

WINE VVS

The multi-million-dollar 'dummy director' scam using vulnerable Australians to rip off the tax office

ABC Investigations By Dan Oakes and Jeremy Story Carter for Background Briefing

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PHOTO: Rod Jackson lives in a commission housing flat in Melbourne. (ABC News: Jeremy Story Carter)

Sitting in the gloom of his housing commission apartment amid a smell of stale cigarettes and motor oil, you would not know Rod Jackson was a director of more than two dozen companies.

Then again, neither would he.

"They've really stuck me in the shit, haven't they?" Mr Jackson croaks with a desperate sort of laugh.

Mr Jackson is what the business world calls a dummy director.

He was living a "transient" lifestyle when, at the insistence of a friend, he agreed to sign a few forms and became the director of a company he had never heard of.

Thumbing through a stack of bankruptcy notices and Express Post envelopes addressed to his flat, he is now learning he has actually been made the director of a dizzying 26 companies.

"Never heard of them. There's only one I agreed to. I didn't agree to any more," he says.

Key points:

- The ABC has uncovered a multi-million-dollar scam that targets vulnerable Australians
 - The scheme exploits the homeless and people addicted to drugs and alcohol and turns them into company directors
 - Companies use the 'dummy directors' to rip off creditors and avoid paying huge bills to the tax office
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PHOTO: Rod Jackson was made the director of 26 companies. (ABC News: Jeremy Story Carter)

Most of those companies have gone into liquidation, collectively owing more than \$2.5 million — leaving Mr Jackson bankrupt.

Mr Jackson is just one in a network of vulnerable Australians who have been exploited in a staggeringly simple scheme that has siphoned tens of millions of dollars from workers, small businesses and you, the taxpayer.

An investigation by Background Briefing has uncovered the ease with which a small group of accountants spent years targeting drug users, homeless people and those down on their luck in order to help clients cheat the tax man and other creditors.



PHOTO: Rod Jackson has been made bankrupt as a result of being caught up in the scheme. (ABC News: Jeremy Story Carter)

It is a scheme that involves nearly 200 companies across almost every state in the country, and for more than a decade, its architects have been getting away with it.

The revelations expose gaping flaws in our corporate system and raise questions about how the accountants are able to operate in plain sight of the tax office and the corporate regulator, ASIC.

'It was like having a million dollars'



PHOTO: Jamie Cox became a dummy director in exchange for \$400. (ABC News: Jeremy Story Carter)

Jamie Cox was battling drug and alcohol addiction when a man at a truck stop made him an odd proposition: sign on as a company director in exchange for \$400 cash.

"It was like having a million dollars," Mr Cox said.

"The only companies I've run is my own private things, like lawn mowing or shit like that. I wouldn't even call them companies; I'd just call them making money.

"Had it been explained properly, I would definitely not have done it."

Mr Cox was initially signed up as a director of a trucking company by a Victorian accounting firm called Brown Baldwin, which he was passed on to by the guy at the truck stop.

But Mr Cox soon found he had been made the director of another string of companies, which he swears was done without his knowledge or permission.

Just as with Mr Jackson, most of those companies — mainly from the trucking industry — were subsequently liquidated, with outstanding debts to the tax office and creditors of over \$2 million.

Sipping on a premixed bourbon and cola, Mr Cox simmers with an anger that threatens to boil over at any moment. He is angry that as far as the system's concerned — he is directly responsible for hundreds of thousands of dollars in unpaid tax and fines.

He is angry that he now cannot apply for credit, and he is angry that his trouble with the tax office means he cannot get Centrelink payments.

Dummy directors left holding the bill



The multimillion dollar scam you've never heard of

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PHOTO: Jamie Cox said people like him were used as company directors because they had "nothing to lose". (ABC News: Jeremy Story Carter)

But how is it so profitable to exploit people who, as Mr Cox puts it, are "all either on drugs, alcohol or broke"?

The first step is to create a shell company with a dummy director, or use a company you already have sitting on the shelf.

Mr Cox said he and others were targeted because they "had nothing to lose".

That way if you run up debts or get into trouble with the tax office, it all falls on them.

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Background Briefing has identified multiple instances where this model has been used with so-called "sham labour-hire" firms.

The trick is to pretend to hire all your staff through that shell company, and just conveniently forget to pay income tax on their wages.

When the tax office starts asking questions about your unpaid income tax, you just shut down that shell company and create a new one.

If anyone asks awkward questions about the dead company and its unpaid tax, the person they're going to chase is the dummy director — people like Mr Cox or Mr Jackson — who are left owing the debt.

Electrician left chasing \$400k debt

The same model can be used to rack-up expenses on the shell company's accounts and when it comes time to pay, the company is simply liquidated.

If you want to understand how that's possible, just ask electrician Peter Stacey.



PHOTO: Electrician Peter Stacey was owed almost half a million dollars by a company linked to Brown Baldwin. (ABC News: Jeremy Story Carter)

He and his team carried out weeks of electrical work on a series of new apartment buildings in Melbourne for a company called Imagebuild.

Before Imagebuild paid Mr Stacey what he was owed, the company was put into liquidation. Mr Stacey said he was left almost half a million dollars out of pocket.

When he took the builder to court in a last-ditch effort to get his money back, he was told it wasn't actually Imagebuild who owed him money — it was a shadowy twin company whose director was a woman Mr Stacey had never met or even heard of.

Her name was Lisa Baker and she had been installed as a dummy director by the accountants Brown Baldwin.

"We started to have a look and try and find what we could through public information about her and we didn't think she existed," Mr Stacey said.

'He checked me for a wire'



PHOTO: Lisa Baker on the verandah of her home in the northern suburbs of Brisbane. (ABC News: Jeremy Story Carter)

Ms Baker does exist, even if she does not necessarily want to be found.

Background Briefing spoke to her in the northern suburbs of Brisbane.

She said her life was "a mess" a few years ago when she got caught up in the scheme.

She was couch surfing around the western suburbs of Melbourne when a friend introduced her to accountant Jesus Hidalgo from Brown Baldwin.

Ms Baker said he signed her on as a director of a company in exchange for a few hundred dollars, but not before a deeply unsettling interaction.

"I signed my name on a half a dozen different pieces of paper. Then he asked me to come outside with him and checked me for a wire," Ms Baker said.

"That's when I got really suspicious and got this really bad feeling in my gut. But I was too far in to go backwards. I didn't know what to do, so I just showed him I wasn't wearing a wire."



PHOTO: Lisa Baker regrets getting caught up in the scheme. (ABC News: Jeremy Story Carter)

Without her knowledge, Ms Baker was soon made the director of another shell company — the one that supposedly owed Mr Stacey money.

"That's when letters started arriving in the mail — weird letters," she said.

"I just put them in a drawer and acted like an emu — just stuck my head in the sand. Anything to avoid any drama."

Mr Stacey was never paid the nearly half a million dollars he said he was owed — and Ms Baker has spent years trying to escape the mess the scam has left her in.

Small-time accountants at the heart of massive scheme



PHOTO: A Brown Baldwin business card at Rod Jackson's home. (ABC News: Jeremy Story Carter)

Through months of investigation, Background Briefing has identified dozens of these directors-for-hire, known in the business world as "dummy" or "straw" directors, dating back more than 15 years.

Together, they were listed in ASIC records as having been directors of almost 200 companies. Many were eventually put into liquidation, owing tens of millions of dollars collectively.

Most of those companies had their registered address listed as the Shepparton or Northcote offices of the accounting firm Brown Baldwin. Mr Hidalgo was just one of several Brown Baldwin accountants orchestrating the scheme, which enabled its clients to evade paying income tax due on wages of their workers.

In August 2018, more than 250 tax office investigators raided 11 properties across Victoria, including the offices of Brown Baldwin, as well as houses and storage facilities linked to some of its staff. In a media release at the time, the tax office said it was targeting "a group of tax agents suspected of facilitating phoenix activity and promoting avoidance of tax".

Background Briefing has obtained the recording of a compulsory interview conducted by the tax office with a client of Brown Baldwin about six months after the raids.

Under oath, the man told tax office investigators that although he started out as a client of Brown Baldwin, he was soon recruited as a dummy director. In return for cash, he also went and opened bank accounts for companies, before handing over the bank cards and account details to Brown Baldwin accountants.

"I was only ever put in there so they could protect their assets," the man said when asked why he agreed to be a director.

"What they have done with the running of the company and the everyday doing of the company is beyond my control."

The man was also asked about how Brown Baldwin's accountants were seemingly exploiting a loophole in the ASIC system that allows you to backdate a director's appointment, making it more difficult to identify which director was responsible for the company's failure.

He said he had no involvement with such a process and it was done at Brown Baldwin's insistence.



PHOTO: Jesus Hidalgo worked at Brown Baldwin accountants before they became defunct. (Supplied: Brown Baldwin)

Brown Baldwin under investigation

Background Briefing has also obtained a recording of a tax office interview with a Melbourne businessman who was a client of Brown Baldwin for nearly 20 years.

In the interview, he said under oath that the founder of Brown Baldwin, Christopher Baldwin, supplied him with a dummy director for a company that later went into liquidation owing \$2 million to more than 50 creditors.

The businessman also said that Brown Baldwin accountants set up "employment companies" for their clients, including him. It is believed "employment companies" is a reference to the sort of sham labour-hire firms used to avoid paying tax.

"Jesus [Hidalgo] ... had some sort of a structure where he had two people as the directors and those people would then become the directors of any one of these ... employment companies. For every one of those he would want \$15,000," the man said.



PHOTO: Brown Baldwin's founder Chris Baldwin. (Supplied)

Brown Baldwin referred more than a hundred wound-up companies to a liquidator called Raymond Sutcliffe.

Sutcliffe voluntarily handed in his licence in 2017 while under investigation by ASIC, for allegedly turning a blind eye to the tax evasion practices of the companies he was liquidating.

Minutes of creditors meetings for those liquidations — available on the ASIC database — show that dummy directors sometimes attended the meetings accompanied by Brown Baldwin accountants.

They also show that tax office officials were often on telephone hook-ups, and sometimes even raised concerns about the reasons given for the failure of the companies.

Accountants still practising

The tax office's investigation into Brown Baldwin is ongoing, but no criminal charges have so far been laid relating to the dummy director scheme.

Brown Baldwin closed its doors in 2019, soon after the ATO raids.

But the people who worked there and were implicated in the scheme are still out in the world practising as accountants.

Brown Baldwin's founder Chris Baldwin initially agreed to an interview with Background Briefing, before later pulling out via his lawyer. Mr Hidalgo did not respond to requests for an interview.

The tax office would not comment on Brown Baldwin specifically, or provide anybody to be interviewed about dummy directors, shell companies and sham labour-hire firms more generally. Neither would the corporate regulator ASIC.



PHOTO: Lisa Baker is upset authorities have not done more to protect people like her. (ABC News: Jeremy Story Carter)

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Ms Baker is still hoping for answers from both the tax office and ASIC about why it was so easy for her and others to be exploited.

"There is obviously a loophole in the system that let us slip through because this should never have happened to people like us," she said.

"You don't expect this sort of thing to happen to someone like me.

"I mean, I'm a nobody with nothing. I've got nothing worth stealing, let alone my identity."

Topics: tax, law-crime-and-justice, fraud-and-corporate-crime, tax-evasion, brisbane-4000, melbourne-3000, shepparton-3630

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