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To Black Economy Division:

**The Black Economy
Designing a Modern Australian Business Number
Consultation Paper**

1. Introduction

1.1 The Motor Trades Association Queensland (MTA Queensland or the Association) responds to the Treasury's Black Economy Division requesting feedback and comments to its consultation paper on *Designing a Modern Australian Business Number* (ABN) (the paper). The MTA Queensland's comments are submitted on behalf of its constituent divisions and are confined to issues which relate to the interests of Queensland's automotive value chain which inter alia includes: franchised new car dealers, independent mechanical and motor body repairers, recyclers and other discrete automotive and service providers.

2 Overview

2.1 The Association has closely followed and participated in the evolution of the Australian Business Register and the ABN since 2007 through several consultative processes. The ABN has progressed to have the status, as the paper states, "of being a de facto 'licence to do business', enabling businesses to register a business name, open a business bank account, register for GST and claim GST credits, avoid having tax withheld on payments received by the business, obtain an Australian domain name and confirm identity to others when ordering and invoicing."

2.2 The 2017 Black Economy Taskforce identified the ABN system as being "used by participants in the black economy to provide a false sense of legitimacy to their business". It is appropriate therefore, that the integrity of the system and quality of the data which underpins the system is improved. In essence Australia has been working on micro economic reform as a basis for economic growth and global competitiveness. An essential element of the whole process of successfully achieving meaningful micro economic reform is the clear identification of the participants in the economy, their status, their obligations and responsibilities as well, as their entitlements.

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2.3 To ensure equity and to prevent costly national economic leakages the participants in Australia's national economic interests must be clearly identified. This extends to issues of economic security and economic integrity. The sophistication in regulatory avoidance and national and international money laundering mean that the identification of legitimate economic transactions by legitimate economic participants is in the interest of all stake holders.

2.4 The Association consulted the membership of its trade divisions for any perceived misuse of the ABN for non-business purposes by consumers/clients. The general consensus, was that: "such activities was not apparent."

2.5 The automotive value chain should support a strong and effective frame work of identification of legitimate participants in the nations automotive trade transactions both individuals that is natural persons and incorporated entities that have the same rights as a natural person. Whilst supporting the redesign of the ABN system for legitimate business purposes, the Association submits that reforms proposed should not impose significant new compliance or regulatory obligations, fee for service, or cost recovery measures on business to capture miscreants.

3. Observations

3.1 The following observations are provided to the lead questions posed in the consultation paper:

A. What purpose does the ABN serve?

3.2 The ABN should serve to provide consumers/customers, employers and investors with confidence in the identity and legitimacy of the business with whom they interact. Equally, business should be confident that it is dealing with legitimate suppliers, contractors or tradespersons and not miscreants.

3.3 The ABN serves as the indicator of business legitimacy to the public and for certain tax purposes, such as the Goods and Services Tax, pay-as-you-go withholding and advantages with employment laws.

3.4 Identification and legitimacy are important, particularly in an environment where trust in business is a diminishing commodity. A KPMG and the Australian Institute of Company Directors February 2018 'trust survey' of 600 Directors referred to a 'crisis of trust' continuing across the globe and found that:

- *Almost half of directors reported that their Board had to deal with issues that can affect trust in their organisation over the past year.*
- *Boards see 'clients or customers' and 'employees' as the two most critical stakeholders to maintain trust in an organisation*

3.5 Whilst unrelated to the ABN system, trust in business is a concern to consumers/clients. Evidence before the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the Commission) has eroded consumer trust in business. A Financial Standard poll revealed that eighty-seven percent of respondents either agreed or strongly agreed that the levels of consumer trust and satisfaction have worsened since the Commission commenced Hearings. The 2018 Deloitte Millennial Survey, polled 10,455 millennials across 36 countries, including 337 in Australia. It indicated that millennials' opinion of business' motivation and ethics is at its lowest level in four years and less than half (45%) of millennials believe business has a positive impact on society, down from 72% in 2017.

B. Who should be entitled to an ABN?

3.6 In the automotive value chain, enterprises, individuals, sole traders, entities including trusts, partnerships, and charities operating a business or businesses should be entitled to an ABN.

C. Should there be conditions associated with an ABN?

3.7 The integrity of applying for an ABN has the appearance of being undermined in the circumstances where non-government entities advertise 'ABN registration/100% online/ in just 15 minutes.' Consideration maybe given to a condition for receiving an ABN is that the detail in the application should correlate with that held by the Australian Taxation Office and all tax obligations met. With the ATO's data matching capability the detail in the application could be cross checked for detail consistency.

D. Should the ABN system be used to support more active verification of legitimate businesses?

3.8 It is not uncommon for an enterprise to seek a consumer's substantiation for a specific transaction e.g., such as a driver's license or a government issued card to purchase a mobile phone. It would seem appropriate as indicated in the paper, for an ABN holder to access trade discounts on purchases to provide their ABN details to the seller. In turn, the seller should be required to verify the ABN and record the transaction detail.

E. How should the ABN system support accurate information on businesses?

3.9 To enhance the ABN system and support accurate information, business data matching through ABN Lookup coupled with an efficient retrieval system should be continued.

F. Should ABNs be subject to renewal?

3.10 Yes, every five years. This process should be kept simple with a tick-a-box for no change. In the instance of detail change, a renewal application should be submitted. Fees should not apply to the renewal process.

3.12 We would be pleased to provide further comment on any matters in our submission that may require further clarification or amplification.

5 Background

5.1 The MTA Queensland is the peak organisation in the State representing the specific interests of businesses in the retail, repair and service sector of Queensland's automotive industry located in the State. There are some 15,500 automotive value chain businesses employing approximately 88,500 persons generating in excess of \$20 billion annually. It is an industrial association of employers incorporated pursuant to the *Fair Work Act* 2009. The Association represents and promotes issues of relevance to the automotive industries to all levels of Government and within Queensland's economic structure.

5.2 The Association is the leading automotive training provider in Queensland offering nationally recognised training, covering technical, retail and the aftermarket phases of the motor trades industry through the MTA Institute - a registered training organisation. It is the largest automotive apprentice trainer in Queensland employing trainers geographically dispersed from Cairns to the Gold Coast and Toowoomba and Emerald. The MTA Institute last financial year accredited courses to in excess of 1,600 apprentices and trainees.

Thank you for your deliberation.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Brett Dale', with a stylized flourish at the end.

Dr Brett Dale DBA
Group Chief Executive

MTA Queensland