



Strengthening the Australian Business Number System

Background

- During 2017, the Black Economy Taskforce consulted widely on the drivers of the black economy, and the risks underpinning it.
- The Taskforce's final report to the Government made a number of findings and recommendations in relation to the ABN system, including the introduction of a renewal process, registration and renewal fees, conditions to maintain an ABN and changes to entitlement rules.
- The Government agreed that the ABN system should be strengthened and committed to consult further on the Taskforce's recommendations.
- In 2018 the Government consulted on the Taskforce's recommendations which included a public submission process and roundtables.

Consultation outcomes

- Over 180 submissions were received
- The majority of people noted the importance of a robust ABN system and confirmed that an ABN does give the appearance of legitimacy. However, the ABN should remain a unique identifier and not be redesigned as a business licence (with accompanying strict entitlement controls).
- The Australian Business Register (ABR) is considered a vital source of information assisting businesses, government agencies and others in the community. However, its current quality did not always meet expectations
- Improving the application process was strongly supported, in addition to the introduction of conditions on ABN holders. Compliance with tax obligations was the most commonly suggested condition.
- Stakeholders noted the benefits of enhanced data integrity and increased system engagement arising from a renewals process. Any renewals process should be carefully designed to minimise compliance burdens on ABN holders.
- Most stakeholders did not support the introduction of an ABN fee, highlighting potential negative impacts on small businesses.

What is changing

- In the 2019-20 Budget the Government announced that it will strengthen the ABN system to disrupt black economy behaviour by requiring ABN holders:
 - from 1 July 2021, with an income tax return obligation, to lodge their income tax return; and
 - from 1 July 2022, to confirm the accuracy of their details on the ABR annually.
- The Government will also enhance the ABN application process, and provide the Registrar of the ABR with the discretion to refuse or cancel an ABN where there are significant breaches of a law bringing into question a business' ability to honestly transact with other businesses and government.
- The Government will not be introducing a fee for applying for, or maintaining an ABN.

Case study: The value of accurate ABN data in disasters

ABR data is used for a variety of purposes, including disaster response and recovery, infrastructure planning, compliance and service delivery.

For example, Geoscience Australia, which provides spatial support and advice to Emergency Management Australia via the Crisis Coordination Centre (CCC), uses ABR data to coordinate Australian Government assistance during disaster and emergency events.

The information obtained from the ABR contributes to the *Geoscience Australia Exposure Report* which contains demographics, location of buildings, businesses, institutions, agricultural and infrastructure sites situated within an event footprint, geographical boundary or potentially threatened area. This information is used by the CCC to identify and assist affected businesses and impacted areas.

Next steps

In due course the Government will release exposure draft legislation for comment.

While Treasury is not running a submissions process at this point in time, we invite your comments on policy design and implementation considerations.

Comments can be provided to blackeconomy@treasury.gov.au

Rationale

- These improvements are necessary to ensure that ABN holders are meeting their obligations and that information on the ABR is accurate and up to date. Improvements will be achieved through targeted conditions that avoid imposing significant increases in regulatory burdens on businesses doing the right thing or introducing new fees.
- Compliance with tax obligations should be a prerequisite of holding an ABN. These reforms better align an ABN holder's obligations with community expectations of businesses. Those ABN holders with a requirement to lodge an income tax return (ABN holders that earn assessable income from their activities – including those ABN holders earning less than \$18,200) will need to lodge that return to retain their ABN. ABN holders that do not have a lodgement obligation (like charities) will continue to remain exempt.
- This will level the playing field for legitimate businesses (particularly small businesses) by reducing the ability of ABN holders to undercut competitors by not paying their fair share of tax.
- The annual check-in process will help improve the confidence in the accuracy of data on the ABR, which is key to an effective ABN system. Where appropriate, the ATO intends to leverage other reporting requirements and update the ABR with relevant data, minimising the burden on honest businesses.
- The application process for getting an ABN will become smarter, helping identify those that are not entitled to ABNs. The greater level of engagement of ABN holders will reduce the risk of ABN cancellations for ongoing businesses. The ABR will work with ABN holders who are failing to meet their obligations to determine whether they are still entitled to an ABN. Evidence of abuse or fraud by the ABN holder may now result in the cancellation of an ABN.