

14 March 2019

Black Economy Division
The Treasury
Langton Crescent
PARKES ACT 2600



CPA Australia Ltd
ABN 64 008 392 452
Level 20, 28 Freshwater Place
Southbank VIC 3006
Australia
GPO Box 2820
Melbourne VIC 3001
Australia
Phone 1300 737 373
Outside Aust +613 9606 9677
Website cpaaustralia.com.au

By email: BlackEconomy@treasury.gov.au

Dear Sir/ Madam

A sharing economy reporting regime

CPA Australia represents the diverse interests of more than 163,000 members working in 125 countries and regions around the world. We make this submission on behalf of our members and in the broader public interest.

Given the magnitude of Australia's sharing economy and the potential risk for tax avoidance, CPA Australia is supportive of the proposal for a separate reporting regime for sharing economy platforms. CPA Australia's comments in response to the specific questions raised in the consultation paper are in the enclosed Attachment.

If you have any queries do not hesitate to contact Gavan Ord, Manager Business and Investment Policy at CPA Australia on gavan.ord@cpaaustralia.com.au or 03 9606 9695.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G Pflugrath'.

Dr Gary Pflugrath CPA
Head of Policy and Advocacy
CPA Australia

1) Does there need to be changes to existing reporting requirements as they relate to sellers in the sharing economy? Is a separate reporting regime required?

CPA Australia suggests sharing platform providers should be subject to similar reporting regimes that apply to financial institutions and certain other entities.

2) In what circumstances would it be appropriate to require sharing economy platforms to regularly report information about the activities of platform sellers to the ATO?

We suggest it would be appropriate to require sharing economy platforms to report all tax-related information on the activities of platform sellers to the ATO, such as the income platform sellers generate through the platform. Such reporting should occur annually, within 28 days of 30 June.

The responsibility for determining the tax implications of the reported information rests with the platform seller, who may need to seek advice from a tax practitioner.

3) Should marketplaces, including those for goods, be included in a reporting regime for the sharing economy?

We suggest it would be appropriate for marketplaces to be included.

4) Are there reporting regimes or elements of reporting regimes from other countries that should be considered in the Australian context? If so, why?

Unknown/ no comment.

5) Are there other lessons that can be learnt from experiences in other jurisdictions?

Unknown/ no comment.

6) Are these factors relevant considerations in the design of a sharing economy reporting regime?

Unknown/ no comment.

7) Are there any other factors that should be considered in the design of a sharing economy reporting regime?

Unknown/ no comment.

8) What information should be provided to the ATO and potentially shared with other agencies by the ATO?

The sharing platforms should provide:

- Seller identification details such as TFN or ABN, and
- Payments made by the platform to sellers in any given year.

9) Does Option 1 address the factors listed on page 7?

Yes Option 1 addresses the factors listed.

10) What types of activities and transactions undertaken through a sharing economy platform should be reported? Should it be the responsibility of the platform to report this information?

See 8 above.

11) What transaction and identification details may need to be included in a reporting regime?

See 8 above. However, regarding client identification, we query whether the platforms have in place the same proof of identity tests widely used by financial institutions. Having said that, it is important that the identification requirements do not become an unnecessary impediment to commerce being undertaken.

12) When and how should reporting by platforms take place? Is there any particular consideration that needs to be given to arrangements for specific industries or business models?

Such reporting should occur annually, within 28 days of 30 June. Data should be provided electronically to the ATO, and made available for sharing with other government agencies where appropriate.

The requirements should however be designed to give flexibility for different needs of specific industries or business models that may emerge.

13) Should it be a requirement that sharing economy platforms also provide this information to their sellers?

We suggest that this should not be mandated. However, we note that some platforms may choose to do so as a service to users.

14) What would make it easier for sharing economy platforms to provide accurate information in a standard format?

We suggest that the ATO work with industry to identify the information they require, noting that as technology evolves, the information required may change.

15) Would having no exemptions be a desirable outcome? If not, what exemption(s) would be appropriate and why? What benefits would they bring and what risks or issues would need to be considered?

While not commenting on the desirability of no exemptions, we strongly recommend that the need to balance revenue risk with taxpayer compliance costs be recognised.

16) Is there a need for an exemption for businesses in the “start-up phase” of their development? If so, how could this be implemented?

CPA Australia suggests that new/ emerging platforms be given a period of time before they are required to commence reporting – say three years. A staggered implementation approach is often appropriate when new legislative/ policy/ administrative processes are introduced – one recent example of this is the introduction of Single Touch Payroll (STP).

17) Would a reporting regime as described in Option 1 give rise to any issues beyond those identified?

Unknown/ no comment.

18) What type of compliance framework would be appropriate for the reporting obligations? Should financial penalties be imposed? What penalties should apply for aggravated non-compliance?

The reporting regime, including the penalty regime should be the same as that imposed on financial institutions and other third-party providers of data to the ATO.

19) Does Option 2 address the factors listed on page 7?

CPA Australia is of the view that Option 2 is not appropriate at all. It would require a third party – in this case a financial institution - to provide transaction data for transactions in which it is not really a party.

20) Would Option 2 be an efficient alternative to Option 1 (reporting by sharing economy platforms)?

CPA Australia does not support Option 2.

21) Is it possible to overcome the issues identified with Option 2, or are there other reasons why it may be preferable?

CPA Australia does not support Option 2.

22) What other reporting regime options could be utilised to input into the ATO's data matching activities?

No comment at this stage.

23) What further engagement campaign activity could be done to raise awareness amongst sharing economy sellers about their tax obligations?

As a professional member organisation CPA Australia has an obligation to assist raising awareness of changes to, amongst other things, taxation and taxpayer obligations. Should the new regime be introduced we would welcome further discussions on how CPA Australia may be able to assist in the education/ awareness rollout.

24) What else could be done to educate sellers in the sharing economy to better understand their tax obligations?

CPA Australia is prepared to assist in developing any future communications campaign.