Corporate tax-dodging in Australia costs billions

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Two reports on company taxation show that more than a third of the largest companies operating in Australia paid no tax in 2014–15 and that multinational tax evasion cost an estimated $4.8 billion that year. These reports show the fraud of the claims being made by the Australian government and corporate media that Donald Trump-style tax cuts will boost plummeting investment and benefit the country's population.

Addressing a business dinner last month, Prime Minister Malcolm Turnbull renewed his call for the company tax rate to be reduced from 30 to 25 percent in an attempt to meet the demands of the financial elite for his government to match the unprecedented cut from 35 to 15 percent promised to the US ruling class by President-elect Trump.

Turnbull insisted that investment would flood out of the country and into the US and other lower-taxing countries, unless the population accepted tax cuts for the corporate giants and other pro-business "reforms" to boost profits. "Hard decisions" required "winners and losers," he declared.

Yet billions of dollars in corporate tax concessions—all permitted by the law—have failed to halt the slump overtaking Australian capitalism. Far from using tax windfalls for investment, major corporations have continued to boost their profits and reward their wealthy shareholders while restructuring their operations at the cost of workers' jobs and conditions.

In the most recent result, the Australian economy contracted by 0.5 percent in the September quarter, driven by an ongoing collapse in business investment—down 9.7 percent over the past year.

Almost 700 of Australia's largest 1,904 companies paid nil tax in the 2015 fiscal year, according to an annual corporate tax transparency report issued by the Australian Tax Office (ATO) this week. It showed that 36 percent of the companies—whether locally-listed, private or foreign-owned—paid no tax. But the ATO insisted that this was perfectly legitimate and not a sign of tax evasion or avoidance.

Of the companies that paid no tax, 291 reported an accounting loss. Another 125 reported an accounting profit but reconciliation items (for example, tax deductions allowed at higher rates than accounting permits) resulted in a tax loss. A further 128 reported a taxable income but prior-year losses were available to deduct against that profit so no tax was payable. Lastly, 135 reported a taxable income but were entitled to offsets (such as research and development incentives) at least equal to the tax otherwise payable.

One reason that the ATO cited for the outcome was the collapse in commodity prices, which continued into the 2016 fiscal year. In all, energy and resources corporations paid $3.2 billion less tax to the government during fiscal 2015, with almost 60 percent of the companies in this sector paying no tax at all.

The world's biggest mining company, BHP Billiton, more than halved its tax bill from $3.95 billion in 2014 fiscal year to $1.7 billion after its taxable income fell from $40.4 billion to $33 billion. Its effective tax rate fell from less than 10 percent to about 5 percent.

Mining giants were not the only tax-dodgers, however. Among the big names that paid nil tax, IBM paid nothing despite recording $3.6 billion in total income and $49.3 million in taxable income. Amazon Corporate Services paid just $4.3 million on $148.3 million in revenues and $14.2 million in taxable income.

Apple and Google increased their tax payments a little in 2014-15, after coming under public fire for global tax evasion. Apple's tax bill almost doubled to

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$146.3 million, on the basis of local income of $8.4 billion. That is an effective tax rate of less than 2 percent. Google's tax bill lifted $3 million to $12.2 million, on reported income of $438.7 million—a rate of under 3 percent.

The Business Council of Australia, representing the largest firms operating in Australia, backed the ATO's declaration that nil tax returns were not a sign of tax evasion or avoidance. "This includes 109 companies that paid no tax, despite reporting more than $1 billion in total income," BCA chief executive chief executive Jennifer Westacott said.

Westacott claimed the discrepancies could be explained by the fact that companies only pay tax on their profits, "after paying all expenses including wages, capital replacement, supplier costs, fleet costs and other operating expenses." Such items, however, often allow companies to reshuffle their results to minimise tax liabilities.

An Oxfam report on global tax evasion, due out next Monday, estimates that Australia loses more than $4 billion a year due to the use of 15 of the worst global tax havens by multinationals.

The top three offshore financial centres used by those multinationals operating in Australia were Switzerland, Singapore and the Netherlands. On a global basis, Bermuda topped the list as the most serious tax haven, with 0 percent corporate income tax, 0 percent withholding taxes, evidence of large-scale profit shifting and a lack of transparency.

The charity's report implores the government not to join the "race to the bottom" on corporate tax rates. Oxfam notes the average corporate tax rate across G20 countries was 40 percent 25 years ago. Today it is less than 30 percent.

Despite net profits by the world's largest companies tripling in real terms over the past 30 years, from $US2 trillion in 1980 to $7.2 trillion by 2013, tax contributions of large corporations were diminishing, the report says. On top of that, Oxfam says 90 percent of the world's biggest companies had a presence in at least one tax haven.

Oxfam's report appeals to the Australian government to ensure that companies pay their "fair share" of taxes, so that money is available for schools, hospitals and other social services. In reality, as the record of the past 30 years demonstrates, what the financial elites regard as "fair" is determined purely by their capacity to keep ramping up profits and dividends via a combination of tax-dodging, cheap labour exploitation and free-market deregulation.

In this process they constantly play one country, and one section of the working class, off against the others, shifting production and financial operations to wherever they can extract the lowest costs and biggest margins. As a result, social inequality has widened immensely, and even more so since the 2008 global financial breakdown.

Trump's tax cuts and "America first" economic program will only heighten this endless international "race to the bottom" at the expense of workers and young people, who face further job destruction, the driving down of wages and conditions and the devastation of essential social services.

While Turnbull's Liberal-National government is under immense corporate pressure to accelerate this offensive, it has long had bipartisan support in the political establishment. During the 1980s and 1990s, the Labor governments of Hawke and Keating began the assault, lowering the corporate tax rate from 49 to 30 percent, and the top marginal personal tax rate from 60 to 49 percent. Even so, as the latest reports confirm, major corporations and the wealthy often pay little or no tax.

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