

## **Introduction**

Everyone in Australia is aware of the cash economy. Small businesses registered for GST have become so convinced about ATO impotence that they openly offer 10% discount for cash and explain this avoids the GST. Members of the public now pressure small business owners not to charge GST.

The ATO has reduced the number of GST visits and does most audits by letter and email. GST officers are demoralised by the scope of the problem and feel it is unfair to make some businesses pay when most don't. One good initiative the ATO is introducing is benchmarks for businesses so they know the amount of GST they would be expected to pay. This needs to be supported by initiatives to change public perception.

## **Recommendations**

### 1. Public advertising campaign

Members of the public think no one loses if the GST is not charged. This perception needs to be challenged. A series of television commercials along the following lines would be a step in the right direction.

a. Show business owner in despair over account books. Show her sacking a member of staff because the business is in trouble. Have the member of staff berate her for losing business to other businesses who don't charge GST.

Have the business owner get a call asking her not to charge GST. She agrees. Have the caller explain they are from the Tax Office and she will now be audited as a result of her response.

b. Show business owner jump out of luxury four-wheel-drive and explain to another business owner he did it all on cash. When the other business owner says he should pay tax, get the first one to say, "Other people pay tax."

Have the four-wheel-drive owner get home and have his wife tell him they have been hit with a \$60,000 tax bill.

c. Show high school situation with tax officer eliciting answers from students: what is tax for? Who pays it, what is it used for?

Show roads, hospitals. Hands up whose grandmother is on an age pension.

e. Show age pensioner saying they worked hard all their life. They didn't have superannuation then. They paid their taxes then and they expect people to pay their taxes now.

Show luxury four-wheel-drive business owner from previous scenario bringing children for a visit. He is disappointed the presents she gives are so small.

d. Show small business owner being asked not to charge GST, and business owner saying no. Client says he'll go elsewhere. Comes back half an hour later, grumpy, and completes his order.

e. Show member of public being offered 10% discount for cash. Show them telling the business owner they won't go through him now and they're going to do him in. Get them to say, "People who cheat on the government are the type who cheat on their customers too."

Avoid heavy-handed 'we will catch you' ads. This is not true and merely makes an outlaw of tax avoiders who retain public sympathy.

2. GST phone drive.

After television campaign warning the country of this initiative, get GST auditors to call small businesses and request GST-free transactions. Those that agree to avoid tax will be audited. Do a whole industry at a time so it is seen as fair and does not disadvantage some businesses only.

This should have the immediate effect of making businesses wary of not charging strangers GST. Compliance should increase overnight.

3. Have public dob-in number, and provide funding to follow up on information provided.