

Transcript

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Compere: **ALI MOORE** Summary ID: **W00064299441**

Item: **INTERVIEW WITH PETER BURN, HEAD OF POLICY, AUSTRALIAN INDUSTRY GROUP. MOORE SAYS THE TAX OFFICE WILL REVEAL THE DETAILS OF HOW MUCH THE COUNTRY'S BIGGEST COMPANIES CONTRIBUTE TO GOVERNMENT COFFERS.**

INTERVIEWEES: PETER BURN, HEAD OF POLICY, AUSTRALIAN INDUSTRY GROUP

Audience:	Male 16+ 61000	Female 16+ 79000	All people 140000
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ALI MOORE: Do you think Australian businesses pay enough tax? Well you'll be able to judge for yourself later today when the tax office reveals the details of just how much the country's biggest companies contribute to Government coffers. This is a release that's being made under recently passed legislation which basically dictates that the details, the basic tax details, have to be published of any foreign company or publicly traded Australian company with revenue above \$100 million. Dr Peter Burn is the Head of Policy at the Australian Industry Group, and joins us now. Dr Burn good morning.

PETER BURN: Good morning Ali.

ALI MOORE: There are more than 1500 publicly listed companies that fit in that category of more than \$100 million worth of sales, is it a nervous morning for them? How comfortable are they about having their basic tax data publicly available?

PETER BURN:

I think it's fair to say that there's a fair bit of wariness in the businesses concerned, and mainly, overwhelmingly in fact, that is due to the risk of the information being misunderstood, misinterpreted, and misused. And there's- tax is not a simple thing, and you look at the specialist tax lawyers, tax accountants, the degree to which the tax office puts effort into interpretation and explaining its interpretations of the law, that the risk of reputational damage to companies where no reputational damage is warranted. So that's why there's- I think will be nervousness.

ALI MOORE:

And I guess that- you know the risk of reputational damage is if people look at a headline figure that basically has a big round zero there, and worries whether companies are paying their fair share, the suggestion is that what we're going to see today is that something like 38 per cent of companies didn't pay any tax at all, 22 per cent incurred a current loss, and 8 per cent offset any profit against prior losses. So how do people understand those sorts of numbers? Because I take your point that there is a risk of people misinterpreting them, but still that's big numbers of people managing to not pay any tax,

PETER BURN:

I think if a company makes a loss in the current year that's pretty easily explained, you just say look we didn't have an income, we didn't pay any tax, and by and large you'd think that would be well understood and well accepted. Prior year losses is a bit different because you just say well we made \$500 million this year, but what you don't know is that we made a loss of \$300 million last year, and that negated the tax that

we would have paid this year, so we paid zero this year. But for clearly good reasons, and perfectly legal reasons under the tax law you're allowed to offset prior year losses, you can't claim them in the year they're incurred, but you can reserve them for later deduction, and so that's a little bit more difficult to explain. And the more you get into it the more complex these things become.

ALI MOORE:

In which areas are we likely to see company's not paying tax? I mean is it the mining areas, is it the areas that are going through massive restructuring at the moment?

PETER BURN:

Well it will depend on the year that the tax information relates to. So manufacturing companies for example have been doing it pretty tough over the last several years, and many of those wouldn't have made a profit for a while, and they will have had accumulated losses. In other industries we're similarly affected by the high dollar and the vacillations in the economy, so tourism and the like. Mining will be affected in years such as this where prices are very low, so it will vary year to year and depending on the circumstances of the companies. Now it's not only losses that are at issue here, it might be that a company has a large degree of foreign source income and generally what happens when you have foreign source income is you pay tax in the country that it's earned in, but you get deducted- you don't have to pay it twice when you bring that money back through.

ALI MOORE:

But that in itself has been a huge issue hasn't it? I mean we've had an entire, you know Parliamentary Inquiry into the shifting of revenue.

PETER BURN:

Well shifting of revenue is one thing, but earning- but the fact that you've got operations offshore, whether you're artificially shifting- you're not artificially shifting revenue, that's the issue I think you're referring to. But if you've just got an operation in America, and it makes sales in America and you shift that money back- you pay tax in America and you bring that money on back to Australia you don't really want to be paying tax both in America and in Australia on the same income, and so we have arrangements with other countries that allow us to credit the tax paid in America against an Australian liability. But- see it gets more complicated at every step, so that explaining that in Australia might not be... you know it's not a one minute grab that's going to get that issue across.

ALI MOORE:

Of course, but even with the complexities, and obviously there's a lot more than a minute here and you are explaining the complexities, people are going to look at these numbers, and there'll be more than 500 companies that pay no tax. Do you think there will be no evidence of any minimisation or let's take it further than any minimisation, the Government's clearly looking to try and boost its revenue; do you think that all these companies are going to have been found to have paid all the tax they're legally liable to pay?

PETER BURN:

I think in the data that there's something like 40 billion will have been paid by these companies, I think that's a rough estimate - we don't know because the data isn't out yet. And then there's another estimate that says that when the Tax Office does its regular audits, and they audit these companies pretty thoroughly, they will find an extra 5 per cent, so an extra \$2 billion in revenue will be paid on top of the 40 billion, so ...

ALI MOORE:

[Interrupts] As in they had managed to avoid that, but when they were investigated they were found to have had to pay it?

PETER BURN:

I think what it comes down to is that there are- we have a self-assessment system in Australia so that companies assess themselves, and then the Tax Office looks closely at it. And this issue is really an issue of interpretation of finer points of law. And so 5 per cent- they're 5 per cent out, or the other way to say it is they're 95 per cent on. So, that's the sort of evidence. But our- the fear that companies are facing now is that people by and large aren't informed and don't understand, quite frankly, the intricacies of tax law. Of course they don't. And people then if comparing the quantity of tax paid, or even the tax paid as a proportion of accounting income, that's going to give a very misleading insight into whether they are paying the legally required amount of tax.

ALI MOORE:

So you would say that these releases need to be really- some sort of analysis needs to be attached to it from an independent body like the Tax Office, giving it a tick or not?

PETER BURN:

Well I think that the Tax Office will be able to help by putting appropriate reservations in its publication. And I'm sure that they will. But that won't stop many that are taking a light-hearted approach to those qualifications, and discarding them, and reporting the headline numbers.

ALI MOORE:

That said though, if all companies at all times paid all the tax and were seen to be paying all the tax that was due, then maybe there wouldn't be that level of cynicism. I mean not all our companies- they have an obligation to their shareholders to not pay any more tax than they're legally liable to, and would you accept that there is a fair degree of cynicism that they are paying everything that they should be paying? I mean there's an army of lawyers and accountants out there who are all there working to try and minimise what they pay.

PETER BURN:

Oh there's no doubt, there's no doubt that there are companies who are not paying tax; just as we all know there are individuals who are disguising income in the cash economy and not declaring it. There's no doubt about that. But this is not going to unveil anything, and this is going to- well it may well create an informed and enlightened debate in the media. We'll see in the next few days. But we fear, on the basis of past experience, and recent experience, that this data will be misused and will cast- and will in fact fuel that cynicism, rather than correct it.

ALI MOORE:

Well we'll have to wait and see, and also I guess when you look at those numbers that you quoted yourself,

the 40 billion that the ATO collects, and then once it's done it's audits it goes up to about 42 billion, that in itself- I mean 2 billion is nothing to be sneezed at. But I take your point, Dr Burn, that we haven't yet seen the numbers, nor have we seen the qualifications the ATO puts around them. Thank you very much for talking to us this morning.

PETER BURN:

Thank you very much.

ALI MOORE:

That's Dr Peter Burn, the head of policy at the Australian Industry Group. The Australian Tax Office will release those numbers later today. I wonder whether you're cynical or not about just how much tax companies pay. Certainly many people I think worry that tax minimisation is taken to extraordinary levels.

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