

21 December 2018

Black Economy Division
The Treasury
Langton Crescent
PARKES ACT 2600
Attention: Kathleen de Kleuver

E-mail: blackeconomy@treasury.gov.au

Dear Kathleen

Black Economy – increasing the integrity of government procurement

Chartered Accountants Australia and New Zealand (CAANZ) appreciates the opportunity to comment on the procurement connected policy paper entitled “Black economy – improving the integrity of government procurement” (the policy paper).

This policy paper is the second paper that Treasury has released regarding the implementation of the Black Economy taskforce’s recommendation that the government use its purchasing power to exclude businesses that do not have a satisfactory tax record.¹ Standards Australia is simultaneously conducting a consultation on ‘[Supporting the integrity of the Australian supply chain](#)’ that actions recommendation 9.2 of the Black Economy Taskforce Final Report which was to *Establish national probity standards that private supply chain certification credential should comply with to ensure responsible supply chain management practices are followed. This would include minimum standards, use of trusted trader certification, and publication of misconduct.*

Implementing the Black Economy Taskforce’s recommendation about government procurement is a mammoth task. Rather than trying to implement all of this recommendation at once, small components are being piloted with a view to further eventual expansion to the whole of the government supply chain. Thus this consultation is only concerned with contracts that exceed \$4M (inclusive of GST) and proposes guidelines for the first year of operation (from 1 July 2019²).

Using the government procurement programme to drive behavioural change through supply chains is a powerful tool which can make a significant impact on the black economy. CAANZ supports this initiative.

The policy paper raises a number of issues for our members:

The proposed treatment of partnerships

The policy paper proposes that all partners in a partnership be required to obtain a Satisfactory Tax Record (STR) statement if the partnership is a tenderer. Large accounting partnership often

¹¹ These hyperlinks take you to the previous [consultation paper](#) and [CAANZ’s response](#) to that paper.

² It is noted that no legislative changes are required to implement these proposals thus it is possible that the projected timeline can be met provided that the implementation strategy for providing STRs is tested before the 1 July 2019 deadline.

have more than 30 partners, sometimes over a hundred partners. Requiring all partners in large partnerships to provide STRs and to ensure *all* STRs are current would be a considerable task.

An alternative approach would be to require partnerships whose natural individual partners exceed 20 partners, to only have to provide a STR for the *partnership* on behalf of the partners. This would have the beneficial effect of further empowering the executive leadership of the partnership to implement internal procedures to ensure individual partners have met their tax obligations (or have a legitimate reason for not doing so, such as a tax debt repayment plan agreed with the ATO). For some accounting firms, such procedures exist already.

Defining a partnership

Consideration also needs to be given as to how a partnership is defined, as legally any change in the composition of the partners (retirement or admission) results in the old partnership being dissolved and a new one created. Preferably a commercial, rather than a legalistic approach would be taken to this issue and a “point in time” approach adopted to determining the composition of the partnership (e.g. a 30 June measuring point).

Piloting and start date

CA ANZ is a strong supporter of pilot programs to “debug” new tax administration initiatives. The procurement initiative could, for example, be piloted using a small group of government agencies which regularly seek outside assistance or supplies (indeed, the ATO falls into this category).

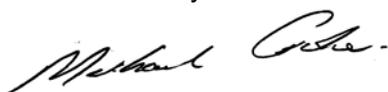
The 1 July 2019 start date may be difficult to meet if the ATO has not had time to run a pilot of the process of issuing STRs to affected taxpayers. Tenderers would need to know before 1 July 2019 what their STR status is and whether they need to do anything in order to obtain a positive STR (e.g. make a payment). Details regarding the time line for any such testing by the ATO and how tenderers can participate in it would be appreciated.

Wording the STR

A minor presentation point concerns the wording around the requirements to obtain a STR. The current wording of the first sentence in b(ii) on page 6 of the policy paper allows the possibility of a tenderer lodging the required 90% of returns just before requesting a STR. Given the second sentence in this paragraph, it would appear that such an approach is not intended. It is suggested that the wording of this paragraph be changed to indicate that 90% of all returns were lodged on time, and then note that reasonable delays due to extensions agreed by the ATO do not affect the receipt of a STR.

If you wish to discuss our comments, please contact Susan Franks on her mobile phone (+61 401 997 342) or via email at susan.franks@charteredaccountantsanz.com

Yours sincerely



Michael Croker
Tax Leader Australia
Chartered Accountants Australia and New Zealand

Appendix A

Chartered Accountants Australia and New Zealand

CA ANZ is made up of over 120,000 diverse, talented and financially astute professionals who utilise their skills every day to make a difference for businesses the world over.

Members of CA ANZ are known for professional integrity, principled judgment and financial discipline, and a forward-looking approach to business.

We focus on the education and lifelong learning of members, and engage in advocacy and thought leadership in areas that impact the economy and domestic and international capital markets.

We are represented on the Board of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance, and Chartered Accountants Worldwide, which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.