

**Senate Economics Committee**  
**Inquiry into Corporate Tax Avoidance**  
ANSWERS TO QUESTIONS ON NOTICE  
**Australian Taxation Office**  
March 2018

**Department/Agency: ATO**

**Question:**

**Topic: ExxonMobil**

**Question:**

1. What resources have been expended by the ATO in relation to ExxonMobil's disputation of their tax obligations in the years 2013/14 to today, for each year?
  - a. In external counsel
  - b. In internal staff time
    - i. Including an estimation of the cost of the staff time to the taxpayer in a dollar value
2. Why has the ATO not signed off/closed off the audit of Exxon's tax returns for the last two financial years?
  - a. When do you expect to complete/close off Exxon's tax returns?
  - b. Why would the ATO typically not close off the tax returns for a resource company of Exxon's size?
3. How many staff are dedicated to investigating the deductions claimed by resource companies like Exxon?
  - a. In people (FTEs)
  - b. In cost per year
4. What resources does the ATO need to adequately monitor and prosecute corporate tax avoiders who are wrongfully claiming deductions?
  - a. In people (FTEs)
  - b. In cost per year

**Answer:**

1.
  - a. For confidentiality reasons we are unable to answer this question.
  - b. For confidentiality reasons we are unable to answer this question. For completeness we note also that we do not record the information on the basis requested.
    - i. For confidentiality reasons we are unable to answer this question. For completeness we note also that we do not record the information on the basis requested.
2.
  - a. For confidentiality reasons we are unable to answer this question.

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b. Under the Australian self-assessment system, a tax return is not positively closed off by the ATO. Rather, after a period of time, new issues (not already under review) cannot be raised by the ATO (with some exceptions: some issues can be raised without time restrictions).

3. The table below provides an estimate of the total FTE working on income tax related matters for energy and resource companies in the public groups and international (PGI) segment for 2017/2018 (approximately 200 FTE or about 14% of the entire PGI workforce) with another 34 FTE working in adjacent business lines to support this work. As the table shows, the ATO makes a significant investment (approximately \$28 million for 2017/18 in direct internal costs) in assuring the income tax related matters of energy and resource companies. This reflects the importance of this sector to the Australian tax base.

In total we estimate 133 FTE are dedicated to assuring the income tax activities of taxpayers within this segment. We estimate that the majority of these FTE (approximately 90) are dedicated to providing continual monitoring and assurance of the very largest energy and resource companies (i.e. those entities in the top 100 group of taxpayers). We estimate a further 22 FTE are engaged in providing advice (typically rulings) to taxpayers in this sector, and 46 FTE in specialist supporting areas within PGI. It is important to note that the ATO does not track and record resource investment against specific industries in this way. As such, these estimates have been derived via manual interrogation of data with a degree of professional judgment applied.

a. **FTE estimates for energy and resource entities for 17/18 (as at 15/3/18)**

<b>Risk Categorisation</b>	<b>FTE</b>	<b>Cost</b>	<b>% of total PGI FTE</b>
<b>Operations</b>			
Top 100	90	\$10,843,290	6.36%
Top 1000	32	\$3,855,392	2.26%
Medium & Emerging	11	\$1,325,291	0.78%
<b>Total Operations</b>	<b>133</b>	<b>\$16,023,973</b>	<b>9.40%</b>
Advice and Guidance	22	\$2,650,582	1.55%
Other*	46	\$5,634,126	3.25%
<b>Total PGI</b>	<b>201</b>	<b>\$24,308,681</b>	<b>14.20%</b>
Law	25	\$3,012,025	N/A
Smarter Data	8	\$963,848	N/A
<b>Grand Total</b>	<b>234</b>	<b>\$28,284,554</b>	<b>N/A</b>

\*Other includes, specialist areas such as economist practice and law advice and resolution as well as supporting functions.

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b. Refer to 3a.

4.

- a. We are confident we have the resources and the tools at our disposal (including significant new legislative measures) to address corporate tax avoidance. As a result of the funding provided by the Government through the Tax Avoidance Taskforce ('Taskforce'), combined with general reallocation of resources to priority areas, there are now more staff dedicated to multinational tax risks than ever before. The Tax Avoidance Taskforce has not only seen an increase in staff, it has also been accompanied by a general refresh in our workforce which has allowed us to recruit a large cohort of highly qualified tax professionals.

The impact of this increased resourcing is reflected in our active compliance results which saw \$4 billion in amended assessments issued to public groups and multinationals in the 2016-17 income year alone.

To give a sense of the impact that the Taskforce has had on our funding position, PGI (which is responsible for public and multinational businesses) has funding for 1,392 FTE for the 2017-18 year. Of this amount, 607 FTE are funded by the Taskforce. Additionally, a further 37 FTE are funded in other support areas outside of PGI (including our law and smarter data areas) to support the Taskforce in relation to public and multinational businesses.

b. Refer to 4a.

**Senate Economics Reference Committee**  
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**Australian Taxation Office**

14 MARCH 2018

**Department/Agency: ATO**  
**Question: Hansard Page 67**  
**Topic: Exxon**  
**Senator: Ketter**

**Question:**

CHAIR: I understand you have received advance notice of five questions we want to put to you. I will ask those quickly. Are there any active ATO tax investigations with Exxon currently?

Mr Hirschhorn: I cannot talk about individual taxpayers. We are happy to take the questions on notice. Some of the data we will not have at that level. Around Exxon I would just say that they have previously testified to this committee that we are reviewing their related party financing. I think they mentioned that in one of their earlier appearances. Unfortunately, I did not hear their testimony today. In their submission on 29 July, 2015 to this committee, they did advise that they had utilised various financing arrangements with related party debt and that the ATO was reviewing those. In oral evidence on 28 April, 2017, they advised they have marketing hub operations in various locations, including Singapore and Houston, and that they were currently reviewing those arrangements to make a self-assessment under our practical compliance guideline. Apart from what they have put on the record, I'm afraid I can't expand

**Answer:**

Refer to Advance QoN ExxonMobil received Tuesday 13 March 2018.