

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

2016 - 2017

Division/Agency: Australian Taxation Office

Question No: 187

Topic: Companies owing \$2 billion

Reference: Written

Senator: Ketter

Question:

1. The Commissioner referred to seven companies which the ATO is in dispute with owing roughly \$2 billion which industries do these companies belong to?
2. What are these companies doing which has caused the disputes to arise (for example debt dumping, profit shifting)?
3. Over what time period have these 7 companies incurred liabilities to the ATO?

Answer:

1. Three of these disputes are with taxpayers operating in the Energy and Resources sector and four are with taxpayers in the e-commerce sector.
2. Disputes with large multinational entities are often complex and involve numerous issues. The issues we see most commonly amongst large taxpayers, including the seven companies, relate to:
 - the use of offshore hubs and the inappropriate attribution of profits to those hubs that results in reduced profits and, ultimately, tax being recognised in Australia for third party sales
 - related party borrowings that exhibit non-arm's length characteristics that reduce the Australian tax liability; and
 - insufficient remuneration to the Australian subsidiary involved in the selling / distribution of goods and services.
3. A number of these disputes relate to arrangements over several years, a reflection of the complexity and size of the issues involved. A liability to the ATO is not incurred until the issuing of amended assessments in relation to each of the relevant years. These are expected to be issued throughout the course of this financial year.