing concern about ATO debt on hold letters, including small and very old debts, with impacts on trust, disengagement risks, and the perception that advisers are being turned into informal debt collectors.
- There is suggestion of greater use of quality-based industry certification schemes, such as StaffSure, and closer scrutiny of procurement practices and contract terms that may drive non-compliance.

Other business

Rowan Fox has been appointed the Deputy Commissioner of Small Business and new co-chair for the forum.

Potential focus areas for 2026 were discussed, with topics suggested including:

- shadow economy tax gap
- sharing economy reporting regime
- e-invoicing and digital compliance infrastructure
- procurement and the shadow economy
- AI and early distress detection.

Members were invited to email

ShadowEconomyAdvisoryForum@ato.gov.au more topic suggestions.

A draft 2026 meeting schedule was discussed, with members suggesting at least one face-to-face meeting in Canberra, potentially hosted by the ATO.

QC 106264

Shadow Economy Advisory Forum key messages 18 August 2025

Key topics discussed at the Shadow Economy Advisory Forum meeting 18 August 2025.

Last updated 7 October 2025

Tax integrity centre

The Australian Taxation Office (ATO) presented annual updates on shadow economy behaviours, covering:

- Trends observed and outcomes delivered under the Shadow Economy Sharing Intelligence Program.
- Tip-off referrals continue to provide valuable intelligence, with informants often identifying multiple behaviours across agencies.
- Recent changes to the whistleblower program and refined criteria resulting in more targeted and actionable intelligence.
- Cash transactions remain the most common risk behaviour.
- Intelligence is shared with partner agencies based on their needs and available resources.

Asia-Pacific small business survey results

CPA Australia presented the 2024–25 Asia-Pacific small business Australian results of the survey, covering:

- current small business conditions and expectations.
- drivers of business growth and challenges.
- demographic impacts on performance.
- role of digital technologies in supporting small businesses.

Agency updates

Australian Tax Office

The ATO shared insights from the Organisation for Economic Co-operation and Development Shadow Economy Conference, Paris February 2025, themes included:

- Declining public trust and visibility of enforcement actions contributing to non-compliance.
- International examples of e-invoicing to combat hidden economic activity.
- Emerging risks including identity fraud and vulnerabilities in digital ID verification.
- Ongoing focus on ensuring individuals operating within regulatory systems are not engaging in shadow economy behaviours.
- The ATO has secured 4 years of additional funding from July 2025 to continue its compliance program.

Australian Border Force

The Australian Border Force outlined its integration of field compliance operations with visa monitoring, targeting migrant worker exploitation and coercive labour practices. These activities also disrupt associated risks such as money laundering.

Treasury

Treasury advised that additional funding has been allocated to illicit tobacco enforcement over 2 years. A related policy review has been finalised and will inform future compliance priorities.

Member updates

Industry members highlighted the following:

- Ongoing frustrations for small businesses in accessing finance and managing tax debts, with calls for improved ATO guidance and streamlined client-agent linking processes.
- Issues arising from the non-deductibility of general interest charge and links with Australian Security Investments Commission's

reporting requirements.

- Reports of payment disputes and non-Australian Financial Complaints Authority lending in transport, postal and construction sectors.
- Concerns about the timing for the Sharing Economy Reporting Regime data to appear in tax return processes in future, and the quality assurance steps being undertaken before that occurs.
- The building and construction industry remains exposed to shadow economy activity, with insolvencies at near-record highs. Members emphasised the importance of robust enforcement to prevent cost advantages for non-compliant operators.

QC 105592

Shadow Economy Advisory Forum key messages 25 November 2024

Key topics discussed at the Shadow Economy Advisory Forum meeting 25 November 2024.

Published 10 February 2025

2025 deep dive workshops - Key insights and phase 1 solution mapping

A summary of the 3 deep dive workshops conducted in 2024 was presented, covering manipulating employment relationships, digital shadow economy behaviours, and reporting and data controls.

The key insights and potential strategies derived from these workshops were presented to understand and address the drivers of prevalent shadow economy behaviours. Additional phase 1 updates were shown on the progress of implementing the proposed strategies to tackle these drivers.

Bastion research findings

The findings from the 2024 Bastion research were presented, which explored community beliefs, values and attitudes towards the shadow economy, particularly post-pandemic.

The research examined factors influencing the tolerance and reporting of shadow economy activities, the impact of digital money and cryptocurrency on the shadow economy and identified potential actionable strategies to improve compliance.

Members shared their insights aligning with the Bastion research findings, focusing on various aspects including illicit activities, the consideration of behavioural economics, suggested ways to improve communication strategies, and concerns related to administrative challenges.

Treasury updates on shadow economy

Treasury provided an update on work associated with the shadow economy:

- The 2017 Taskforce Report established a framework for addressing the shadow economy in Australia.
- Despite significant changes in Australia since 2017, the fundamental drivers of shadow economy behaviours remain unchanged.
- Technological advancements have introduced new challenges through digital platforms and simplified money movement. Addressing illicit activities, particularly those involving tobacco, is crucial to prevent escalation.

Agency updates

Treasury

Treasury provided an update on the consultation regarding the cash mandate for the upcoming year.

Australian Border Force

Australian Border Force (ABF) discussed the implementation of recommendations from the Nixon review. Key developments include the establishment of an Immigration Compliance Operations Division, and an Immigration Compliance Group, within the Department of Home

Affairs. ABF also discussed the introduction of additional measures under the Strengthening Employer Compliance legislation effective from 1 July 2024.

Australian Taxation Office

The Australian Taxation Office (ATO) updated the forum with matters relating to the Shadow Economy Program including:

- For July to September 2024 the program has undertaken more than 79,800 activities, raising almost \$693 million in liabilities.
- Level Playing Field referrals cases have produced liability outcomes of \$12.3 million, exceeding the financial year plan of \$7 million.
- Current efforts involve addressing overstated pay as you go claims, with the potential to significantly increase the Shadow Economy deliverables subject to the scale of required treatment.
- The Shadow Economy Taskforce has made 35 disclosures to member agencies including 41 community tip-offs, in line with the Memorandum of Understanding and Regulations.

Member updates

Industry members shared their key observations and provided updates on various industries, highlighting the challenges faced by small businesses including:

- the need for good business practices and navigating the complexity of workplace relations
- challenges in building and construction industry, marked by high insolvency rate and ongoing difficulties, with reference to the Construction, Forestry and Maritime Employees Union.
- financial pressures on small businesses, including struggles to pay bills and taxes, with some accountants reporting cases of domestic violence, vulnerability of spouses and financial abuse
- the growing regulatory burden on small businesses and tax agents, including surcharges, over-regulation, and duplication of legislation, leading to culling of client lists due to compliance complexity and costs

- a soft recruitment market, the emergence of new non-ICP or contractor roles, and collaboration with the New Zealand Government on migrant worker initiatives.

Other business

The co-chair outlined upcoming activities and governance plans consisting of:

- a presentation by Dr Schaper and Tony Goding to the Council of Small Business Organisations Australia roundtable scheduled for mid-December 2024
- seeking suggestions from members of potential focus areas for 2025
- encouraging collaboration to enhance community messaging based on Bastion Research Insight
- placeholder meeting dates and potential focus areas to be advised in early 2025.

Members were thanked for their efforts and contributions in 2024.

QC 103805

Shadow Economy Advisory Forum key messages 19 August 2024

Key topics discussed at the Shadow Economy Advisory Forum meeting 19 August 2024.

Published 3 October 2024

Opening remarks

A summary on findings and insights of the July workshop on 'Digital Shadow Economy Behaviours' was presented.

Co-chairs reminded members of their requirement to complete the mandatory Integrity Declaration by 30 September 2024.

Reporting and data controls

The Australian Taxation Office (ATO) design team led a workshop on reporting and data controls discussing:

- how businesses interact with the ATO
- understanding the current state of data controls
- the type of data being collated and shared by the ATO
- exploring possible future strategies.

The findings will be tabled at the last 2024 quarterly Shadow Economy Advisory Forum (SEAF) meeting for review and discussion with members.

Member updates

Industry members shared their key observations and provided updates on various industries, including retail and construction, highlighting the challenges faced by small businesses including:

- Cash economy concerns, noting certain businesses continue to operate primarily with cash, often leading to under-reporting.
- The impact of technology on cash transactions and the complexities faced in managing cash flow and reporting.
- Pressures of managing softer sales, higher vacancies, increase payment disputes, and the need for better support for small businesses.
- Businesses dealing with stress, leading to insolvencies and mental health issues.
- Impact of heavy regulatory changes on accountants and small practitioners which are driving small businesses away from using trusted advisors, and the importance of supporting small businesses.

Agency updates

Treasury

Treasury proposes to provide an update of the review at the next SEAF quarterly meeting in November.

ATO

The Shadow Economy Program has undertaken more than 245,000 activities and raised more than \$2.05 billion in liabilities.

The Illicit Tobacco Taskforce has undertaken 81 seizures supporting taskforce activities and state law enforcement agencies. These operations have seized approximately 16.7 tonne of illicit tobacco and more than 13.4 million illicit cigarettes, equating to approximately \$45 million in forgone excise.

The Shadow Economy Taskforce has made 174 disclosures to member agencies in line with the Memorandum of Understanding and Regulations.

Other business

The co-chair outlined the governance processes including:

- a summary of the completed deep dive workshops for the year
- Treasury to provide detailed update at next meeting
- SEAF co-chairs to provide a presentation to COSBOA on Shadow Economy in December
- annual survey and review of membership composition completed
- completion of mandatory Integrity Declaration forms by SEAF members
- interest in members attending a face-to-face meeting in the future.

QC 103111

Shadow Economy Advisory Forum key messages 28 May 2024

Key topics discussed at the Shadow Economy Advisory Forum meeting 28 May 2024.

Published 25 July 2024

Welcome

Co-chairs welcomed attendees with an acknowledgment of country. No conflicts of interest were declared. Members were reminded of confidentiality requirements.

The Shadow Economy Advisory Forum (SEAF) 2024–25 Charter was tabled with no issues and members were advised of the requirement and introduction of Integrity Declarations.

CPA Australia Asia-Pacific Small Business Survey for 2023–24

CPA Australia presented on the results of the CPA Australia Asia-Pacific Small Business Survey for 2023–24 to the forum, covering:

- survey design and methodology
- small business conditions in 2023
- small business expectations in 2024
- importance of cash to small business
- drivers of small business growth
- impact of demographics on small business performance.

Australian Financial Security Authority

Australian Financial Security Authority (AFSA) presented on the linkages to the shadow economy including:

- the AFSA's role as the Official Trustee and regulator of personal insolvency, and how it deals with shadow economy activities
- personal insolvency volumes
- linkages to shadow economy

- untrustworthy advisors, their impacts and the next steps in addressing them.

Members discussed various approaches in assisting and providing quality information to small businesses for them to access trustworthy advisors.

Member updates

Industry members shared key observations which focused broadly on current environmental pressures. The discussion noted:

- Industry bodies raised concerns of small businesses owners having limited knowledge of the reporting and tax obligations required and own industry regulations due to lack of education and low digital update usage.
- Small businesses continue to be impacted by labour shortages and recruitment challenges, with restrictions placed on migrants and international students.
- Small business owners are struggling to keep up with the volume, variety and pace of regulatory, legislative and system changes.
- Difficulty in Client Agent Linking due to fraud detecting strategies was noted, with funding announced in the 2024–25 Federal Budget to strengthen myGov and Digital Id.

Agency updates

Treasury

Treasury provided an update on the following:

- The 2024–25 Budget includes a measure extending the Shadow Economy Compliance Program for 2 years from 1 July 2026.
- The Budget documents include the Australian Government Small Business Statement which sets out a range of targeted supports for small business.

Australian Border Force

Australian Border Force (ABF) discussed the following:

- The frequency and significant quantities of vaping products being detected and the parallels with the illicit tobacco industry, including \$12.4 million worth of vapes seized in Sydney in May 2024.
- Increasing volumes of trade and its impact on border operations.
- Signing of the ABF Mutual Recognition Arrangement with India, which will speed up trade for accredited Trusted Traders who export to India.
- An overview of the issue and action being taking to address migrant worker exploitations.
- The successful prosecution in the Federal Court in relation to exploitation of the visa system.
- The ABF publication of employers involved with the exploitation of migrant works.

An ABF presentation on the topic of exploitation of migrant workers and steps to protect them from exploitation was suggested to the forum.

Action item	20240528-3
Status	In progress
Responsibility	ABF
Description	Arrange to bring presentation to the forum.

Australian Taxation Office

The Australian Taxation Office (ATO) updated the forum with matters relating to the Shadow Economy Program including:

- The government will provide further funding over four years from 2024–25 to continue combat scams and online fraud. Funding includes \$23.3 million for the ATO to continue to oversee and operate the secure e-Invoicing network.
- The Shadow Economy Program has undertaken more than 196,000 activities and raised more than \$1.65 billion in liabilities.

- The Illicit Tobacco Taskforce has undertaken 78 seizures supporting taskforce activities and state law enforcement agencies. These operations have seized approximately 15 tonnes of illicit tobacco and more than 11.6 million illicit cigarettes, equating to approximately \$39.7 million in forgone excise.
- The Shadow Economy Taskforce has made 135 disclosures to member agencies in line with the Memorandum of Understanding and Regulations.

Other business

The SEAF co-chair outlined the governance processes coming including:

- a deep dive session into Digital Shadow Economy Behaviours
- conducting a member survey to solicit feedback
- reviewing the current membership composition.

Action items

Action item	20240528-1
Status	In progress
Responsibility	SEAF secretariat
Description	Liaise with the Tax Practitioners Board to provide analysis of the tip-offs shared on the contra arrangements.

Action item	20240528-2
Status	In progress
Responsibility	SEAF secretariat
Description	Liaise between the ATO – Lodge and Pay and Australian Securities and Investments Commission in updating the website relating to

winding up an insolvent company for warnings to use self-promoted pre-insolvency advisors.

QC 102803

Shadow Economy Advisory Forum key messages 19 February 2024

Key topics discussed at the Shadow Economy Advisory Forum meeting 19 February 2024.

Published 3 April 2024

Focus areas in 2024

The Australian Taxation Office (ATO) presented 3 focus areas in 2024 for consideration, based on community intelligence received by the Tax Integrity Centre, covering the following areas:

- reporting and data controls
- digital shadow economy behaviours
- manipulating employment relationships.

A structured roadmap and program schedule were introduced to give visibility of the proposed timelines and key deliverables.

Members agreed that drivers of shadow economy behaviours are imperative to explore further.

Potential benefits of bringing regulatory agencies into the discussion, such as Treasury, were noted.

Action item	20240219-1
Due date	March 2024
Responsibility	Members

Action item details	Provide feedback on the proposed focus areas, including identifying the likely drivers of shadow economy behaviour and suggesting for subject matter experts relevant to the discussion.
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Action item	20240219-2
Due date	March 2024
Responsibility	Secretariat
Action item details	Provide members with a detailed schedule for the proposed focus areas and dates for consideration.

Member updates

Industry members shared observations which focussed on current environmental pressures, including:

- Ongoing skilling shortages, frequent regulatory changes and cash flow constraints continue to place pressure on many industries.
- Small business confidence is low and may decline further as influenced by the cash rate increase.
- Insolvencies and personal bankruptcies are likely to rise, as most businesses are just breaking even.
- A digital first solution may not be suitable to every business due to a lack of digital skills.
- Start-up companies require more assistance from the regulators and professionals to understand their obligations.

Agency updates

Treasury

A dedicated taskforce was established by Treasury to conduct the 5-year review on shadow economy as commissioned by the government.

It will focus on new and emerging shadow economy risks and trends, while considering the recommendations made by the 2017 Taskforce Final Report.

The 5-year review is expected to be completed by June 2025.

Shadow Economy Program

The ATO has undertaken more than 105,000 activities and raised more than \$1.36 billion in liabilities.

The Illicit Tobacco Taskforce has been involved in 6 operations, which resulted in 70 seizures consisting of more than 6 tonnes of loose-leaf tobacco and over 10 million cigarettes with the total excise evaded being more than \$21 million.

The Shadow Economy Taskforce made 77 disclosures to member agencies in line with the Memorandum of Understanding and Regulations.

Australian Border Force (ABF)

The ABF will refocus on stopping threats at border through managing approximately 62 million air cargo consignments entering each year.

The importation of disposable vapes is prohibited from 1 January 2024, while the importation of all non-therapeutic vapes will be prohibited from 1 March 2024.

ABF-led Operation CALOR commenced in December 2023, which was supported by the Therapeutic Goods Administration and other partner agencies, has executed 39 Commonwealth warrants across the Sydney metropolitan area.

Other business

The SEAF co-chair outlined the governance processes in the coming months, consisting of:

- updating the SEAF Charter for 2024-25
- conducting a member survey to solicit feedback

- reviewing the current membership composition.

QC 101397

Shadow Economy Advisory Forum key messages 8 November 2023

Key topics discussed at the Shadow Economy Advisory Forum meeting 8 November 2023.

Last updated 22 February 2024

Welcome

The co-chairs, Dr Michael Schaper and Will Day, welcomed attendees with an acknowledgment of country. No conflicts of interest were declared. Members were reminded of confidentiality requirements.

The endorsed SEAF Charter 2023–24 was provided to members. Changes to Agency representatives were noted and all outgoing representatives were thanked for their contribution to the forum.

Tax system health check

The ATO presented on the latest Shadow Economy Tax Gap findings including:

- footprints of shadow economy
- tax effects of shadow economy behaviours in the transactions and income-based taxes
- overall shadow economy taxes, including administered programs by the ATO, grew from \$14.3 billion to \$20.7 billion from 2015–16 to 2020–21
- growth in the tax effects of the shadow economy, 7.7% over 2015–16 to 2020–21 exceeded nominal gross domestic product growth over the same period, 4.6%

- the performance is mixed across tax types with the tax effects of shadow economy tobacco excise growing very strongly, 29.6%.

Action item	20231108-1
Due date	February 2024
Responsibility	ATO performance measures & tax gap
Action item details	Provide information on how organised criminal activities have been factored into the tax gap estimates.

SB tax gap–SB random enquiry program insights

The ATO shared key insights into the small business (SB) random enquiry program including:

- Behaviours and revenue impacts observed in the small business random enquiry program sample.
- Behavioural impacts at the small business income tax gap level with a breakdown of the shadow economy activities.
- Industry view of the shadow economy cases in terms of average income tax shortfall and average cash income comparing to misreported income.

Action item	20231108-2
Due date	February 2024
Responsibility	ATO small business tax gap
Action item details	Confirm the level of mental health trainings undertaken by the ATO to assist with challenges faced by small businesses.

Action item	20231108-3
Due date	February 2024
Responsibility	ATO small business tax gap
Action item details	Provide additional analysis on the types of shadow economy behaviours observed in micro businesses as opposed to small businesses.

Action item	20231108-4
Due date	February 2024
Responsibility	ATO small business risk & strategy
Action item details	Provide an industry-based trend analysis on ABN registration without a GST role.

Alcohol tax gap

The ATO discussed the alcohol tax gap including:

- high-level summary of the gap
- the net tax gap for the 2021–22 has been estimated at \$745 million, or 9.1%
- illicit alcohol activity in the shadow economy is responsible for approximately 90% of the alcohol tax gap
- primary risks and drivers
- treatment strategies implemented
- opportunity for targeted actions and improvements.

Action item	20231108-5
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Due date	February 2024
Responsibility	ATO excise centre
Action item details	Provide relevant guidance material to help the community identify presence of illicit alcohol.

Member updates

Industry members shared key observations which focussed on current environmental pressures including:

- some industries are concerned with the impacts of the Industrial Relations Reforms Bill
- small businesses are struggling to keep up with the increasing reporting obligations which is shared by their professional advisors
- some small businesses are facing financial uncertainty with a rising advisory demand for professional bodies
- small businesses are impacted by cash flow issues with a growing trend in payment related disputes.

Agency updates

Treasury provided an update on the review of the Modernising Business Registers (MBR) program including:

- the final report was released in August 2023 on Treasury's website
- it was initially projected to be completed by the 2023–24 financial year at a cost of \$480.5 million
- due to several factors, including a significant underestimation of program complexity, the current costs of the MBR program are approximately 5 times the amount estimated
- the review concludes that the responsible and best available option for government is to stop the MBR program on the basis that the considerable additional investment is not justified when measured against the benefits

- it recommended the return of registry functions from the ATO to a new division in Australian Securities and Investments Commission while the director ID regime will remain under the Australian Business Registry System, with an additional targeted investment in uplifting data integrity and quality.

Action item	20231108-6
Due date	February 2024
Responsibility	Treasury
Action item details	Provide an update on the timeframe of a five-year report into the shadow economy as recommended by the Australian National Audit Office.

The ATO outlined the key achievements of the Shadow Economy Program from 1 July to 30 September 2023 including:

- We have undertaken more than 80,000 activities and raised more than \$936 million in liabilities.
- The Australian Border Force (ABF) led Illicit Tobacco Taskforce has seized just under 4 tonne of loose tobacco and over 9 million cigarettes, equating to \$15.4 million in forgone excise.
- The ATO Tax Integrity Centre have shared 969 shadow economy related community tip-offs with Shadow Economy Taskforce member agencies.
- The Shadow Economy Taskforce have made 45 disclosures to member agencies relating to illicit tobacco, money laundering, worker exploitation, visa fraud, welfare fraud and organised crime.

The ATO provided an update from the recent New Zealand Tax Conference organised by the New Zealand Inland Revenue including:

- the re-emergence of shadow economy behaviours, including cash wages and illicit tobacco were observed by New Zealand counterparts
- shared concerns on the operation of the Electronic Sales Suppression Tools

- cyber security for small businesses remains a focus, given compromised identities have been used to apply for COVID-19 support payments.

The ABF shared insights into the Australian Trusted Trader (ATT) including:

- The intent is to secure the borders and streamline legitimate trade through improving certainty in export markets and expediting the flow of the cargo in and out of Australia.
- It is administered by the ABF to accredit Australian businesses who can demonstrate compliant trade practices and a secure international supply chain.
- The ATT list represents trusted businesses who import and export, as well as those who provide services including logistics, customs brokerage and transport.

The ABF has ongoing partnerships with other agencies to protect Australia's borders including the combating illicit tobacco importation. The ATT program highlights the value of partnering with industry.

Other business

- The proposed meeting schedule and topics for 2024 meetings were discussed including:
- A deep dive into sham contracting and associated industry education campaigns.
- Consideration of inviting representatives of other industries to present relevant topics.
- Recommendation of avoiding any meeting scheduled for the period from 14 and 21 May due to the Federal Budget.

QC 101235

Shadow Economy Advisory Forum key messages 15 August 2023

Key topics discussed at the Shadow Economy Advisory Forum 15 August 2023.

Last updated 16 October 2023

Key topics discussed at the Shadow Economy Advisory Forum 15 August 2023.

- [Welcome](#)
- [Australian National Audit Office discussion](#)
- [What, how and why of eInvoicing](#)
- [Tax integrity centre – what the community told us](#)
- [Member updates](#)
- [Agency updates](#)
- [Other business](#)

The Shadow Economy Advisory Forum (SEAF) co-chairs, Dr Michael Schaper and Belinda Darling, welcomed attendees and the Charter 2023–24 was tabled with no issues raised by members.

Australian National Audit Office discussion

The ATO and Treasury provided an update on the recent Australian National Audit Office (ANAO) report on the effectiveness of the implementation of the government response to the 2017 Taskforce report. The ANAO made 4 recommendations. The ATO and Treasury are working together to review the **ATO – Treasury Protocol**. Treasury are progressing work relating to the other recommendations, which includes producing a 5-year report into the shadow economy and the ATO will be supporting this work. Members discussed the role of this forum in providing input into the 5-year report. An update will be provided at the next meeting.

What, how and why of eInvoicing

Mark Stockwell, Director, ATO gave a presentation on eInvoicing which covered:

- an overview of eInvoicing
- as of 30 June 2023, 32,000 Australian businesses have registered
- invoice volumes issued through eInvoicing increased by over 500% to over 400,000 for 2022–23 year
- the drivers, benefits and challenges for adoption by the community
- future focus
- targeting key industries such as recruitment and construction retailers to increase use
- working across federal government to actively engage and onboard the top 50 suppliers.

Tax integrity centre – what the community told us

Shira Nahari, and Steve Verlingieri, Directors, ATO gave a presentation on the tax integrity centre (TIC) results which covered:

- an overview of the TIC
- trends observed and outcomes delivered under Shadow Economy Sharing Intelligence Program.

Action item	20230815-1
Due date	November 2023
Responsibility	ATO Tax Integrity Centre
Action item details	Provide additional analysis of tip-offs; including industry and reported shadow economy behaviour.

Member updates

Industry members shared key observations which focussed broadly on current environmental pressures. The discussion noted:

- Some industries are increasing their reliance on finance providers, with current interest rates only slightly lower than profit margins.
- Small businesses are impacted by the cost of employing staff, as compared to engaging contractors.
- Some small business owners are struggling to manage cash flow and pay their creditors and other debts, and this is leading to pressure on advisors to overstate deductions to offset changes to the low and middle income tax offset.
- Small businesses are increasing their engagement with external administrators and consultants. An increase in 'untrustworthy advisors' has been observed.

Agency updates

Paul Fischer, Acting Assistant Secretary, Treasury provided an update on the 2023–24 Budget measures:

- Tobacco excise rate changes
- Extension of compliance programs have been implemented (law changes were not required):
 - GST compliance program
 - Serious Financial Crime Taskforce
 - Personal Income Tax Compliance program
 - Tax Integrity – improving engagement with taxpayers to ensure timely payment of tax and superannuation liabilities.

Action item	20230815-2
Due date	November 2023
Responsibility	Treasury
Action item details	Provide an update of the Independent Review of the Modernising Business Registers Program, specifically when the report will be released, and for the outcomes to be shared with the SEAF

Belinda Darling, Assistant Commissioner, ATO outlined the key achievements of the Shadow Economy Program for 2022–23:

- With additional program funding the ATO has been able to raise liabilities of \$2.09 billion, with estimated cash collections of \$1.22 billion.
- The Illicit Tobacco Taskforce continues to build on its success – 66 tonne of loose tobacco and more than 1.1 million cigarettes were seized during the year, equating to an estimated \$110 million in excise.
- The Shadow Economy Taskforce made almost 100 disclosures to member agencies in line with the Memorandum of Understanding and Regulations.
- The ATO have supported small businesses through online learning and the Digital Cashflow coaching kit, with an ongoing investment in Youth, Culturally and Linguistically Diverse groups and Indigenous communities.

To support the future focus of the Shadow Economy Program strategy and design, a Shadow Economy qualitative research project is being undertaken to explore community perceptions, social beliefs and values that normalise and justify Shadow Economy behaviour. Results will be shared with this Forum.

Shadow Economy Program focus areas for the 2023–24 year:

- continue our work across agencies, including the Illicit Tobacco Taskforce
- continue our focus on
 - hidden wages
 - omitted income and outstanding lodgments
 - illicit alcohol
- continue to identify new and emerging risks using data and analytics and other intelligence, for example, from the community.

Other business

Suggested topics for future meetings were discussed:

- Sharing Economy Reporting Regime

- Tax Gap estimates, once finalised
- Shadow Economy qualitative research findings, 2024
- Annual Tax Integrity Centre update, 2024
- Third Party Data
- How we can identify signs of life/those operating outside the system through verifiable third-party data.

QC 73400

Shadow Economy Advisory Forum key messages 22 May 2023

Key messages from the Shadow Economy Advisory Forum meeting 22 May 2023.

Last updated 28 July 2023

Key messages from the Shadow Economy Advisory Forum meeting 22 May 2023

Welcome and Chair update

Co-chairs, Deputy Commissioner Will Day, Australian Taxation Office (ATO) and Dr Michael Schaper welcomed attendees. No conflicts of interest were declared. Members were reminded of confidentiality requirements.

Member updates

Industry members shared key observations which focussed broadly on current environmental pressures. The discussion noted:

- Small businesses continue to be impacted by labour shortages
- Small businesses continue to struggle to remain afloat, resulting in less engagement with advisors

- Increased regulation/reporting obligations are impacting small business engagement with the regulatory bodies
- Credit rating reporting has increased by 140% indicating lack of trust in business-to-business trading
- There is an uptrend in small business payment related disputes seen by the Australian Small Business and Family Enterprise Ombudsman
- Same Job, Same Pay measure (currently in consultation phase) is causing concern within member industries.

Agency updates

Will Day updated the forum with matters relating to small business and the shadow economy:

- the Shadow Economy Program was extended for a further 3 years, from 1 July 2023 (announced after the Mid-Year Fiscal Economic Fiscal Outlook)
- the Sharing Economy Reporting Regime begins on 1 July 2023 for those in the rideshare and short-term accommodation sectors
- Federal Budget 2023-24 measures:
 - Lodgment penalty amnesty program will remit failure to lodge penalties for lodgments that were due between 1 December 2019 and end of February 2022, when lodged between 1 June 2023 and 31 December 2023 for small businesses, providing them with an opportunity to re-engage with the tax office
 - Tobacco excise is set to increase by 5% per year for 3 years, starting from September 2023 which may drive shadow economy behaviours (e.g. sales of illicit tobacco).

Geoff Francis, Assistant Secretary, Treasury provided an update on the following:

- Treasury is still undergoing the Australian National Audit Office (ANAO) audit into the 'Implementation of the government's response to the Black Economy Taskforce Report', with Treasury currently preparing a response to the ANAO section 19 report, which is scheduled to be tabled in parliament in June 2023

- Federal Budget 2023-24 measures of interest to the forum:
 - Extensions of several compliance programs, including:
 - Serious Financial Crime Taskforce (SFCT) and Serious Organised Crime (SOC) programs have been merged and extended for four years
 - GST Compliance Program extended for four years
 - Personal Income Tax Compliance program extended for two years
 - Securing Australians' Superannuation Package - from 1 July 2026, employers will be required to pay their employees' superannuation guarantee entitlements on the same day that they pay the employee's salary or wage
 - Small Business Support:
 - Small Business Instant Asset Write-off threshold of \$20,000 from 1 July 2023 to 30 June 2024 for businesses with an aggregated turnover of less than \$10m
 - Small Business Energy Incentive – providing an additional 20% deduction of the cost of eligible depreciating assets that support more efficient use of energy for businesses with an aggregated turnover of less than \$50m.

Tony Goding Assistant Commissioner, ATO, advised on Action Item 20230308-01 Update on direction to educate modules – how the modules were developed and who was involved in this process.

The module content and structure were developed through a gap analysis including using data from:

- the random enquiry program findings
- risk assessment and treatment plans
- existing webinar feedback from small business owners.

The modules were developed in consultation with ATO Marketing and Communications, Small Business Risk and Strategy and Technical

Leadership and Advice areas. SEAF member inclusion will be suggested when these modules are user-tested.

The Australian Border Force (ABF) were an apology for this meeting.

Electronic Sales Suppression Technology presentation

Assistant Commissioner Peter Vujanic and Director Jacinta Lawson of the ATO presented on Electronic Sales Suppression Technology (ESST) to the forum, covering:

- Overview of ESST – the ‘what’ and ‘how’
- ESST legislation
- Quantifying the tax risk, and
- ATO compliance strategy and observations.

There was general member interest in continuing to examine this issue, and in working with industry associations to alert them about this threat and ways to combat it. ESST will be discussed further in future meetings.

CPA Australia Asia-Pacific Small Business Survey

Gavan Ord, CPA Australia presented on the results of the CPA Australia Asia-Pacific Small Business Survey 2022-23 to the forum, covering:

- Survey design and methodology – including 4,280 small business participants
- Small business demographics
- Business and economic conditions
- Cash use within small business data
- Technology and innovation
- Characteristics of high growth businesses, and
- Characteristics of Australian small businesses.

Other business

A member survey regarding this forum has been issued to members with a due date to respond by 31 May 2023.

Face to face meetings were tabled and some members indicated interest in pursuing this for a future meeting.

Members to consider providing a 'Deep Dive' for the industry or organisation they represent at future forum meetings and advise the secretariat if they are agreeable.

QC 73104

Shadow Economy Advisory Forum key messages 8 March 2023

Key topics discussed at the Shadow Economy Advisory Forum meeting 8 March 2023.

Last updated 17 May 2023

Welcome and chair update

Chair Will Day, welcomed attendees. No conflicts of interest were declared. Dr Michael Schaper's appointment as Chair of the Gaming and Wagering Commission of Western Australia was noted. Members were reminded of confidentiality requirements.

New members Suresh Manickam and Jason Robertson were welcomed to the forum.

Information protection presentation

Angelene Falk of Office of the Australian Information Commissioner (OAIC) presented to the forum, covering:

- role of OAIC
- practical steps businesses can take to protect the data they hold

- advice regarding collection, retention and verification of personal information in our increasingly digitalised environment
- level of threat, risk, damage and cost to industries caused by identity theft
- regulatory requirements for organisations to make timely assessment of data breaches and notify individuals affected by a data breach.




Member updates

Industry members shared key observations which focussed broadly on current environmental pressures. The discussion noted:

- businesses have less focus on their compliance obligations whilst they struggle to remain afloat
- small businesses continue to be impacted by labour shortages and supply chain issues
- merchant fees are impacting business, resulting in a movement back to a preference for cash sales
- consumer demand is trending down in value, but not in volume
- business to business trade is trending down, with businesses moving to 'just in time' inventory rather than purchasing in bulk.

Agency updates

Geoff Francis provided an update on the following:

- Small Business Technology Investment Boost and Small Business [Skills and Training Boost](#)  legislation
 - The Senate Economics Legislation Committee recommended the bill be passed.
- [Streamlining excise administration: Aligning reporting for smaller business and allowing small-scale takeaway beer sales](#) , consultation period 2 February 2023 to 16 February 2023
- Draft legislation [Strengthening the ABN system](#) , consultation period 1 November 2022 to 29 November 2022.

Katie O'Brien, Australian Border Force (ABF) advised the Australian National Audit Office audit 'Implementation of the government's response to the Black Economy Taskforce Report' is ongoing.

The ABF published an Australian Customs Notice (ACN) No. 2022/42 – 'Conversion of cryptocurrencies into Australian dollars – customs valuation' advising owners who paid for their imported goods using a cryptocurrency, will need to convert this into Australian dollars based on the exchange rate for cryptocurrency on the day of exportation.

Tony Goding advised on the Sharing Economy Reporting Regime – certain ride sourcing and accommodation providers are required to report from 1 July 2023 and other platforms will report from 1 July 2024.

Direction to educate, tax-records education direction can now be used instead of imposing financial penalties, where appropriate during compliance interactions. The basic module will take approximately 45 minutes to complete.

Electronic Sales Suppression Technology work is progressing in the ATO, information about this strategy and insights gained to date will be brought to the forum in a future meeting.

Action item	20230308-01
Due date	May 2023
Responsibility	Tony Goding, ATO
Action item details	Provide the forum with an update of how the Direction to educate modules are being developed, and who is involved in the development process.

Other business

Suggested topic for discussion at a future meeting – Modernisation of Business Register review.

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