



20 December 2018

The Treasury
Black Economy Division
Langton Crescent
PARKES ACT 2600

By email: blackeconomy@treasury.gov.au

Black Economy – increasing the integrity of Government procurement

Dear Sir/Madam

As the primary union representing Australian Public Service employees, the Community and Public Sector Union (CPSU) is committed to providing a strong voice for our members in key public policy and political debates.

The CPSU welcomes the opportunity to make a submission to this consultation on Draft Procurement Connected Policy Guidelines. The CPSU previously made a submission to the Black Economy Taskforce consultation.

The CPSU supports and endorses the ACTU submission to this consultation. The measures targeted at companies with a poor tax record outlined in this draft policy are a good first step but are too lenient, particularly towards new and foreign tenderers, and will not guarantee that companies contracted by the Commonwealth have good tax records. The draft policy needs to be tightened with further requirements placed on tenderers.

The CPSU supports the adoption of recommendations from the recent Centre for International Corporate Tax Accountability and Research report into the tax practices of outsourced service and labour hire corporations in the Australian Tax Office. These recommendations include:

- Full disclosure of all beneficiaries – Any government contractor or contracted labour provider must be required to disclose the ultimate parent company and/or all beneficial owners and this information must be publicly available and aggregated to be able to show the combined value of contracts of multiple subsidiaries owned by the same parent company or beneficial owner(s) and aggregate any contracts operating under the same corporate names which may be owned through separate partnerships or other structures.
- Full financial statements on big contractors, no excuses – Any company, including through separate subsidiaries, which receives over \$10 million per year from any

government body – for any contracts, services, provision of labour or goods, subsidies, or any other forms of payment – must be required to file full financial statements with ASIC in full compliance with Australian accounting standards, with no recourse to use special purpose filings or reduced disclosure requirements.

- Public disclosure of contracts over \$1 million a year – All government contracts over \$1 million per year must be made publicly available.
- Accountability for labour brokers – The Taxable Payment Reporting System (TPRS) should be extended to cover the use of all labour hire or outsourced labour firms, including by all government agencies and public bodies. The TPRS is designed to ensure payments to contractors are reported to the ATO to ensure appropriate tax payments are made by those contractors.
- Certification and screening of tax practices for parent and subsidiary companies – The Procurement Connected Policy Guidelines should apply not only to the direct subsidiary but to the parent company as well and include a review of contract performance and business conduct in other jurisdictions.
- Audit on use of contracted labour in all forms – Following on the example from the New South Wales Audit Office, the federal government and other state governments should do a thorough and comprehensive audit of the use of labour hire firms and other outsourced service providers to carry out ongoing and regular public service functions. There does not appear to be any existing monitoring or analysis of the rapid growth of outsourced services. Definitions for outsourced services and contracts need to be standardised to increase transparency and improve accuracy of reporting.

The incorporation of these recommendations will help to ensure that all companies that tender for Commonwealth contracts have good tax practices and strengthen public confidence in the integrity of Commonwealth procurement.

For further information, please contact Osmond Chiu, Senior Policy and Research Officer via email [REDACTED] or on [REDACTED].

Yours sincerely



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