



Patrick Hodder
Committee Secretary
Senate Finance and Public Administration References Committee
PO Box 6100 Parliament House
Canberra ACT 2600

Via email: fpa.sen@aph.gov.au

10 April 2024

Questions on Notice, Consulting services inquiry, Senator Barbara Pocock

We refer to the following sets of Questions on Notice to PwC Australia (**PwC Australia**) from questions from Senator Barbara Pocock received on 20 March 2024 with a due date of 10 April 2024.

Please contact me if you would like to discuss our response.

Yours faithfully

Jan McCahey
Chief Risk and Ethics Leader
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Written Questions on Notice from Senator Barbara Pocock due 10 April 2024

1) Please provide in excel format the following:

- a. The details of all in-kind or pro-bono services offered to Federal Government Departments and agencies in the last 5 years.
- b. The estimated value of the services provided.
- c. A brief description of the services provided.

PwC has divested its Government Consultancy business. We refer you to our answer to question 1 in our response to Questions on Notice dated 2 February 2024.

2) Please provide in excel format the following:

- a. The amount earned by PwC partners in FY22-FY23.
- b. The amount of taxable income earned by PwC partners in FY22-FY23.
- c. The collective average level of personal tax paid by partners at PwC.
- d. The number of partners in total at PwC who use Everett assignments and service trusts to minimise tax.
- e. The proportion of partners at PwC who use Everett assignments and service trusts to minimise tax.
- f. The range of income for each PwC partner going into an Everett assignment, as a percentage and in monetary value.
- g. The amount of tax forgone as a result of partners at PwC using tax minimisation schemes.

The majority of information requested is either unable to be maintained or commercial in confidence and/or would impact the privacy of individuals. We also refer you to our answer to question 4 in our response to Questions on Notice dated 1 March 2024.

With respect to:

- B. PwC partners on average paid 37% income tax
- D and E. All equity partners participate in service trust distributions (as outlined in our most

recent transparency report, 99.5% of partners are equity partners). As of 27 March 2024, 243 partners have an Everett assignment (this amounts to approximately 35.2% of all partners). The ATO outlines the purpose of both service trusts and Everett assignments in their submission to the Parliamentary Joint Committee on Corporations and Financial Services Inquiry into the Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry (Submission no 36). It also outlines their approach to monitoring compliance with relevant legal obligations and guidance. PwC Australia has long established processes in place to ensure our partnership and individual partners comply with Australian tax law and their tax obligations and as such we do not accept the characterisation of 'tax minimisation'.

3) On the 9th of February, Ms McCahey stated that PwC are prohibiting partners from entering into Everett assignments "going forward". Mr Burrowes stated that approximately 230 PwC partners are using such assignments and minimisation devices.

a. Why is PwC allowing hundreds of partners to continue to engage in a practice that the ATO does not view favourably?

b. By when does PwC plan to have zero partners using Everett assignments?

PwC Australia has instituted a policy requiring that new partners not enter into Everett assignments going forward. As a matter of law, once an Everett assignment is in place, the assignment is irrevocable. Therefore PwC Australia, or the partners with an Everett assignment in place, cannot unwind historical Everett assignments.

All PwC Partners are expected to comply with Australian tax law and their tax obligations, including those with an Everett assignment. We will continue to monitor and follow the ATO's guidance on Everett assignments.

4) Please provide the total number and the proportion of PwC staff who are receiving a living-away-from-home allowance (LAFHA).

a. Please confirm if PwC and its staff who receive a LAFHA follow criteria as set out by the ATO.

PwC only pays living-away-from-home allowances (LAFHAs) to employees where the conditions outlined in the *Fringe Benefits Tax Assessment Act 1986* are met. All PwC Partners and staff are expected to comply with Australian tax law and their tax obligations. LAFHAs are not paid to PwC partners.



5) Please provide in excel format the profit margin PwC made on its \$185.7 million of government contracts in FY22-FY23.

6) Please provide details of how PwC measures project margins, and what devices and arrangements PwC uses to achieve large profit margins on government contracts.

With respect to questions 5 and 6, PwC has divested its Government Consultancy business. We refer you to our answer to question 1 in our response to Questions on Notice dated 2 February 2024.

7) Please provide PwC's metrics for revenue and what metrics PwC collects in relation to staffing and employee outcomes and any related metrics related to the workplace.

Metrics related to revenue and employees are detailed in our annual transparency report. Our Transparency Report for the financial year 2022/23 can be found here:
<https://www.pwc.com.au/about-us/assets/firmwide-transparency-report-fy23.pdf>

8) Please provide all correspondence regarding reviews of PwC's Indigenous Consulting business, in the past two years.

In November 2023, PwC Australia divested its federal and state government consulting business to Allegro Funds. Following this divestment, and our shift towards a corporate and private sector business model, we have been supporting PwC's Indigenous Consulting business while exploring options to ensure that the business can continue to grow and provide specialist expertise to the public sector. Further information on our minority shareholding in the business will not be disclosed as it is confidential and commercially sensitive information.

9) Please provide how many legal actions PwC are currently engaged in or have previously been engaged in with past or present partners and or staff.

PwC is currently engaged in five court proceedings with present or former partners and/or employees. In the past 12 months, PwC was also previously engaged in a court proceeding with one former partner.



10) On the 12th of October, Ms McCahey stated that PwC are “more than open to seeing a strengthening of the regulation and regulatory framework” with reference to the regulatory environment PwC operates within. What strengthening of regulation and frameworks does PwC think is appropriate in light of its tax leaks scandal and the other breaches that the Senate has uncovered in the sector more broadly?

Our views on the existing regulatory framework, and potential reforms are outlined in our submission (number 43) to the Parliamentary Joint Committee on Corporations and Financial Services Inquiry Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry.