

GetUp Submission to Senate Economics References Committee

GetUp is pleased to be able to submit to the Senate Inquiry into Corporate Tax Avoidance.

GetUp has commissioned a team of academics to undertake research into solutions to fix the well-known problems with the Petroleum Resource Rent Tax. We expect this research to be completed in mid April, at which point GetUp would be delighted if that research can be submitted to the Senate Inquiry for its consideration.

Whilst the research is still being completed, GetUp is able to provide the following submissions for the consideration of the Senators in the meantime.

Fossil fuel companies are not paying their fair share of tax

The research and findings outlined by the Tax Justice Network - Australia and the International Transport Workers' Federation have demonstrated this failure for the tax system to ensure fossil fuel companies pay their fair share of tax. GetUp won't take up the time of the Senate Committee restating what is already been outlined in detail by those bodies.

Gaping flaws in the PRRT, and debt loading, are the two main reasons why this happens

Last year GetUp commissioned research in corporate tax cheating, titled "Analysis of Tax Avoidance Strategies of Top Foreign Multinationals Operating in Australia: An Expose" that looked into debt loading in detail. A copy of that report is attached to this submission for the information of the Committee.

GetUp supports the submissions and research by the International Transport Workers' Federation and the Tax Justice Network - Australia that highlight the flaws in the PRRT that mean it raises a fraction of the revenue it should.

The combined effect is demonstrated in the case of Chevron. The Australian Tax Office Corporate Tax Transparency data for 2014-15 show that Chevron paid not one cent in

either corporate tax or PRRT for that year on over \$3 billion in revenue. It is clear there is a problem, and the Australian community are the losers as schools and hospitals miss out on the funding they deserve as a consequence.

Debt loading loopholes can be closed by adopting Hong Kong's approach

GetUp research from last year explains that Hong Kong removes tax deductibility of loans between companies that have the same or substantially the same parent owner. For a company like Chevron, it would mean they cannot deduct the interest payments on loans to themselves, which are expressed as loans to Chevron Australia from related companies in Delaware.

The PRRT can be fixed by switching to a strong royalty scheme

This is a major element of the research being undertaken right now by the team of academics commissioned by GetUp, but the public record shows that a royalty scheme would be a more reliable means of ensuring there is fair payment for the finite oil and gas resources owned by the community that are being drilled and sold.

Further details on how this could be done will be provided in the research once it is completed in around mid April.

Conclusion

GetUp and the team of academics are eager to provide oral submissions at the next hearing of the Committee. This would allow GetUp and the academics to speak to the research, and answer questions from Committee members about the findings.