



29 March 2017

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

By email: economics.sen@aph.gov.au

Dear Committee Secretary,

CORPORATE TAX AVOIDANCE

Thank you for the opportunity to comment on the re-adopted Senate inquiry into Corporate Tax Avoidance.

We wish to draw the Committee's attention to the recommendations in Part I of its 2015 Report on Corporate Tax Avoidance to the effect that companies that have been identified as engaging in tax avoidance or aggressive tax minimisation should not have access to Commonwealth procurement contracts.

We endorse the view expressed by the majority of the Committee in 2015, i.e.:

"As a role model for the community, the... Australian Government should evaluate tenders for the goods and services it procures using a comparable tax benchmark and not disadvantage Australian companies that have higher tax burdens than competitors from other jurisdictions".¹

As part of our advocacy work on behalf of Australian small business and family enterprise, this office has recently conducted an inquiry into payment times and practices experienced by small business. Our findings indicate that large businesses are increasingly extending their trade credit payment terms with smaller suppliers, with payment times of 45, 60, 90 and even 120 days becoming more frequent. Evidence from Australia and overseas shows that this is a growing practice designed to improve the larger entity's cash conversion cycle at the expense of small business suppliers.²

¹ Commonwealth of Australia. 2015. Report of the Senate Standing Committees on Economics Inquiry into Corporate Tax Avoidance – Part I, page 63 (para. 5.84 and recommendations 8 and 9). Available at: http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Corporate_Tax_Avoidance/Report_part_1.

² ASBFEO Payment times and Practices Inquiry – Issues paper, page 3-4.

The phenomenon of managing the cash conversion cycle through extended payment times is connected with that of aggressive tax minimisation and/or tax avoidance in that both are strategies deployed by large corporations in order to maximise shareholder returns while minimising the cost of participation in the Australian economy. In both cases, companies that adopt these strategies obtain an unfair advantage over competitors who lack the resources to adopt the same strategies and/or choose to act as good corporate citizens paying full tax and dealing equitably across the supply chain.

Increasingly, governments overseas are recognising the need to enforce good corporate behaviour by making use of the leverage available to them through procurement processes. For example, in the UK the *Public Services (Social Value) Act 2012* places a duty on public bodies to consider the economic, social and environmental benefits in procurements.

We recommend that the Committee take into account the connections between corporate tax avoidance and other forms of corporate behaviour that are harmful to Australian business and the Australian economy generally and consider what levers may be available to Government to influence this behaviour, especially through government procurement.

Should you wish to discuss this submission further, please contact me or James Strachan on

Yours sincerely,

Kate Carnell AO
Australian Small Business and Family Enterprise Ombudsman