

Australia's richest man pays no tax

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Professor Russell Mathews, who headed an Australian government inquiry into taxation in the 1970s, observed that the problem facing governments was not getting business to pay more tax, but getting companies to pay any tax at all. The truth of that statement was illustrated on Tuesday.

After a seven-year legal battle, Australia's richest man, Kerry Packer, won a Federal Court ruling absolving him of paying any personal income tax for the three-year period 1990-92. Packer, who owns Australian Consolidated Press and runs a media and gambling casino empire, has a personal fortune of over \$A5 billion. Last financial year, he made an average of \$3.56 million per day.

The Australian Taxation Office (ATO) pursued a variety of charges against Packer and Consolidated Press--principally that they had organised their financial affairs to avoid paying tax. In relation to Consolidated Press, the court ultimately excluded about \$500 million from its taxable income for the 1990 and 1991 tax years. In effect, the company will pay only \$25,000 in tax for the two years--giving Packer a windfall of some \$218 million.

That was not all. Packer also won a \$40 million victory on his personal income tax. Before the opening of the court hearing last month, the ATO dropped its bid to recover that amount for his earnings over three years between 1990 and 1992. Incredibly it offered Packer a settlement in which he would pay just \$2.87 in tax for 1990, \$6.56 for 1991 and \$21.12 for 1992. Even that was too much for Packer. He refused the offer.

The press baron had made his attitude clear during a government print media inquiry in 1991. He told the parliamentary committee: 'Anybody in this country who does not minimise his tax wants his head read--I can tell you as a government that you are not spending it so well that we should be donating extra.' For Packer, even the ATO's offer of \$30.55 was too much of a

'donation'.

The court case dealt with financial transactions arising out of Packer's involvement in the \$28 billion takeover of British American Tobacco plc in 1989. Through a complex shuffling of loans, shares and dividends throughout the world, including Australia, the Bahamas, Bermuda, Britain, Switzerland and the US, the Consolidated Press group of companies set out precisely to minimise taxes.

Of course, the wealthy have always attempted to pay as little tax as possible. In this respect the case is nothing new. However, tax avoidance has taken on a qualitative change in the last 15 years. The globalisation of production and world financial markets allows companies to freely allocate capital to the most profitable parts of the world. In order to attract and retain investment, governments constantly seek to reduce corporate taxes and subsidise other production costs.

Sometimes corporate tax schemes are loosely referred to as 'tax avoidance' or even 'tax evasion'. In reality, the entire taxation framework and legal system are designed, above all, to protect the profit and property of the wealthy. No sooner do governments attempt to close so-called 'loopholes' and maintain some kind of regulation and control over the nation's finances, then businesses find ways around them.

Packer stated in 1991: 'I pay whatever tax I am required to pay under the law--not a penny more, not a penny less.' As this case demonstrates, it is perfectly legal under the present order for an individual with a multi-billion dollar fortune to pay absolutely no tax.

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