

Dirty Sexy Money – the *Wickenby* net widens

So far it has uncovered more than \$60 million in proceeds of crime, caught some of the nation's wealthiest individuals in its net and sent a clear message that Australia does not tolerate tax evasion, but *Project Wickenby* is only just hitting its stride.

The nation's largest ever tax fraud investigation is in its third year and remains one of the busiest operations being undertaken by the AFP's Economic and Special Operations (ESO) function.

National Coordinator of *Project Wickenby*, Federal Agent Todd Hunter, said significant operational and investigative activity in support of *Project Wickenby* is expected for many years to come, due to the complex nature of these investigations.

According to Federal Agent Hunter, "These investigations are very time and resource intensive for the AFP as they involve very well organised and complex financial structures around the world. They require us to dedicate a lot of specialist resources and to cooperate closely with other agencies, both here and abroad, so it is not unreasonable to expect that some of these investigations could take up to five years to complete. Having said that, the investigations are ground breaking in terms of ESO's money laundering focus and have also seen investigators travelling interstate and overseas."

Project Wickenby is a \$300 million initiative of the Australian Government.



Photo: Mel Hill

It commenced in 2005 with the aim of ensuring a whole-of-government approach to combating tax evasion through offshore schemes. It has brought together the resources of five key government agencies, namely the Australian Taxation Office (ATO), the AFP, the Australian Crime Commission, the Australian Securities and Investments Commission, and the Commonwealth Director of Public Prosecutions. Support for the project is also provided by AUSTRAC, the Australian Government Solicitor, and the Attorney-General's Department.

While the Government outlay for this project is significant, Federal Agent Hunter said the returns to the community are now starting to be realised.

"AFP action alone has to date resulted in three arrests, 16 people being summonsed to appear in Court, the execution of 171 search warrants, and the issue of 83 notices under proceeds of crime legislation," he said.

These operations have led to \$58.2 million in alleged proceeds of crime being restrained and \$2.43 million in proceeds of crime being forfeited to the

Commonwealth. At least \$11.3 million in collected taxation revenue could also be directly attributed to the impact of AFP investigations.

Federal Agent Hunter said nine investigations are currently underway, and approximately 1000 high-wealth individuals have been brought to the attention of authorities for their involvement in tax evasion schemes.

"Due to the complexity of the investigations this is a very good result to date, and as some of the current inquiries mature over the next year or two, we will see further prosecution and proceeds of crime action," he said.

"I think that by 2010 when the current funding for the project expires, we will have recovered hundreds of millions of dollars in proceeds of crime as a direct result of *Wickenby*."

But it is not just the recovery of 'dirty money' that motivates the agencies involved.

Enforcement effort is also about deterring involvement in money laundering and tax evasion schemes, and maintaining community confidence in federal

Opposite page: Federal Agent Todd Hunter
Right: Assets seized in 2003 by the AFP as part of *Operation Socrates*.

institutions, laws and regulations.

"This is not about targeting high-profile or wealthy individuals as it is sometimes portrayed in the media, but about ensuring everyone pays their fair share of tax and obeys the nation's tax laws and, if they don't, sending a clear message that eventually authorities will catch up with them," Federal Agent Hunter said.

The type of unlawful schemes identified by *Wickenby* so far include the use of false or inflated invoices, sham loans and round-robin style arrangements, the transfer of asset ownership and management offshore, the transfer or sale of share acquisitions to offshore foreign entities, and the manipulation of intellectual property arrangements.

Many of these schemes have involved the use of offshore tax havens such as Vanuatu, Guernsey and the Jersey Islands, where it has generally been easier to exploit political, economic and legal loopholes.

"In many cases these schemes are dressed up as loan arrangements where loan documents are secretive and ensure that no payments can ever be seen and no interest is ever to be paid, with the loans never to be called in – so basically it is free money because it is their own money anyway," Federal Agent Hunter said.

"They try to conceal it by conducting transactions in a number of offshore locations. Some of the really greedy ones even go to the extent of claiming interest on the so-called loans as tax deductions," he said.



Photo: Colin Ligertwood

Liaison officers in the AFP's International Network have worked closely with authorities in a number of countries to assist with obtaining evidence around the world, particularly in places like Vanuatu where a number of search warrants have been executed.

"This has proved mutually beneficial as police officers in Vanuatu have received much-needed experience in financial investigations and have also gained exposure to AFP operations," Federal Agent Hunter said.

"We also work closely with institutions such as the Egmont Group that provides financial intelligence information to member countries."

As well as a dedicated team of 70 full-time *Project Wickenby* staff, specialist practitioners have been recruited to provide support in areas such as financial investigations, computer forensics and surveillance.

Federal Agent Hunter said the investigators work closely with the ATO to identify people involved with the schemes and the AFP then follows the money trail.

"Once we find out how much money a particular person has put into the scheme we give the information to the Tax Office and they do an audit and assessment and work out how much tax has been evaded by pushing money through the scheme."

"That then quantifies the fraud for the individual involved and our focus is

the promoter that makes the fees and promotes the scheme. Basically we join the promoter with the person who has defrauded the Tax Office in the conspiracy to defraud.

"All of this money movement is then alleged to be money laundering in accordance with the *Criminal Code Act 1995* and that is where the money laundering charge comes in."

Federal Agent Hunter said the money caught up in the schemes was usually used to "buy luxury items" such as waterfront homes, prestige cars and million dollar boats.

He said there was no evidence to date that it was being used to fund terrorist activity or serious organised crime.

"However, we think that some of the people caught up in this will be identified as known criminals involved in various crimes including drugs and are using these schemes to clean their money so to speak so they can get it back to themselves in a lawful sense," he said.

The maximum penalties faced by offenders include 10 years jail for the offence of defrauding the Commonwealth and up to 25 years jail for money laundering over \$1 million.

Confiscated funds from *Project Wickenby* are held by the Commonwealth in the Confiscated Assets Trust Fund and may be distributed by Government for the benefit of a range of community programs.