



22 February 2019

Kathleen de Kleuver
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By email: BlackEconomy@treasury.gov.au

Dear Ms de Kleuver

A sharing economy reporting regime – Consultation paper

The Australian Banking Association (**ABA**) welcomes the opportunity to comment on the consultation paper: *A sharing economy reporting regime*.

With the active participation of its members, the ABA provides analysis, advice and advocacy for the banking industry and contributes to the development of public policy on banking and other financial services. The ABA works with government, regulators and other stakeholders to improve public awareness and understanding of the industry's contribution to the economy and community and to ensure Australia's banking customers continue to benefit from a stable, competitive and accessible banking industry.

The ABA supports the objective of the Black Economy Taskforce (**Taskforce**) to maintain integrity of the tax system by ensuring a level playing field for all businesses participating in the economy. To achieve this objective, the Taskforce recommended that a reporting regime is established to minimise the risk of underpayment of tax by participants of sharing economy platforms.

The consultation paper canvasses two options for the implementation of a reporting regime; reporting by sharing economy platforms and reporting by financial institutions. The ABA does not support reporting by financial institutions (option 2) and agrees with the submission of the Australian Payments Network that such a reporting regime would not meet Treasury's stated criteria¹ of a good reporting regime. The ABA does not have a view on the practicality of reporting by sharing economy platforms (option1).

The ABA does not support option 2, as financial institutions cannot easily or comprehensively identify, segregate and report income derived from sharing economy activity. For example, a sharing economy user could have funds paid into an account at a financial institution held in a different name or by a different legal entity. Where the transactions are not from an easily identifiable platform (e.g. Paypal, eBay), it would be difficult to isolate transactions and report accurate data. The ATO could only ever achieve a high level of assurance and completeness by cross-checking the bank supplied data with data provided by the sharing economy platforms themselves, which would duplicate effort and be highly inefficient. The limitations in data availability and quality were considered by the Board of Taxation in ruling out the feasibility of reporting by financial institutions².

The consultation paper notes that financial institutions are already required to report some transactions to the ATO. However, information that financial institutions currently report to the ATO is defined in scope and is uniform in nature. For example, interest income reported by financial institutions are easily identifiable as they are payments initiated by financial institutions. Reporting of income derived from sharing economy activity would be irregular, could vary in nature depending on the system used by the

¹ As listed on page 7 of the consultation paper.

² Board of Taxation (2017), *Tax and the Sharing Economy: A Report to the Government*, <<https://cdn.tspace.gov.au/uploads/sites/70/2018/06/180529-RPT-Tax-and-Sharing-Economy-Final-Report.pdf>>.



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sharing economy platform and could come from different entities or jurisdictions (i.e. sharing economy platform could be based overseas or use complex legal structures making the identity of the payer difficult to identify for reporting purposes). Where financial institutions are required to report such data, it would also be difficult to continually monitor new entrants to the market to capture all sharing economy platforms used by Australian taxpayers.

The vast majority of payments in Australia are still processed through legacy payments clearing systems such as the Direct Entry system, which has a very limited data format and various usage practices that would make reporting of the type contemplated very difficult to implement in a reliable way. For a financial institution reporting option to be possible (notwithstanding the lack of data availability and quality already mentioned), there would need to be extensive work to ensure systems and processes are capable of reporting data consistently across the industry.

As such, the ABA does not see reporting by financial institutions to be a viable option to effectively minimise the risk of underpayment of tax by participants of sharing economy platforms.

Yours sincerely

Signed by

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