

PwC in Australia: The social and political anatomy of a scandal

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8 June 2023

Like all corporate scandals, that which has erupted around the Australian operations of accounting and financial consulting giant Price Waterhouse Cooper (PwC) is significant not so much because of the nature of the individuals involved.

PwC chiefs would love to put it down to a case of some “bad apples,” but their activities arise from, and are the expression of, the way things really operate in the financial world of money-making.

The activities of the individuals involved are of interest, but their deeper significance is that they are the personification of objective socio-economic processes.

And what is most important, going beyond the immediate issue of PwC, is what the scandal reveals about the real nature of so-called parliamentary democracy and its relationship to the growing parasitism which increasingly characterizes 21st century capitalism.

Amid the forest of emails surrounding the case and the questions of who, among the partners of the firm, knew what and when, etc., the essence of what PwC did, largely in plain sight, is straightforward enough.

In 2015, it was assisting the then Liberal-National Party coalition government in drafting new tax legislation, the Multinational Anti Avoidance Law (MAAL). This was purportedly to create the conditions where the Australian government could overcome, at least to some extent, the tax avoidance schemes employed by many companies such as those in the hi-tech area like Google and Facebook.

They were using schemes with names such as Double Irish, devised by PwC in that country, the Triple Dip, Debt Dumping and other schemes set up by PwC in Luxembourg. All these operations had the same aim: to transfer profits made in countries with a higher taxation regime and recognise them in a country with a more favourable tax structure.

In Australia, at the same time as providing advice to government authorities, the PwC partner involved, Peter Collins, was providing information to companies on how to get round the very laws he was helping to draft. He supplied information to other PwC partners. The full number is not yet known but there were at least around eight, so they could do the same thing.

Collins was involved in advising the government since 2013. According to an account by journalist Neil Chenoweth in the *Australian Financial Review* (AFR): “Collins had been involved in a string of tax controversies, including the huge loans that energy companies such as Chevron loaded onto their Australian operation to reduce taxable income; Singapore marketing hubs; and an \$88 million loan structure that the Federal Court found was tax avoidance.”

Chenoweth noted that if you were being kind to Treasury, it could be regarded as a case of poacher turned gamekeeper. “A less generous assessment would be they let the fox into the hen house.”

Collins signed three confidentiality agreements with Treasury. But he is accused of providing information to business clients about the new tax regime.

An internal PwC email from January 2016 reportedly stated: “The team

have been very busy over the last couple of months and we are assisting 14 clients with their efforts to comply with the MAAL.

“We were aggressive in telling these relationships they needed to act early (**heavily** helped by the accuracy of the intelligence that Peter Collins was able to supply to us).

“In total, we expect (based on fee estimates that we have agreed with clients) that revenue from this first stage of the MAAL projects will be approximately \$2.5 million.” And PwC hoped the operation would bring in more.

Emails from Collins to PwC partners in other locations, including Australia, the UK and Ireland contained phrases such as “For your eyes only,” “please don’t circulate this,” “Treasury tells me” and “an early confidential draft.”

Collins allegedly advised those he had informed to describe the information he had provided as rumour and gossip.

Chenoweth recounted that on the very day the MAAL legislation was announced by then Treasurer Joe Hockey in May 2015, PwC was messaging some 23 US tech companies warning them about the new law with a “suggested work plan” to get around it.

When the new law came into operation in the early months of 2016, officers of the Australian Tax Office (ATO) were taken aback when they found that schemes had already been put in place to get around it and had already been marketed by PwC and others.

Collins was allegedly able to supply further information including on discussions on a Diverted Profit Tax aimed at companies which collected revenues from Australian firms but billed them from overseas locations.

One PwC operative wrote to Collins: “Awesome for our MAAL defence work” and “puts [redacted] in a great place.”

It has yet to be determined how widespread the knowledge of this activity was within PwC. There are further hearings to be held in the Senate estimates committee, which started its investigation at the beginning of May when a tranche of emails obtained by the Tax Practitioners Board (TPB) released 144 pages of heavily redacted PwC emails, and the circle of those in the know is widening.

The former chief executive officer of PwC, Tom Seymour, who resigned in the wake of the email revelations, said there were only six to eight senior partners who received the confidential information, while there were another 30 to 40, including himself, who were involved in the email circulation but who were not aware the information was meant to be kept secret.

But it is now known that at least 53 PwC partners were supplied with the information and used it to approach at least 14 major global companies with a PwC plan to dodge the effect of the new tax laws.

The push by PwC to sell its tax avoidance schemes has been described as proceeding on an “industrial scale.”

Of course, it is to be expected that wide layers of senior PwC operatives who promoted the tax avoidance schemes chose not to probe their source, or question how it was that they were so effective in circumventing new

measures almost immediately after they had been announced.

After all, they are not in the business of ensuring that taxes are paid so that public facilities can be financed. They are engaged in profit-making both to enhance the bottom line of PwC and fatten their own incomes in the process.

But what happened to the so-called regulators who are supposed to act in the interests of the public? Where were they? Either they kept silent or were constricted by regulations protecting the activity of PwC and its clients.

At a Senate estimates hearing in February, Australian Tax Office (ATO) commissioner Chris Jordan said his office had noted how quickly schemes to avoid new tax regulations were being marketed to major companies “within weeks” of coming into operation in early 2016. Normally it would take “quite a while” for this to happen.

Jordan said it was frustrating that it all happened so quickly. He said the ATO had tried to investigate PwC back in 2016.

It returned to the issue in the middle of 2018 when it was concerned about the ability of PwC to market tax avoidance schemes so quickly and issued orders to the firm to produce correspondence with clients. PwC claimed these relations were off limits to scrutiny as they were covered by legal professional privilege because it had moved to providing tax advice through lawyers.

The ATO raised concerns with Treasury at that time but could not proceed because of secrecy laws which meant it could not provide information to the Treasury and the government and it could not investigate itself.

Jordan said some information was provided to the Australian Federal Police (AFP), but laws governing the ATO meant it could only provide limited information. In 2019, the tax office and the AFP after “a year’s consideration” decided they could not pursue an investigation into Collins because of lack of evidence.

Eventually, more than six years after suspicions were first raised, the Tax Practitioners Board terminated the registration of Collins as a tax agent in December 2022. While the communications between PwC and its clients were covered by legal privilege those within the firm were not. The board was able to obtain a tranche of emails, redacted in places nonetheless, which were then released at Senate estimates at the beginning of May.

Reviewing the activities of the so-called regulators, or perhaps more accurately their inactivity, one is immediately struck by the class issues involved.

Recipients of social service payments are subject to a series of regulations. Old age pensioners, for example, who secure some employment to try and supplement their meagre payments must regularly report any income they receive. The unemployed youth and others on JobSeeker are treated likewise and must meet “activity tests” in order not to be “breached” and have their support cut off.

And the attitude of the capitalist state towards social service recipients, often in onerous conditions, was nowhere more clearly revealed than in the illegal Robo Debt scandal in which they were continually hounded by the full force of the law, leading to suicides in some cases.

But giant corporations, serviced by fellow global financial and consultancy firms such as PwC, can plunder the public purse to the tune of hundreds of millions of dollars and are able to invoke the “law” to prevent an investigation of their activities. Not a hair on their head is touched.

Beneath the immediate PwC scandal there is another deeper and much broader issue, the privatisation and the outsourcing of public services.

This involves not just the near universal sell-off of government-owned entities over the past four decades but the opening up of publicly funded services such as childcare, aged care, employment services and disability care to privately-owned profit-driven corporations, many of them giant global entities, as well as the financial operations of government bodies.

This has been conducted under the mantra of “small government,” the reverse side of which is big profits.

PwC is one of the “big four” global accounting and consultancy firms, the others being KPMG, Ernst & Young and Deloitte. In the past two years alone, PwC was awarded \$537 million in government contracts with the total for major firms coming in at more than \$2 billion over the last year.

The reaction of the Labor government to the PwC revelations was to express “shock” and anger, the standard playbook when such scandals erupt.

Speaking on the Australian Broadcasting Corporation’s “7.30” program, Treasurer Jim Chalmers in late May said he was “ropeable” about what had taken place.

The government, the country, and he personally was “absolutely filthy” over what had happened. “We cannot have a repeat of this absolutely appalling episode, where people were monetising government secrets.”

However earlier in the month, after the scandal had broken, PwC was a sponsor of the post-Budget dinner by the Federal Labor Business Forum.

AFR columnist Myriam Robinson reported that PwC’s impeccable political connections continue apace with former Labor prime minister Julia Gillard giving a speech at the company’s offices. PwC is to be a double major sponsor at a State of the Nation conference in Canberra next week featuring Prime Minister Albanese and ministers Tanya Plibersek and Linda Burney, among others.

As Robinson commented: “If this is what being a political pariah is like, one suspects PwC will be just fine.”

These social and business gatherings are where the wheels of capitalist politics are greased. They play a role of course but are the expression of deeper processes, of which the PwC revelations provide a small insight. Its activities in relation to tax avoidance are just the tip of a vast iceberg.

Chalmers railed against the monetisation of government secrets. The issues go far beyond that. Every area of government activity, supposedly undertaken in the interests of the people, from tax policy to employment services, aged care, electricity and water supply, road transport (tolls enacted via public-private partnerships) to name but a few, has been monetised to become a source of profit.

The central role in this development has been played by the Labor Party starting with the turn to privatisation and the “free market” back in the 1980s, which has been continued and deepened by every Labor government since.

There may be some cosmetic “reforms” instituted in relation to so-called consulting services, but they will be just that, cosmetic—putting lipstick on a pig as the saying goes.

The political lesson which must be drawn by the working class from the PwC affair is that it must fight for an entirely new system of government. That is, for a workers’ government where the state institutions carrying out necessary public functions for the running of society are grounded on meeting human need, not profit, and are under democratic control. In short, that they are established and developed on socialist foundations.



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