



Community and Public Sector Union

Michael Tull – Assistant National Secretary

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Senate Standing Committees on Economics
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Dear Committee Secretary

Inquiry into Tax and Superannuation Laws Amendment (Better Targeting the Income Tax Transparency Laws) Bill 2015 [Provisions]

As the primary union representing Australian Public Service (APS) employees, the Community and Public Sector Union (CPSU) is committed to providing a strong voice for members in key public policy and political debates. Decisions around the tax system are central to our members' interests since it raises the revenue required to fund public services.

The CPSU is concerned by the Government's proposal to exempt Australian-owned private companies from income tax transparency laws. The proposed exemption will reportedly remove transparency and scrutiny from the 700 private companies with a turnover of \$100 million or more that are covered by the current laws.¹

The CPSU notes that private companies are often used to shelter income from taxation. A business owner or investor can use a company they control to shelter income from tax at the company tax rate by taking advantage of the gap between the top marginal tax rate and company income tax rate. ACOSS has calculated that \$1 billion a year in revenue could be gained if the use of private companies to avoid income tax was curbed.²

The 2015 Per Capita Tax Survey highlighted that more three-fifths (61.6%) of Australians believe that the tax system most favours the wealthy³ and that nearly three-fifths (59.7%) believe tax avoidance by business affects the fairness of the system a lot.⁴ The changes proposed in this Bill will undermine rather than strengthen public confidence in our tax system.

¹ L Taylor, 'Kidnap fears if large companies publish tax details, says Coalition', *Guardian Australia*, 17 March 2015, <http://www.theguardian.com/australia-news/2015/mar/17/large-private-companies-should-be-exempt-from-tax-regulation-says-coalition>

² Australian Council of Social Services, 'Budget Priorities Statement 2015-16', February 2015, p.18

³ D Hetherington, Per Capita Tax Survey 2015: Public Attitudes towards Taxation and Public Expenditure, *Per Capita*, June 2015, p.19

⁴ *ibid*, p.21

The best way to strengthen public confidence is through increased disclosure and scrutiny. Transparency is not aimed at naming and shaming taxpayers but rather determining how and why some taxpayers comply with the law but pay very little in tax.⁵ The legislative change to require reporting was to improve transparency – the government argues that there are unintended consequences of Section 3C of the *Taxation Administration Act 1953* requiring private firms to also disclose financial information.⁶ It is the view of the CPSU that all organisations whether public or private should pay their fair share of tax. Exempting large private companies will simply facilitate tax avoidance activities under the guise of privacy.

The CPSU opposes the Bill and recommends that the Committee investigate how to increase tax transparency and reporting to strengthen confidence in our taxation system.

Yours sincerely

Michael Tull
Assistant National Secretary

⁵ K Sadiq, 'Tax transparency can work for companies if they do it right', *The Conversation*, 24 March 2015, <http://theconversation.com/tax-transparency-can-work-for-companies-if-they-do-it-right-38977>

⁶ The Treasury, Better targeting the income tax transparency laws (Exposure Draft Explanatory Materials), 4 June 2015, p.5