The same old excuses come out down under

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Tax Justice Network Australia and United Voices, an Australian trade union who I am pleased to work for, very recently published a report on the effective tax rates of Australian companies (full pdf here, with introduction here) that noted:

"United Voice collaborated with the Tax Justice Network to research what Australia's 200 largest companies pay in tax. What we discovered was worse than we expected. A lot worse.
We examined the last decade worth of taxes by the Countries biggest companies. We found 29% have an effective tax rate of 10% or less. Worse, 14% have an effective tax rate of 0%! That means more than 1 in 10 of the top two hundred companies in Australia pay no tax at all."

TJN have given the report more coverage here whilst the Australian media have given it a lot of press.

Now the backlash has begun. The Sydney Morning Herald has an article written by Jennifer Westacott, chief executive of the Business Council of Australia and Frank Drenth, executive director of the Australian Corporate Tax Association that calls the TJN report a 'hatchet job.

It seems to me that they have two complaints. The first is that you can't use accounts to check up on a company's tax affairs and the second is you can't expect foreign governments to permit Australia to tax foreign earnings of Australian companies. Both are absurd

First, accounts are only produced to meet the needs of investors alone because big business and their advisers decided this should be the case through the IFRS Foundation - which they dominate. It's been a negation of the duty of government to permit this, and to allow it to be suggested no one else had an interest in this data. When all corporation tax is based on such accounts, but their preparers say they are not suitable for that purpose, then we know the government should have stepped in to demand data suitable for its purposes whilst it was the duty of governments everywhere, not just Australia,to tell the IFRS Foundation and the Big 4 accountants in particular that rigging the accounting system to suit just their own needs was unacceptable.

The question to ask is a simple one, and is "if these accounts aren't suitable for appraising a company's tax position which ones are and can I have them please?" because paying tax is the greatest public duty a company has and if a set of accounts is not confirming its fulfilment of that obligation then they are clearly not fit for purpose. If they won't respond and supply the data that is required what we now need are International Tax Reporting Standards (I am working on them).

The argument on needing a foreign government's permission to tax Australian companies' foreign income is ludicrous. The evidence for this is clear and comes from Australian personal tax where Australia does of course claim the right to tax the worldwide income of its residents without ever seeking a foreign government's permission to do so, whilst of course giving credit for tax already paid elsewhere. If this is good enough for Australia's real live warm blooded people then it is just fine for Australia's cold blooded artificial people too. Why should they have an advantage real Australian's are denied?

When arguments as lame as this are the best your opponents can come up with you really have them worried. Good work TJN Australia, I say.