



Mr Rod Pollock
Australian Harness Racing Council Inc
390 St Kilda Road
MELBOURNE Vic. 3004

6 June 2006

Dear Rod

Review of Risks in the Harness Racing Industry

As you are aware the Australian Taxation Office (ATO) is currently undertaking Audit and Review work within the Racing Industry. As part of this whole of industry review the ATO are also looking at determining the level of risk that exists within the Harness and Greyhound industries.

This risk review project is looking at both revenue and integrity risks. Examples of revenue risks include:

- over claimed expenses;
- understated sales (supplies);
- non declaration of cash;
- non declaration of capital sales (including horse sales)

Whereas examples of integrity risks include:

- Incorrect registration;
- Not carrying on an enterprise;
- Data collection issues at the registration stage;
- System problems by the various state paying authorities.

The ATO is keen to work with the Industry in a collaborative nature and for that reason have been visiting the various state registration and paying authorities to obtain high level data upon which we can measure the risk. The information sought includes:

- Total numbers operating with in the industry;
- Gross payments made;
- Total with GST registrations;
- Accounting systems used.

The co-operation that we have received has been very good. In order to formalise the process, and to alleviate any concerns that the various states have held the ATO has issued formal notices to obtain the information to each of the states visited thus far. We will continue to follow this process as we meet with the remaining states. There have been concerns around privacy so the issuing of the notices formalises the process and removes this concern.

The next step in the process will be to try to quantify some of the risks and determine what compliance action is best to take. This will be determined as we analyse the information gathered. When this is determined we will be keen to advise you of this process.

In the interim we are looking at the forms that you have supplied us as we believe that one way to address the integrity issue is to ensure that there are forms that are consistent from state to state and that these forms are very clear as to what the registration and GST obligations are of the various participants. As you are aware there is quite a variance in the forms used at present.

As stated we are looking at working with the industry in a collaborative manner so as to ensure the long term compliance within the industry.

As discussed at our meeting I will speak with the ATO members of the Racing partnership forum that was in place at the introduction of GST to see if there is value in re-convening that partnership group. Irrespective of that, the horse industry team will be ensuring that there is regular contact maintained.

Thank-you for your frank and open insights into the industry and we hope that we can meet again so as to continue to gain information about this important industry.

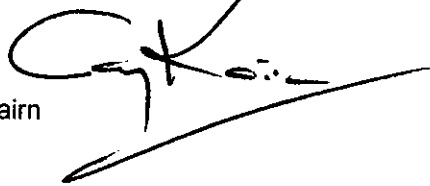
If you require any additional information or would like to seek any further details please do not hesitate to contact Anne Sigley or the writer on the numbers listed above.

Yours sincerely

Mark Jackson
Deputy Commissioner of Taxation

per

Gary Kairn

A handwritten signature in black ink, appearing to read 'G. Kairn', with a long horizontal stroke extending to the right.