

Department/ Agency: Australian Taxation Office

Question: BET 726-727

Topic: Base erosion and profit shifting

Reference: Hansard pg 63-64

Senator: Xenophon

Question:

CHAIR asked: Senator Xenophon has the call.

Senator XENOPHON: On notice, given that Senator Heffernan has referred to a different but related issue, if you could perhaps expand on that, because I am concerned about the time constraints?

Mr Konza: Expand on the question of whether we get—

Senator XENOPHON: In terms of the distinction between the Cayman Islands situation or the zero tax rates and the matters that you were referring to in the Financial Review on 21 May.

Mr Jordan: We can look at the jurisdictions that are most commonly used for service hubs.

The Cayman, from memory, does not feature as a common location for service hubs.

Singapore is a common location. The Cayman Islands is used for other purposes, just more technical ownership of intellectual property, rather than actually having people on the ground doing things.

Senator XENOPHON: An example that has been put to me is Starbucks. The last time I checked, there is not too much IT in a cup of coffee.

Mr Jordan: Apparently there is a lot of value in the logo.

Senator XENOPHON: There is a lot of value in the logo?

Mr Jordan: So I am told. Some coffee people would say that would be right.

Senator XENOPHON: Did you say that with a sense of irony? For the Hansard record, was there any irony in what you said or sarcasm?

Mr Jordan: I think so

Question:

726. Which are the nine countries with a zero corporate tax rate that Senator Heffernan referred to?

727. In relation to those nine countries, this is not where the hubs are occurring? Are we talking about situations where they set up another company or they set up a related company and they provide services at an inflated rate?

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Treasury Portfolio
Budget Estimates 2014
3 June to 5 June 2014

Answer:

726. The nine countries with a zero corporate tax rate as published on the KPMG Global site are:

- The Bahamas
- Bahrain
- Bermuda
- Bonaire, Saint Eustatius and Saba
- Cayman Islands
- Guernsey
- Isle of Man
- Jersey
- Vanuatu

727. The hubs that have been identified are not located in these nine countries.

Marketing (and other offshore) hubs involve the location of mobile activities, assets and risks in the multi-national entity's value chain into particular jurisdictions. Sometimes hubs are formed around major trading centres – Singapore, for example is a major oil and petroleum hub for Asia. Other hubs appear to take advantage of attractive tax arrangements.

Singapore and Hong Kong are commonly used as centres where service entities are located. Ireland, Luxembourg, Netherlands and Switzerland are commonly used as centres where entities holding intellectual property are located. The ATO is examining tax risks which can arise from the incorrect use of these centres.