

Media Release

The Corporate Tax Association Supports the Use of Transparency Measures to Inform, Not Mislead the Public

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 2015-16 income year.

"In reviewing this data, commentators must remember that **all businesses, including 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 current year taxable income; 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 both its accompanying press release and related publication. Commentators who ignore this fact and suggest that companies who do not pay tax in a particular year or over a number of years are engaging in tax avoidance are presenting an inaccurate and often patently false picture of the level of compliance by large corporates operating in Australia" Corporate Tax Association's (CTA) executive director Michelle de Niese said today.

"The figures show that in the 2015-16 income year, the total income tax payable by large corporates was \$38.2 billion. Compared to 2014-15, this represents a net increase of 139 entities (7.3%) and a decrease in tax payable of \$3.6 billion (-8.7%). The significant reduction in tax payable was overwhelmingly driven by the energy and resources segment, reflecting a decline in the average Australian dollar prices for iron ore and coking coal of 16% and 10%, respectively.

"The data released today reveals that 76% of large corporate economic groups paid tax in 2015-16. 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:

- 11% 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)
- 8% utilised prior year losses (reported taxable income but were able to deduct prior year losses so no tax was payable)
- 2% 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.**

CTA Transparency Publications

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

"The CTA's publication [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".

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

"The CTA's second publication [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.

"The CTA recognises that 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. 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.

"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."

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