Australian Senate tax grandstanding: A preparation for austerity

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An Australian Senate parliamentary committee hearing on Wednesday was dominated by the fire and brimstone of Labor and Greens politicians directed against tax avoidance by major corporations.

Labor Senator Sam Dastyari called on Australian Tax Commissioner Chris Jordan to "name some of Australia's worst corporate offenders," declaring that they "should be named and shamed." He stated: "The tax office tells us there's $60 billion a year being shifted to tax havens. If just some of that was taxable income ... you're looking at $5 billion a year that is being minimised, evaded, structured out of our economy."

The senator hastened to add that he had great "respect" for Apple, Google and Microsoft—the companies appearing at the hearing. He was not accusing them of tax evasion, he emphasised, but asking them to consider their "moral" obligations.

Greens leader Senator Christine Milne joined the fray. "It's the big end of town that are the leaners," she declared. "They're the ones who are shifting their profits overseas to tax havens, low-tax jurisdictions, and laughing all the way to the bank."

On the same theme, Treasurer Joe Hockey, speaking for the Liberal-National government, recently warned that Australia is "losing control of our destiny from a taxation perspective" because of "holes" in the tax treatment of multinational corporations.

All this feigned outrage is cynical window dressing. Its purpose is to give an appearance of preparing to "tax the rich" in order to lend a veneer of "fairness" for a stepped-up drive to impose deeper cuts to social spending under conditions of a sharp worsening of the outlook for Australian capitalism.

Because of imploding prices for iron ore, coal and gas—Australia's largest exports—the Abbott government's budget deficit is likely to blow out this financial year from a projected $30 billion in last May's budget to around $45 billion. This is intensifying the business elite's demands for the government—and Labor, the Greens and the rest of the parliamentary establishment—to find the means to overcome the widespread public opposition to last year's budget measures to slash health, education and welfare programs, and to inflict even greater cuts in living standards.

For all the grandstanding at the Senate hearing, there is no prospect of forcing the global transnationals, or their wealthy executive and shareholders, to pay higher taxes. The globalisation of production over the past four decades has enabled the corporations to play one government off against another, demanding ever-lower taxes and labour costs.

In Australia, successive governments, both Labor and Liberal-National, have dramatically lowered company and high income tax rates, and shifted the burden onto the working class via the gutting of social services, as well as a regressive Goods and Services Tax. Since the Hawke Labor government's election in 1983, the company tax rate has been slashed from 46 percent to 30 percent, and the top income tax rate from 60 percent to 46.5 percent.

These rates, however, are now far too high as far as the financial elite is concerned. At the Senate hearing, Google executive Maile Carnegie insisted: "We are not opposed to paying tax. We are opposed to being uncompetitive." She rattled off company tax rates elsewhere: The UK—20 percent, Ireland—12.5 percent, South Korea—24 percent, Singapore—17 percent, Bermuda—0 percent.

Carnegie and her Apple and Microsoft counterparts flatly defended their tax structures, which enabled

Apple to shift an estimated $8.9 billion in untaxed profits out of Australia over the past decade, and Microsoft to divert $2 billion a year from Australia to Singapore.

Leaks from Luxembourg's tax haven last year showed that such arrangements have become the worldwide norm. The Australian arm of Swedish furniture giant IKEA, for instance, paid just $31 million in taxes on $4.76 billion of turnover from 2002 to 2013, using complicated financial manoeuvres through the Netherlands Antilles, Luxembourg and Switzerland.

Australia's biggest companies are all doing the same. This week, the *Australian Financial Review* revealed that BHP Billiton and Rio Tinto have reported a combined $12 billion in profits from their Singapore "marketing hubs" since 2008, on which they paid as little as 2.5 percent tax.

A recent Tax Justice Network report estimated that of Australia's 200 largest publicly-listed companies, 29 percent have an effective tax rate of 10 percent or less and 14 percent have an effective rate of zero. The TJN report calculated that if the 200 firms paid the statutory 30 percent rate, the government would gain $8.4 billion annually.

This pales into insignificance on a global scale, with the poorest countries bearing the brunt. International aid agency Oxfam estimates that so-called developing nations lose $US114 billion in tax revenue each year, even based on the super-low tax rates that many of these countries set to try to attract investment.

Any official pretence at tackling the problem will be purely cosmetic. Treasurer Hockey has hinted at introducing, in this year's budget, a measure similar to the new "diverted profits tax" or "Google tax" in the UK, which requires multinationals to pay a slightly higher tax rate on profits sent offshore. Britain's token impost is expected to raise less than $US1 billion over three years—a drop in the bucket compared to the massive profits of the corporate and financial giants.

Likewise, at last November's G20 leaders' summit in Brisbane, the final communiqué claimed there was "significant progress" on a "Base Erosion and Profit Shifting Action Plan" to counteract tax minimisation. Yet the plan only envisages reciprocal exchanges of tax information by the end of 2018, and even that depends on the unlikely prospect of common legislation being passed in each country, when they are increasingly locked in conflict over investment, resources and markets.

Dastyari's posturing in the Senate was particularly duplicitous. Yesterday's *Australian Financial Review* reported that last week he withdrew a formal written request for the country's big four banks—Commonwealth, ANZ, National Australia and Westpac—and two other large financial institutions, AMP and Macquarie, to appear before the same Senate committee.

Labor leader Bill Shorten and shadow treasurer Chris Bowen instigated the about-face because the finance houses objected, saying that Dastyari's political theatre was undermining Labor's efforts at "building a constructive relationship with business."

Labor, as always, will stop at nothing to enforce the dictates of the financial elite—the real purpose behind Dastyari's parliamentary play acting.