



NEW LAWS BOOST FIGHT AGAINST PHOENIX TAX FRAUD

The Assistant Treasurer, Senator Nick Sherry, has highlighted a significant strengthening of laws to fight fraudulent 'phoenix' activity which was passed by Parliament today.

Phoenix activity involves the deliberate liquidation of a company to avoid paying liabilities - including workers' wages and superannuation, debts owed to other business creditors and also taxes.

The business then 'rises' and continues operations through another corporate entity, controlled by the same person or group of individuals, often with a very similar name and free of the debts.

"This new legislation will make it much harder for unscrupulous operators to engage in phoenix activity and stops them from cheating workers and other business people of what they are rightfully owed," the Assistant Treasurer said.

"It does this by expanding the use of 'security deposits' and significantly increasing penalties."

The reforms were contained in the *Tax Laws Amendment (Transfer of Provisions) Bill 2010*, which was passed by the Senate today.

"Security deposits act like a bond, which the Tax Commissioner can direct a taxpayer to make in relation to an existing or future tax liability," the Assistant Treasurer said.

"The Commissioner can also accept security in another form, such as a mortgage over property or a guarantee."

The new provisions expand the scope of security deposits from applying only to income tax to applying to all taxes that the Tax Commissioner administers.

The penalties for non-compliance increase for individuals from 20 penalty units (\$2,200) to 100 penalty units (\$11,000). For companies, they increase from 100 penalty units (\$11,000) to 500 penalty units (\$55,000).

The legislation also contains important new procedural safeguards that will govern how the Tax Commissioner uses the security deposit mechanism, including requiring the Commissioner to write to the taxpayer clearly identifying the reasons why the deposit has been requested and outlining the taxpayer's review rights.

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