Thirty-eight percent of Australia’s large companies paid no tax in 2013-14

John Roberts
11 January 2016

An Australian Taxation Office (ATO) report issued last month on “corporate tax transparency” showed that 1,539 of the country’s biggest firms had a combined turnover of $1.6 trillion but paid a total of only $39.9 billion in company tax—about 2.5 percent of the collective turnover.

Five hundred and seventy-nine of the companies—38 percent—paid no tax at all. Another 277 paid 1 percent tax, 170 paid 2 percent and 119 paid 3 percent. Just 172 paid 5 percent or more. The 579 firms that paid no tax had a combined turnover of $405.9 billion and taxable incomes, before various write-offs, of $4 billion.

Officially, Australia’s corporate tax rate stands at 30 percent. That is itself a dramatic reduction from the 49 percent rate in 1986, before the Hawke Labor government began the process of systematically lowering it. Nevertheless, the largest companies—554 were Australian public entities and 985 foreign-owned—pay far less.

The ATO report was published as a result of legislation passed by the last Labor government in 2013 as a means of feigning to make corporate tax avoidance more “transparent.” However, the real situation is no doubt much worse.

In the first place, the report was limited to entities that had an annual turnover of $100 million or more. Three hundred large private companies not listed to the stock exchange were not included in the survey. Beyond that, there are 1.1 million companies in Australia.

Secondly, the data in the report is mostly based on information supplied to the tax office by the firms themselves. Assistant Treasurer Kelly O’Dwyer revealed that only half of the listed companies had been “reviewed “or “audited” at some time in the last three years.

The report’s release was an attempt to provide a veneer of “fairness”—a pretence of taking action against corporate tax avoidance as part of the “tax reform” agenda demanded by big business. In reality, the central thrust of this agenda is to shift even more of the burden of taxation onto the back of the working class, including by increasing and extending the scope of the regressive 10 percent goods and services tax.

Both Prime Minister Malcolm Turnbull’s Liberal-National Coalition government and the opposition Labor Party have committed themselves to cutting the corporate tax rate further, starting with a 25 percent rate as soon as possible.

This process is being driven by ever-lower business tax rates globally, as governments compete to attract investment by satisfying the demands of the financial elite. This is now compounded by the worsening situation facing Australian capitalism because of the global slump that has led to the collapse of export commodity prices.

Despite its serious limitations, the ATO report sheds some light on how companies evade paying tax by a myriad of schemes. These include orchestrating losses, writing off previous years’ losses, and using franking credits that offset tax liability against dividends paid. Then there are research and development credits and many other business tax concessions, combined with the shifting of revenue offshore to tax havens and the ongoing restructuring of operations following the 2008 global financial crash.

Many major foreign banks operating in Australia paid no tax, including Goldman Sachs, Barclays, JP Morgan, Lloyds Bank and Credit Suisse. The Australian Financial Markets Association claimed that the international banks were still writing off losses because of the 2008 crisis.

CSL (formerly the government-owned Commonwealth Serum Laboratories, which was privatised by the Keating Labor government in 1994) also paid no tax. It had revenues of $2.1 billion but claimed that much of this went into overseas profits already taxed. This reduced CSL's taxable income to $160 million, which it said was offset by tax credits for research and development carried out in Australia.

Another zero-tax firm, Treasury Wines Estates, said its taxable income was $49 million, but insisted in a media statement that it had prepaid $31.4 million as part of a corporate de-merger. Then offsets, including research and development credits, meant it had no tax to pay.

Rupert Murdoch's News Australia turnover of $3.9 billion in Australian operations produced only $97.2 million in declared net income, so that it paid only $4.2 million in tax.

There is other evidence that transnational revenue-shifting goes further. A Senate inquiry last April heard that the giant technology company Apple used its headquarters in low tax Singapore to bill its Australian company for services and products so that the $6 billion in Australian income disappeared, showing up as debt instead.

The Australian Institute reported that in the year to September 2014, Apple paid Australian tax of $80.4 million on revenues of $5.86 billion. The *Australian Financial Review* estimated that Apple shifted $8.9 billion in untaxed profit to a tax haven in Ireland over a 10-year period.

The financial newspaper also estimated in November 2014 that the transnational Ikea paid only $31 million in Australian tax from a profit of some $1 billion over 11 years. The remainder was disguised as a cost to the Australian operation and based on payments to related companies in Luxembourg.

Senate inquiry chairman Labor Senator Sam Dastyari, who has been at the forefront of posturing on cracking down on corporate tax evasion, told the Australian Broadcasting Corporation in April that the ATO had identified $60 billion a year that was leaving Australia for tax havens.

There is no suggestion by Dastyari or anyone else in the political establishment, however, that any measures will be taken to halt this looting, let alone reverse the ever-deepening cutting of business taxes in Australia and internationally. Instead, Dastyari has proposed just "naming and shaming" the "worst offenders," supposedly in the hope of convincing them to pay their "fair share" of taxation.

This is a total fraud. As demonstrated by their record, as far as business leaders are concerned, a "fair" tax rate is zero, or as close as possible to it. At a tax summit organised by the Turnbull government last September, the corporate speakers welcomed the bipartisan commitment to a 25 percent rate, but insisted that governments must match official tax levels that are as low as 17 percent in Singapore.

Moreover, together with such "tax reform," the corporate elite is insisting that government spending must be slashed, especially for social services and welfare, along with the driving down of wage levels and the dismantling of working conditions.

Responding to the ATO report, the Turnbull government made clear its intention to ensure that the corporate tax evaders continue to be fully protected. Assistant Treasurer O'Dwyer echoed the Business Council of Australia, which represents Australia's major companies, stating baldly: "Just because (corporations) don't pay tax doesn't mean that they are avoiding tax."

Despite Dastyari's rhetoric, this has been the bipartisan policy of successive Labor and Coalition governments as they have imposed the requirements of finance capital amid the sweeping globalisation of production, which has made it possible for conglomerates to constantly shift their operations internationally, always at the expense of the working class.