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To the Secretariat

Black Economy Taskforce

The Victorian Automobile Chamber of Commerce (VACC) thanks the Black Economy Taskforce for the opportunity to provide feedback on the Black Economy Taskforce interim report released in March this year.

The black economy has a significant bearing on the day to day operations of VACC members, and particularly those who participate in sectors subject to licensing regimes. Whilst the scope for this review does not include criminal or illegal acts, the dividing line is clear when the profits or accumulation of funds associated with those acts are not subject to the same business processes as legitimate tax paying enterprises and individuals. There are many reports that show direct lines of transmission between monies earned in the black economy and consequential participation in criminal undertakings.

This phenomena is further illustrated in the findings in the report commissioned by the Victorian Government, 'Task Force Discover', an inter- agency task force created to identify and address profit motivated vehicle theft in Victoria's separated vehicle parts (vehicle wreckers) and scrap metal industries.

The Task Force Discover final report was released in September 2014. Noted in Key Finding 73¹ of the final report, is the sophisticated approach taken by unlicensed vehicle wreckers to trade on a cash-in-hand basis. VACC is of the view that this approach, when combined with poor or no record keeping, makes it difficult to establish traceability of vehicles and has implications for tax fraud and consequential illegal dealings. In addition, there exists an obvious deficiency in the collection of taxes and the creation of an anticompetitive business environment.

¹ Task Force Discover Final Report September 2014, Key Finding 73 , pg.34



In October 2014 VACC provided a submission to the Victorian Law Reform Commission (VLRC) inquiry *'The Use of Regulatory Regimes in Preventing the Infiltration of Organised Crime'*². The inquiry was commissioned to examine and report on how the law can better prevent organised crime and criminal organisations from infiltrating occupations and industries. In its submission, VACC³ called for a restriction on cash based transactions as a way of minimising the infiltration of organised crime into the motor vehicle wrecking and scrap industries. This position would also enable an increased potential to properly assess business incomes and the payment of fair taxes. The VLRC final report agreed with the VACC call for a ban of payment of 'cash for scrap' and that restrictions on cash payments, and attendant requirements for electronic payments, would create an audit trail that may prevent or expose organised crime infiltration. The current Bill for such a law is now before the Victorian Parliament⁴. It was also noted in the final report that, more broadly, such restrictions may assist the enforcement of taxation laws via an obligation to use electronic payments that would make it more difficult to conceal business income.

Licensed Motor Car Traders, and other industry participants, are at a disadvantage over unlicensed traders who acquire stock at salvage and mainstream automobile auction houses and pay cash. Loopholes or complex legislation combined with a lack of will from local Regulators to enforce regulations in this area, act as an enabler to this element to continue as a private, cash only seller and potentially assist in the laundering of cash obtained as proceeds of crime.

The requirement for inter-agency cooperation (with an emphasis on real time data sharing) and harmonisation of various state based legislative obligations affecting retail automotive enterprises would result in significant inroads in the identification and prosecution of black economy participants. VACC calls for the creation of such a nationally focussed taskforce to include stakeholders such as:

- ATO
- Department of Environment
- ASIO
- Motor Trades Association of Australia (MTAA)
- Department of Immigration
- AQIS
- AFP
- Centrelink
- ACCC

VACC is steadfast in its view that any efforts to counter the participation of the black economy will be unlikely to succeed unless there is support from government, at an inter-agency and a Ministerial level.

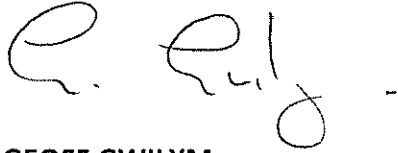
² VLRC : <http://www.lawreform.vic.gov.au/content/regulatory-regimes-and-organised-crime-report-html>

³ VACC response to VLRC Inquiry

⁴ Victorian Govt media release Putting the Brakes on Car Theft and Organized Crime 25 May 2017

VACC makes this submission respectfully and looks forward to receiving the final report from the Black Economy Taskforce in October 2017.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G. Gwilym', followed by a small dash.

GEOFF GWILYM