

Terry McCrann: The ATO has debunked the myth big companies don't pay tax

Terry McCrann, Herald Sun

December 18, 2018 5:47pm

Busting the biggest “fake news” story of 2018 was also the biggest — maybe, pretty much, the *only* — “good news” story of the year as well.

Some sections of the media continue to cling to their fake news story that many, if not most, of the big companies in Australia pay very little tax and indeed in many cases no tax at all.

That's despite the fact that the Australian Taxation Office has now categorically blown that fake story right out of the water.

It has shown, wait for it, that the “big end” of town is pretty much paying not just its “fair share” of tax — whatever that might mean — but indeed its full share.

That is to say, 30c of every dollar of (true) profit less legitimate and often deliberately government-targeted deductions.

If the government gives you a tax benefit for R&D and then you spend tens of millions of dollars on R&D and claim the benefit, it's hardly surprising that you might seem to pay less than 30c in the dollar tax.

That's precisely what is supposed to happen.



Australian Taxation Office commissioner Chris Jordan. Picture: AAP

Yet much of the media seize on the fact that such a company has paid less than 30c in the dollar of profit as “proof” of tax avoidance. All it is proof of is media stupidity and indeed outright bias.

The ATO is required by law to publish some crude data on the profits and tax paid of the largest public (listed on the stock exchange), foreign and private companies in Australia.

It can't explain why an individual company paid less than 30c in the dollar as that would breach that taxpayer's privacy. Arguably, the — previous Labor — government which forced the ATO to do this has forced a breach of individual tax privacy anyway, with offensive results.

As a good example, even the “good news” data showing, for example, that resources entrepreneur and developer Gina Rinehart's companies pay their “full share” gets precious little coverage, far less applause.

She's easily the biggest private taxpayer not just currently in Australia but without question in our entire history; what's she's personally sent to Canberra now runs into the billions.

As the ATO detailed last week, the 2109 companies caught by the disclosure paid a total of \$45.7 billion of company tax in 2016-17. That was up a thumping \$7.5 billion on the previous year.



Gina Rinehart's companies pour billions into tax coffers.

Yes, there were many companies that paid no tax; even companies that had revenues running into the billions. But in the main, according to the ATO, these companies — and indeed all companies that paid less than an apparent 30c in the dollar — did so for perfectly legitimate reasons.

The most obvious are companies which incurred losses — and I must stress, losses that were, again in the main according to the ATO, legitimate, actual, losses not tricked up by dodgy accounting.

Yes, we get outright tax evasion; yes, we get avoidance; or yes, we get very aggressive tax minimisation. We live in the real world of course, not a global monastery populated only by saints.

But the ATO says the “tax gap” — the difference between what companies said they had to pay in aggregate and what the ATO would, aggressively, argue they should pay added to just 4.4 per cent.

That gap’s among the lowest in the world.



Govt taking advantage of ‘buoyant’ revenue returns

To me, there are layers of “good news”. The first and most important and least acknowledged is that corporate Australia is by and large, *voluntarily*, paying what the ATO believes it should be paying.

Now maybe that’s as a consequence of the ATO being more aggressive or being more successful in “persuading” corporate Australia to pay. But either way, that is in itself a “good news” story.

A big, a very big, part of this is the success the ATO had in tackling the global oil giant Chevron over its inter-company loans between it and its overseas parent.

This means Chevron will pay tax on its profits from its huge local oil and gas developments many years sooner than would otherwise have been the case.

But this will also crucially, ripple out across all such huge developments that got under way during the resources boom.

This turns the resources boom into a “good news” tax story big time.

CORMANN THE SENATE’S BISHOP

Mathias Cormann has (almost) become the Julie Bishop of fiscal fiends.

Liberal leaders might come and — mostly — go, but Bishop was seemingly immovable as deputy, starting with Brendan Nelson and moving through, so to speak, Malcolm Turnbull, Tony Abbott and Turnbull again.

But she then “fell” at the “Morrison hurdle”, after just shy of an amazing 11 years of unbroken deputy leadership.

Similarly with Cormann: Liberal treasurers might come and — again, mostly — go, But Cormann has remained immovable as effectively “deputy” treasurer: as the Finance Minister slightly removed in the more polite Senate environs from the hottest part of the political kitchen in the Lower House.

Over five years he’s had, so to speak, three treasurers.

And perhaps the single most absolutely certain thing you can say about the coming election is that following it he will still be in this job.

Either continuing as “deputy” to an elated Treasurer Josh Frydenberg — elated that he gets to see at least one Budget through a full year. Or as — I have to say, somewhat more likely — shadow finance spokesman to maybe a Bishop-like fourth liberal shadow treasurer.