

Senate Select Committee on Job Security
Question on Notice from the Public Hearing on 3 November 2021
for Jason Ward, CICTAR

I was asked to provide an estimate of tax revenue lost in Australia due to tax avoidance by the largest labour hire multinationals. A rough estimate is an annual range of lost tax revenue of **between \$82 and \$360 million**.

CICTAR is not alleging illegal behaviour by these multinationals. However, this analysis demonstrates the need for greater transparency and ongoing national and international reforms to ensure that multinationals pay a fair share of taxes where profits are genuinely earned. Multinationals typically use a range of tactics, mostly legal, to artificially shift profits from where they earned to where they are taxed the least. This reduces tax revenue to fund essential public services and places responsible domestic businesses at a major competitive disadvantage.

A clear and simple practical step that the federal government can take is to require that, as a condition of receiving a federal contract, any multinational must (within a year) implement reporting under the globally recognised and accepted [GRI Tax Standard](#).

The details of this estimate are provided in the following table. The data in the first three columns after the company names is reported in the ATO's most recent annual corporate tax data (2018-19). The estimated profit margin is derived by dividing taxable income by total income, expressed as a percentage.

Tax gaps are estimated by substituting a 'taxable income' based on a more realistic profit margin than that derived from the ATO data. Five and fifteen percent are used as reasonable lower and upper limits on an estimate for actual profit margins. Hays' estimated profit margin in Australia is roughly 5%. Persol (parent of Programmed and Skilled) reports a similar profit margin at the global level, but the estimated profit margin is less than 1% in Australia. Recruit Holdings (parent of Chandler Macleod) reports a roughly 10% profit margin for its global business, but the estimated profit margin in Australia is less than 1%. Randstad's global gross operating margin was 19-20% in 2018-19, but it reported zero taxable income and paid no tax in Australia. Adecco also reported zero taxable income and paid no tax in Australia.

There may be legitimate reasons why no taxable income is reported in a particular year or why global profit margins differ substantially from the estimated margins in Australia. However, this may be an indicator of aggressive tax avoidance practices.

Outsourcing Inc and the Will Group are not included in the estimate as there is no available ATO data. Please refer to CICTAR's submission for a full list of the names under which these multinationals operate in Australia and additional details on tax practices and corporate structures.

Estimate of tax lost to avoidance by labour hire firms, based on 2018-19 ATO data

(Australian Dollars, millions)

Name	ATO data			Tax gap estimates		
	Total income	Taxable income	Tax payable	Estimated profit margin	Estimate #1 based on 5% profit margin	Estimate #3 based on 15% profit margin
Hays Specialist Recruitment (Australia) P/L	\$2,647	\$129.1	\$38.7	4.88%	\$1.1	\$80.4
Persol Australia Holdings P/L	\$2,319	\$14.7	\$4.4	0.63%	\$30.3	\$99.9
RGF Staffing Melbourne One Limited	\$1,724	\$30.5	\$8.7	1.77%	\$17.6	\$69
Randstad Holdings P/L	\$880	\$0	\$0	0%	\$13.2	\$39.6
Manpower Services (Australia) P/L	\$771	\$14.6	\$4.4	1.9%	\$7.2	\$30.2
Adecco Holdings P/L	\$632	\$0	\$0	0%	\$9.5	\$28.4
Kelly Services Australia P/L	\$171	\$1.7	\$0.5	0.98%	\$2.6	\$7.6
Bluefin Resources P/L	\$156	\$7.4	\$2.2	4.74%	\$0.14	\$4.8
Outsourcing Inc (excluding Bluefin)	Not reported	Not reported	Not reported		NA	NA
Will Group	Not reported	Not reported	Not reported		NA	NA
TOTALS					\$81.64	\$359.90