

# Media Release

## Tax Gap Estimate for Small Business Highlights the Cost of Black Economy Behaviour

"The release today of the ATO's tax gap estimate for small business provides an important point of reference for the levels of compliance with Australia's tax system across different sectors of the economy," said Corporate Tax Association (CTA) Executive Director Michelle de Niese.

"Of the \$11 billion (or 12.5%) tax gap estimate for small business, the ATO estimates that a staggering \$7.7 billion can be attributed to black economy behaviour. This shows where the real issues around tax evasion and Australia's culture of tax compliance lie. This figure only shows the Australian public a fraction of the cost of black economy behaviour. The Black Economy Taskforce estimates that the black economy costs the community as much as \$50 billion.

"In terms of comparing the small business tax gap with other tax gap estimates, the \$7.7 billion 'black economy' tax gap estimate is four times larger than the large business income tax gap for the same year (\$1.8 billion). The overall income tax gap estimate for small business of \$11 billion is the largest of all ATO tax gap estimates, dwarfing the large business income tax gap estimate by over \$9.2 billion (see Appendix One).

"Whilst the ATO rightly acknowledges that the majority of small businesses and their advisers are doing the right thing, those engaging in 'black economy behaviours' are engaging in tax evasion. Black economy behaviour is not taxpayers making genuine or honest mistakes in navigating the complexities of our tax law or engaging in legitimate tax planning. It is dishonest and opportunistic behaviour such as deliberately hiding income, over claiming expenses, underpaying wages or paying cash wages and not reporting them. This is in stark contrast to the drivers behind the large corporate tax gap, which are interpretative issues where the ATO and taxpayer views on the operation of the law differ.

"There will be those that will still point the finger at large business and say "it's them" but the facts simply don't support such claims. It's time for an honest debate on where the problems with tax evasion and avoidance really lie in Australia and to stop using large business as the convenient tax avoidance scape goat" said Ms de Niese.

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## Appendix One

## Current Published ATO Net Tax Gaps

	Tax gap estimate	Reliability assessment	Financial year	Tax paid (\$m)	Net gap (\$m)	Net gap (%)
1	Small business income tax	Medium	2015-16	77,398	11,087	12.5
2	Goods and services tax	Medium	2016-17	60,962	5,264	7.9
3	Individuals not in business income tax	Medium	2014-15	128,410	8,761	6.4
4	Tobacco	Medium	2015-16	9,928	594	5.6
5	Superannuation guarantee	Medium	2015-16	54,309	2,790	4.8
6	Large corporate groups income tax	Medium	2015-16	39,775	1,833	4.4
7	Small superannuation funds	Medium	2014-15	1,215	39.9	3.2
8	Petroleum resource rent tax	Medium	2015-16	845	18	2
9	Fuel excise	Medium	2015-16	16,891	326	1.9
10	PAYG withholding	Medium	2015-16	173,481	3,356	1.9
11	Large superannuation funds	Medium	2015-16	8,166	127	1.5
12	Wine equalisation tax	Medium	2015-16	896	5	0.5
13	Fuel tax credits	Medium	2015-16	6,089	-19	-0.3

Source ATO Website