# Media Release

## The Corporate Tax Association Supports Meaningful Transparency Measures and Opposes Post Truth Politics

The Corporate Tax Association (CTA), which is the key representative body for major companies in Australia on corporate tax issues, has long supported the adoption of informative, sensible tax disclosures that assist in the understanding of the corporate tax system and the taxpayers that operate within it. We understand that greater tax transparency reporting is a necessary part of the response to the growing demand from stakeholders, including governments, investors and the media, for a greater degree disclosure of tax information.

Today the Australian Taxation Office (ATO) has published a report containing some limited data extracted from company income tax returns (as lodged with the ATO) of certain Australian publicly listed and foreign controlled entities reporting total income of more than $100 million and private groups with turnover of more than $200 million in the 2014-15 income year.

The figures show that in the 2014-15 income year, the total income tax payable by large corporates was $42 billion. This figure is almost identical to corporate tax paid in 2013-14, despite commodity prices declining significantly.

Like all businesses, large businesses:

- pay tax on their taxable income, not on their 'total income' or turnover;
- do not pay tax when they do not make a profit;
- can deduct prior year losses against profit; and
- can claim tax offsets, such as the R&D incentive.

And like all businesses, not paying tax in a particular year does not equate to tax avoidance – this point is made by the ATO in its accompanying press release but consistently ignored by certain commentators.

The data released today reveals that 76% of large corporate economic groups paid tax in 2014-15. This percentage aligns with ASX 500 figures, which indicate that around 20-30% of ASX 500 companies report a current year net loss to their shareholders in any given year.

The ATO's accompanying report sets out the reasons why 24% of the large economic groups covered did not have a tax liability:

- 9% incurred a current year accounting loss
- 4% incurred a current year tax loss (reported an accounting profit but tax adjustments, such as tax depreciation, resulted in a tax loss)
- 7% utilised prior year losses (reported taxable income but were able to deduct prior year losses so no tax was payable)
- 4% utilised tax offsets (such as the R&D incentive)

These outcomes reflect the proper workings of Australia's tax law and the relevant accounting standards and importantly, would be reflected in the data of any business, large or small. These realities are consistently ignored by supporters of post truth politics, who already this morning have claimed that these statistics, although thoroughly explained by the ATO in its accompanying report, indicate wide spread tax avoidance in the large corporate sector. Such claims are both misleading and inaccurate.

## CTA Transparency Publications

In recognition of the ongoing public interest in corporate transparency the CTA has prepared the two attached documents which complement and explain the data released today.

The CTA's document Public tax transparency – what the numbers do and don't mean provides some crucial context around the published data released today and what it means in the context of Australia's corporate tax system. The CTA's aim in releasing this publication is twofold - to make the numbers more meaningful to the public and to reduce opportunities for misinformed commentary around what these numbers mean in isolation.

If transparency measures or disclosure requirements are to achieve the objective of better informing the public of how our corporate tax system works, they must take into account some of the inherent complexities of the corporate tax system. Like all corporate tax systems around the globe, the Australian corporate tax system is extremely complex. Transparency measures or disclosures that do not consider or simply ignore the complexities of the system to which they are being applied will raise more questions than answers and will place the vast majority of companies operating in Australia who do meet their tax obligations in a position where they can be unreasonably portrayed as not paying their "fair share".

The CTA is also strongly encouraging all large corporates to adopt the Board of Taxation's Tax Transparency Code (TTC) as a means by which to provide stakeholders with a better understanding of their individual corporate tax performance. As of this morning, 62 economic groups have registered their intention to adopt the TTC, which covers approximately 59% of all tax payable by large corporates. Further economic groups have indicated to the CTA they will be registering their intention to adopt the TTC as soon as practicable. Australia is leading the world in terms of tax transparency – our TTC goes well beyond any other jurisdiction in terms of the information to be published and its voluntary nature goes to the heart of the desire for companies to adopt a culture that encourages a more open, transparent approach to its tax affairs.

We strongly encourage those that seek to comment on the data released by the ATO today to do so in a way that considers what these numbers mean in the context of our corporate tax system.

The CTA's second document Tax transparency – where Australia currently stands, is aimed at providing the public with a snapshot of the level of disclosure large companies are already complying with in Australia, which is leading the world in terms of corporate transparency measures. It is also aimed at encouraging those that are advocating for further transparency measures to support initiatives that truly build and maintain confidence and trust in the integrity of the corporate tax system. Transparency measures that lead to our system being better understood by the public should be pursued. Measures that misinform the public or give rise to misunderstandings around how corporate taxpayers interact with our system should be resisted.

Corporate tax transparency has the potential to be a powerful tool in the development of a corporate tax system that is robust and effective, supports investment and job creation and is better understood by the public.

Large corporates can rightly be expected to meet their tax obligations in an open and transparent manner. They also have the right to expect that disclosures of data which are intended to contribute to the public understanding of their tax position are not reported in an intentionally misleading or inaccurate manner.