

Submission: Public Governance, Performance and Accountability Amendment (Tax Transparency in Procurement and Grants) Bill 2019

17 February 2020

Senate Finance and Public Administration Legislation Committee

Parliament House

Canberra

fpa.sen@aph.gov.au

Dear Secretary,

Public Governance, Performance and Accountability Amendment (Tax Transparency in Procurement and Grants) Bill 2019

Thank you very much for the opportunity for *Michael West Media* to provide a submission regarding the Bill in question.

This submission is born from five years of reporting on multinational Australian tax avoidance and compliance through our Top 40 Tax Dodgers series which Senator Rex Patrick cited in his speech given on Tuesday 11 February to the Senate.

The bill in question takes a significant step towards combating the "asset stripping" of Australian profit by multinational corporations.

Michael West Media has uncovered multiple cases of tax-payer subsidised industries where profits are shipped overseas through tax avoidance structures. Please see Appendix 1.

Furthermore, we see this proliferation of tax avoidance often involves the Big Four accounting firms which are both the architects of multinational tax-haven schemes and the beneficiaries of hundreds of millions of dollars a year in Federal Government consulting contracts. Please see Appendix 2.

Transparency has proven helpful to regulate corporate tax avoidance in Australia; *vid* the [outcomes](#) following the Senate's Inquiry into Corporate Tax Avoidance of 2015 and subsequent transparency and enforcement reforms, including the publication of annual corporate transparency data and the Multinational Anti-Avoidance Law (MAAL).

In subsequent years, corporate income tax receipts have risen and Tax Office sources say there have been "behavioural" improvements in tax-paying by multinationals.

[Following](#) the Senate's report, Deputy Commissioner Jeremy Hirschhorn said in 2015-16 "we issued more than \$4 billion in amended assessments relating to prior years to public groups and multinationals, and we have already issued a further \$1 billion in amended assessments this financial year.

Further, Hirschhorn claimed that "in the coming years the data will reflect an estimated \$7 billion each year of increased sales returned in Australia as a result of the operation of the MAAL".

This submission is in support of the Bill. Tax avoidance and poor corporate behaviour thrive in the darkness of non-disclosure. Increasing transparency can only benefit the public sector and the public

interest. If companies and partnerships who benefit from public money via Government consulting contracts are compelled to disclose their tax haven connections, they will be disinclined to engage in tax avoidance with profits which have been won through the public sector.

The effort and costs involved in individual firms and companies simply listing their tax haven connections will be minimal compared with the public benefits of this rising transparency.

Callum Foote

Revolving Doors Editor, Michael West Media

Appendix 1. Examples of tax-payer subsidised profits being offshored to tax-havens.

- In 2019, 43 Australian hospitals landed in the control of a Brookfield company in the Cayman Islands.

<https://www.michaelwest.com.au/brookfield-bid-for-heathscope-a-tax-haven-special/>

- A few months later, one of Australia's largest retirement village and aged care operators "got owned" by Brookfield in Bermuda.

<https://www.michaelwest.com.au/another-tax-haven-sale-pyramids-of-brookfield-get-treasurers-tick-to-take-aged-care-empire-firb-aveo-brookfield/>

Both these deals entailed assets which are subsidised by Australian taxpayers falling to the control of opaque corporate governance structures with shell companies in tax havens.

- One of Australia's big three electricity players, Energy Australia, has a parent company in the British Virgin Islands. The company paid zero income tax over four years despite billions in annual earnings.
- <https://www.michaelwest.com.au/energy-australia-four-years-30-billion-zero-tax/>

Appendix 2. The dramatic increase in Federal Government consulting revenues for the Big Four accounting firms (PwC, KPMG, Deloitte, EY).

- The Joint Committee of Public Accounts and Audit (JCPAA) oversees how much taxpayers' money the Federal Government pays consultants, and how; heard a significant portion – some [\\$2.6 billion over ten years](#) – went to just four firms: PwC, KPMG, Deloitte and EY.
 - The Committee [heard](#), in 2018, how spending on consultants had doubled in the past four years
- Former top bureaucrat Paul Barratt testified there was no evidence to support the view that spending on external consultants was more efficient than the public service, yet public service expertise was being eviscerated.
 - “This is \$129 billion in five years on services, the content of which no doubt includes a great deal that would traditionally have been regarded as core business for the Commonwealth,” said Barratt.
- Of the \$129 billion spent by the Commonwealth on services over five years, the Big Four accounting firms had 1,746 contracts with the Commonwealth, for which they received \$502 million for consultancy services and \$1.93 billion for services of all types.
 - “The ultimate “take-out” is that the cost of government is rising, not falling, despite the cuts to bureaucracy and despite the rhetoric of private sector efficiency”.
- According to AusTender, the big four enjoyed more than \$700million in Federal Government contracts in 2019.