Call for fingerprints to fight tax fraud

The House Economics Committee, which regularly conducts hearings with the Reserve Bank, is now also investigating the tax file number system.

Biometric technologies, including those which use fingerprints or DNA to help identify people, have been raised as one potential solution in the fight against tax file number fraud. Evidence presented to the House of Representatives Economics Committee investigation into the tax file number system has shown that some public and private sector organisations are turning to new technologies, such as biometrics, to combat fraud.

The House Economics Committee inquiry follows an audit report that has found major weaknesses in the tax file number system, including shortcomings in the Australian Taxation Office's data and systems quality. Among other issues, the audit report highlighted the increasing levels of identity fraud within Australia and the ease with which false identities can be established as a way of avoiding taxation.

At the first public hearings of the inquiry, Dr Russell Smith from the Australian Institute of Criminology told the House Economics Committee that almost all serious fraud in Australia involves the use of false identity documents in some form or other. By using false identity documents, people can obtain tax file numbers that they can then use to avoid their taxation obligations. According to Dr Smith, a biometric system of identifying people, based on fingerprints or some other human characteristic, would be an ideal way of addressing this problem.

The Australian Bankers' Association, in a written submission to the inquiry, has called for improved security features for identity documents. In particular, it wants standards to be set across Australia for the production and issue of identity documents. It also wants more stringent administrative procedures for issuing and amending identity documents.

In its evidence to the House Economics Committee, the Australian Taxation Office sought to address the specific concerns raised in the audit report. In particular, it highlighted the significant work that has gone into the development of integrated data systems at the national level. This has involved changing the Tax Office from an organisation based on State offices, using State based manual records and simple mainframe computer systems, to one that has a national focus and is almost entirely dependent on national computer based systems.

The Privacy Commissioner, Malcolm Crompton, emphasised the need to balance improvements in the efficient operation of the tax system against the protection of personal privacy. He warned that implementation of some of the recommendations in the audit report could lead to a situation where "you would have a tax office that would know a great deal about many Australians and a great deal of information about transactions that would never have any tax implications".

In media coverage of the inquiry, *The Australian*, *The Australian Financial Review* and *The Canberra Times* all reported on the issue of identity fraud being raised as part of the inquiry. The *Financial Review* reported that Australian companies are looking to fingerprints, speech patterns, facial geometry and even body odour to identify people as part of the crackdown on identity fraud. *The Australian* in a recent editorial commented: "It is inevitable this technology will become part of our lives but it must be embraced with caution and only after public debate."

The House Economics Committee investigation is a timely opportunity to debate the effectiveness of the tax file number system and the related issue of identity fraud. Public hearings on the inquiry are continuing in March and April 2000.

More information on the inquiry is available from:

- the Internet at www.aph.gov.au/house/committee/efpa/TFNaudit/tfnindex.htm
- the committee secretariat on telephone (02) 6277 4587 or Email EFPA.Reps@aph.gov.au.