Parliamentary Joint Committee on Law Enforcement

ANSWERS TO QUESTIONS ON NOTICE

Australian Taxation Office

Commonwealth unexplained wealth legislation and arrangements

Topic:	**Obtaining wealth legitimately**
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Senator PARRY: Again, I think you are missing the point. I am talking about the good people now, not the bad people. I am talking about someone who is saying, 'I want to prove how I got my money.' Is there a way that you think someone could not be able to prove how they got something? We do not want the public worried: 'We're going to have the police knock on our front door and we won't be able to substantiate how we got this money.'

Mr Cranston: I am saying it would be highly likely that a person who has obtained some money—if he has kept records of some type—would be able to convince us that he obtained it legitimately.

Mr Ford: I think the point there is that it would depend on record keeping. If someone accumulated assets some 100, 70 or 60 years ago and is now saying, 'I inherited this big house, the cars and the boats X amount of time ago,' is it reasonable that they should have those records still in place? I would say that they should have those records in place but that may be a possible scenario.

Senator PARRY: Okay, but then with some investigative work someone would be able to establish that, yes, that appears to fit the bill. I am not talking about the little amounts of money that people save under the bed in a shoe box. I am talking about big amounts of asset. I am very happy for you to take that on notice. If you think of any scenario or any possible way that someone can legitimately obtain wealth and not be able to substantiate that, that would be very interesting for the committee to hear.

Answer:

For an individual to demonstrate that they have acquired wealth through legitimate means, they need to produce evidence relating to the source of the funds used to acquire the assets they hold. In the vast majority of cases, this evidence is documentary records such as employment history, tax returns, bank statements, loan documentation, and business accounts.

At times when assets were acquired several years ago, some of the records described above may no longer be available to members of the public. For example:

- generally the information used in income tax returns needs to be only kept for five years before it can be destroyed
- records relating to assets (antiques, rare coins, paintings, etc) which were inherited a number of years ago may not be available
- bank account statements are generally only held by banks for seven years.

In these circumstances it is possible that it may be difficult for an individual to point to direct documentary evidence to support their acquisition of wealth, if they had not previously lodged tax returns in Australia. However, in the ATO's experience, where vast amounts of wealth have been acquired legitimately, the individual is still able to provide details relevant to the source of the funds used to acquire the assets from evidence other than documents. This evidence would include:

- details of places of employment and estimated income levels
- details of any significant gifts, inheritances or loans. For example, who provided the gift and why.

Further investigation can then be undertaken to test the veracity of these statements.