



---

**Community and Public Sector Union**  
**Michael Tull ♦ Assistant National Secretary**

30 January 2018

Senate Standing Committees on Economics  
PO Box 6100  
Parliament House  
Canberra ACT 2600

By email: [economics.sen@aph.gov.au](mailto:economics.sen@aph.gov.au)

## **Corporate Tax Avoidance**

Dear Committee Secretary

As the primary union representing Australian Public Service employees, the Community and Public Sector Union (CPSU) is committed to providing a strong voice for our members in key public policy and political debates. Decisions around the tax system are central to our members' interests as it raises the revenue required to fund public services.

The CPSU welcomes the opportunity to make a further submission to this inquiry into tax avoidance and aggressive minimisation by corporations registered in Australia and multinational corporations operating in Australia.

Contrary to assertions, Australia does not have a spending problem, it has a revenue problem.

The most recent OECD data shows that Australia's tax-to-GDP ratio ranked it 28<sup>th</sup> out of 35 OECD countries.<sup>1</sup> Almost all other developed nations' governments both spend and raise more, as a share of GDP, than Australian governments.

Years of continuous budget cuts and outsourcing have eroded Australia's public services, actively aided by the Government policy. The CPSU has warned the Government in many previous submissions about the impact of cuts on the Australian community. The eroded capacity has led to a growing number of problems, demonstrated by the 2016 Census, Robo debt debacle, tens of millions of additional unanswered phone calls and the outbreak of white spot disease that have resulted in significant social and economic costs.

To rebuild our public services and maintain our living standards, government urgently needs increased revenue and to ensure everyone pays their fair share. Accordingly, the

---

<sup>1</sup> Organisation of Economic Co-operation and Development (2017). 'OECD Revenue Statistics 2017'. Retrieved from <https://www.oecd.org/tax/revenue-statistics-australia.pdf>

government must work to effectively address those areas where taxation obligations are being avoided. It should drop its proposed \$65 billion corporate tax cut<sup>2</sup> and instead there should be a public and transparent investigation of large multinational corporations that are not paying any corporate tax.<sup>3</sup>

According to the Tax Justice Network, Exxon is Australia's worst tax dodger.<sup>4</sup> The CPSU notes that the ATO's report of entity tax information showed that despite earning \$24.8 billion between 2013-14 and 2015-16, Exxon has not paid any corporate income tax.<sup>5</sup>

A recent Tax Justice Network report noted that Exxon, like Chevron, appears to have used extensive high-interest related party loans and other tricks to artificially reduce tax payments in Australia.<sup>6</sup> While Chevron lost a landmark federal court case on the issue and ultimately reached a settlement with the ATO<sup>7</sup>, Exxon has not been publicly held to account for the same practices which are at least, if not more, aggressive.

Furthermore, the report highlights that Exxon is not required to comply with Australian accounting standards and disclosure is severely limited despite the huge scale of corporate operations.<sup>8</sup> Exxon's annual reports have far less information and do not provide any detail on related party transactions which may be used to shift profits out of Australia. Exxon's business in Australia is entirely owned through shell companies in the Netherlands and the Bahamas and does not report this basic fact in its annual reports. It is clear that stronger reporting requirements and enforcement are needed.

The CPSU recommends the Government drops its proposed \$65 billion corporate tax cut and focus on tackling corporate tax avoidance by the likes of Exxon and other major corporate tax avoiders to increase revenue to meet our community's needs for properly funded public services. At a time when significant investment is needed in areas such as health, education, infrastructure, defence, research and public sector ICT and digital service capacity it is bordering on reckless to consider further reducing government revenue.

To restore confidence in our tax system, the Government must also:

- implement mandatory disclosure of payments to governments by all resource companies operating in Australia covering tax, rebates and grants.
- Restrict the legal use of related-party loans and internal marketing charges.
- Review all deductions used by these companies and reduce the allowable list to fit with community standards.
- change laws and regulations to ensure major multi-national companies that generate billions pay tax on at least a minimum percentage of their revenue.

---

<sup>2</sup> James Massola (2017, 11 May) Malcolm Turnbull's company tax cut rises from \$50 billion to \$65.4 billion. Sydney Morning Herald. Retrieved from [www.smh.com.au/federal-politics/political-news/malcolm-turnbulls-company-tax-cut-rises-from-50-billion-to-654-billion-20170511-gw2ksm.html](http://www.smh.com.au/federal-politics/political-news/malcolm-turnbulls-company-tax-cut-rises-from-50-billion-to-654-billion-20170511-gw2ksm.html)

<sup>3</sup> Emily Clark (2017, 7 December). The ATO just dropped corporate tax data and more than 700 companies paid nothing. ABC News. Retrieved from <http://www.abc.net.au/news/2017-12-07/corporate-tax-data-released-by-ato/9236878>

<sup>4</sup> Frank Chung (2017, 8 December). 'The poster boy for corporate tax dodging': ExxonMobil has paid no tax for three years. News.com.au. Retrieved from <http://www.news.com.au/finance/money/tax/the-poster-boy-for-corporate-tax-dodging-exxonmobil-has-paid-no-tax-for-three-years/news-story/768e0c028737603557d522203c4bb173>

<sup>5</sup> (2018, 22 January). Corporate Tax Transparency. Retrieved from <https://data.gov.au/dataset/corporate-transparency>

<sup>6</sup> Jason Ward (2017, December). Is Exxon paying a fair share of tax in Australia? Tax Justice Network

<sup>7</sup> Sonali Paul (2017, 18 August). Australia puts multinationals on notice after Chevron drops tax appeal. Reuters. Retrieved from <https://www.reuters.com/article/us-australia-chevron-taxavoidance/australia-puts-multinationals-on-notice-after-chevron-drops-tax-appeal-idUSKCN1AY0DV>

<sup>8</sup> Jason Ward (2017, December). Is Exxon paying a fair share of tax in Australia? Tax Justice Network

For further information, please contact Osmond Chiu, Policy and Research Officer via email [REDACTED] or on [REDACTED]

Yours sincerely

A large black rectangular redaction box covering the signature area.

Michael Tull  
ASSISTANT NATIONAL SECRETARY