

**JOINT STANDING COMMITTEE ON TREATIES**

**Reference: Treaties tabled on 20 August 2009**

**ANSWERS TO QUESTIONS ON NOTICE**

**MONDAY, 14 SEPTEMBER 2009**

**CANBERRA**

**Question (Chair) – TR 8**

*Is that information transmitted electronically, in storage device or?*

**Answer**

The Australian Taxation Office (ATO) advise that when Australia enters a comprehensive tax treaty it is expected that taxpayer data will be exchanged and the ATO has a number of methods that are used to ensure that the correct level of risks are identified and correspondence conducted in the most practical way. The ATO classifies the majority of exchanges at the 'IN-CONFIDENCE' level. In this respect, the ATO follows Protective Security Manual published by the Attorney-General's Department and the Australian Government Information and Communication Technology Security Manual (ACSI33) published by the Defence Signals Directorate.

Most individual taxpayer exchanges are done via hard copy letter sent by registered post. However, when the ATO uses electronic methods, the ATO may legitimately use the Advance Encryption Standard (AES) through encryption products like Pretty Good Privacy (PGP) as endorsed by the Organisation For Economic Co-operation and Development or WinZIP. The ATO may send data in a variety of ways including OECD endorsed Standard Magnetic Format or the new method of Standard Transmission Format and also Excel. When sending data the ATO will encrypt CD-ROM disks and send via registered post. Approximately half of Australia's 42 treaty partners use PGP which being a public and private key system does not require a password. When the ATO uses WinZIP it encrypts using a 256 AES method and the password is only sent when the competent authority sends a further requests.

**Question (Mr Murphy) – TR 8**

*I am interested to know the extent of tax evasion by Australians through Belgium. Is it a significant magnitude?*

**Answer**

The ATO has not identified any systemic tax abuse involving Belgium. There has been marked growth in the value of inward transactions from Belgium, rising from \$2.8 billion in 1998/99 to \$67.8 billion in 2003/04. This is due to known commercial transactions which are understood and does not present high risk to the Australian tax system. The ATO has had close contact with Belgium's Competent Authority in the Serious Non-Compliance area over the last 3 years on a

small number of cases. The ATO has sent Automatic data to Belgium each year sending 4,280 records last year. The ATO also received 2,471 records from Belgium in 2007. Belgium is a helpful and timely treaty partner and the ATO anticipates an enhanced relationship under the proposed Protocol.