

Business
Council of
Australia



SUBMISSION

Submission to the Black Economy Taskforce: Additional Policy Ideas

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The Business Council of Australia is a forum for the chief executives of Australia's largest companies to promote economic and social progress in the national interest.

Introduction

The Business Council of Australia welcomes the opportunity to provide an additional submission in response to the Black Economy Taskforce: Additional Policy Ideas report.

At the outset, the Business Council restates its strong belief that all companies and individuals must meet their tax and legal obligations and we strongly endorse the work of the Taskforce in this regard. A willingness by governments to address the black economy is important for maintaining and improving trust in the tax system and the institutions that govern it.

As noted in the Black Economy Taskforce Interim Report, one of the key drivers of the black economy is high tax and regulatory burdens. Instead of increasing the stock of regulation to respond to black economy concerns, the Business Council urges the Taskforce to consider the benefits of broader tax reform and making existing regulation more effective.

Laws and regulations should not be so numerous, complex or burdensome as to stifle legitimate business activity or discourage people from willing participation and compliance.

The Business Council's *Standards for Rule Making* outlines principles and standards for new regulation, against which the Taskforce should consider its additional policy ideas. The principles are:

- the problem to be solved must be well understood
- new regulation must be subject to cost-benefit analysis
- regulation achieves its objectives at least cost.

The appropriate benchmark for any policy is that it will have a net positive effect on the economy and the welfare of Australians. Policies must be proportionate to the problem at hand, consider the impact across the economy (including business) and the benefits must be demonstrably assessed to outweigh the costs.

Additional policy ideas

Some of the additional policy ideas proposed would represent a significant increase in the regulatory burden. These policies must be carefully assessed against the principles outlined above, or risk adding compliance costs and complexity that could have perverse outcomes in relation to the black economy.

Government procurement: a good tax record

The Business Council again notes that the Interim Report acknowledged that 'any definition [of a "good" tax record] should be seen by businesses as objective, fair and non-arbitrary. It should not apply to firms in dispute with the ATO or those who have been guilty of minor lapses'. The Business Council continues to share these concerns. While

the Taskforce has considered the adoption of the Tax Transparency Code as part of the definition of a “good” tax record, further definitions should be robust and practical.

Australian Supplier Payment Code

We acknowledge and agree in principle with the Taskforce’s support for a voluntary approach to improving supply chain behaviours. The Taskforce has specifically proposed broadening the Australian Supplier Payment Code (ASPC) to cover other supply chain behaviours.

As noted in our submission in response to the Interim Report, ASPC signatories will work with supplier businesses, where practicable, to apply technologies and practices that will speed up invoice reconciliation, approval and payment processes (such as through online portals, electronic invoicing, Electronic Funds Transfer, payment cards etc.). The code therefore presents an opportunity to accelerate digital payment systems, bringing tax compliance benefits.

However, rather than broadening the ASPC to cover other behaviours, we believe that it would be better to create an adjunct Code to the ASPC for new or existing signatories to voluntarily commit to, or to create a new voluntary industry code.

The encouraging levels of take-up of the ASPC to date are partly due to its clear, targeted and manageable commitment to reduce payment times to small businesses. Broadening the existing code would risk making it a far more complex document and could curtail its further take-up. A re-writing of the ASPC now would also impose additional obligations on existing signatories that may lead them to withdraw from it. Neither of these outcomes would be good for reducing payment times. A separate Code is strongly preferred.

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