



Australian Government  
Australian Taxation Office

# High net worth individuals, transparency and international tax cooperation

## Plenary session

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# Where we are coming from

*Taxpayers and the ATO willingly operate in an open way, enabling the Commissioner to assure the community that the right amount of tax is being paid under the law and community costs are minimised.*

*To maintain positive taxation morale we must assure community that wealthy individuals pay right amount of tax under the law.*

# Highly wealthy and wealthy individuals

1996 - The High Wealth Individuals Taskforce was established to:

- enhance our understanding of highly wealthy individuals and their groups
  - identify their tax planning techniques
  - improving credible compliance and effective engagement in the HWI market
  - raise community confidence in the tax system
  - improve voluntary compliance.
- Highly wealthy individuals (HWI) are people effectively controlling more than \$30 million in net wealth.

2009 – Government funded the ATO to ensure wealthy Australians could continue to meet their obligations.

- Wealthy Australians are people effectively controlling net wealth between \$5 million and \$30 million.

We have taken a holistic approach to understanding the compliance behaviour in the sector which includes analysing private and business entities in the group. Our profiling and risk assessment include:

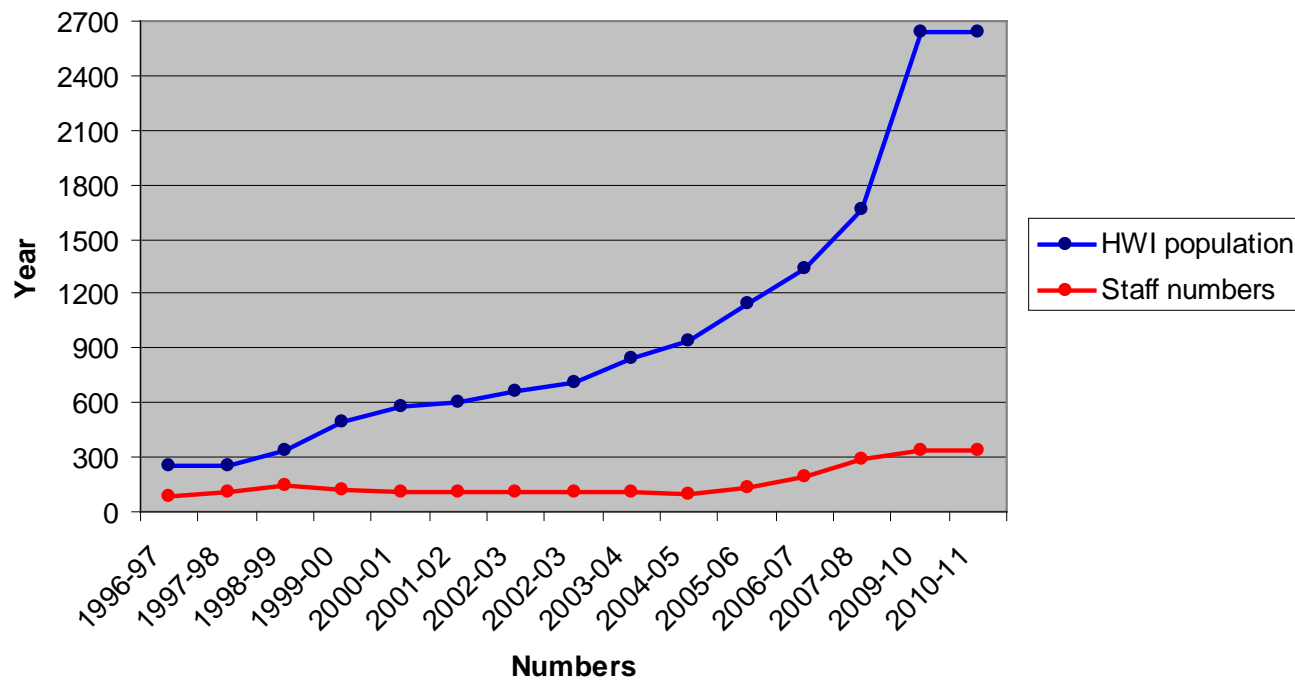
- compiling a tax history of the group
- collecting information on business structures, financial and offshore arrangements and family connections
- reviewing details of specific transactions.

We concentrate on understanding the control of assets and entities rather than legal ownership.

# Results and HWI population

Form 1996 to 2011 the High Wealth Individuals Taskforce has:  
collected over \$2 billion in cash  
raised over \$4 billion in liabilities.

**Increase in HWI population and staffing numbers**



# Results

## Identification of HWI

We use Private group structures questionnaires to collect information from taxpayers about their private groups. The questionnaire asks about:

- associations with unlisted companies, private trusts, partnerships, joint ventures, superannuation funds and any other entities
- indirect interests in companies and trusts
- family members associations with the above entities
- details of assets and liabilities of the HWI and their spouse
- an organisational chart of all entities named in the questionnaire
- details of loans advanced by group entities.

▪ This information is used in combination with intelligence from audits, intelligence from across the ATO and media monitoring to assist in the identification of HWI and shapes our engagement with them.

## Understanding HWI

- Wealthy individuals tend to have complex business arrangements with wealth spread across a group of companies and trusts.
- The group is typically controlled by the wealthy person, a family member or associate who may be willing to assume risks (both economic and tax) that a public company may not.
- Private companies and trusts are not subject to the stock exchange disclosure requirements on public companies
- Wealthy taxpayers tend to stay with their early tax advisors.
- Tax evasion most common at major 'business events' such as mergers and acquisitions, initial public offerings (IPO) 'floats', retirement, sale or generational change.
- We have improved our data matching and capacity to define the interdependencies and relationships between entities within economic groups, including individuals, trusts, partnerships and beneficiaries.

## Behavioural changes

- We have found that wealthy taxpayers with private businesses behave very differently to those in a public exposure.
- It was only through the implementation of HWI specific tools and methods did we really begin to modify the behaviour of the truly wealthy, and noted an improvement in how they engaged with the ATO.
- By analysing taxpayer returns, payments and refunds we have also been able to identify commercial, economic and tax revenue trends.

## Law changes

Tightening the laws to prevent:

- access to profits held in private companies
- tax free private use of assets held by companies
- the use of companies and trusts to hold income at lower rates of tax
- the streaming of capital gains and dividend income to 'preferential' beneficiaries.

# More information

The ATO offers a wide range of information to business and individual taxpayers that can be accessed through our website [www.ato.gov.au](http://www.ato.gov.au):

- **Compliance program 2011-12** highlights the issues attracting our attention, how we will monitor and treat them and the consequences for those unwilling to participate.
- **Taxpayers charter** sets out the way we conduct ourselves when dealing with taxpayers.
- **Targetting tax crime** electronic magazine that reports on the Australian Government's fight against tax crime both here and overseas.
- **Wealthy and wise: a tax guide for Australia's wealthiest people** sets out our processes for monitoring compliance by Australia's wealthiest people, the risk factors that draw our attention, and suggestions for these taxpayers to better manage their tax risks.
- The **Large business bulletin** covers recent developments, system changes and large business areas of focus.
- For time critical issues we have our **Large business alert** email service.