

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 2013

5 June 2013

Question: BET 61

Topic: Secrecy Jurisdictions

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Senator WATERS asked:

Senator WATERS: I want to move now to tax havens, for want of a better word. Does the ATO look at to what extent companies which operate in Australia have subsidiaries in tax havens, even if they do not have commercial operations in those countries?

Mr Quigley: Yes, we do that as part of our international strategies in multinational enterprises.

Senator WATERS: Are you aware of a recent report by the Uniting Church from last month?

Mr Quigley: Yes, we are. Senator Cameron asked about that earlier.

Senator WATERS: I missed Senator Cameron's questions. Forgive me if you are going over old ground. The report found that about 60 of our top 100 companies have such a registered subsidiary, despite not having any operations in that country. Do you think that estimate was a plausible one?

Mr Quigley: Which?

Senator WATERS: That 60 of our top 100 companies have subsidiaries in tax haven countries even though they do not have operations in those countries?

Mr Quigley: What is the actual question, Senator?

Senator WATERS: Is that a plausible estimate?

Mr Quigley: Off the top of my head, I really could not say whether it is a plausible estimate or not.

Senator WATERS: Based on the work you have done in looking into this, how many of the top 100 companies have you found fit into that category?

Mr Quigley: I would have to take that on notice.

Answer:

The ATO has reviewed the report *Secrecy Jurisdictions, the ASX100 and Public Transparency*. The report notes that 61 of Australia's top 100 companies have subsidiaries in secrecy jurisdictions, after allowing for the removal of those subsidiaries that were not being used at all or are in the process of being closed down. The ATO has reviewed the audited statutory accounts of ASX100 companies, which show that in 2012 there were 63 that had at least one subsidiary in a secrecy jurisdiction of interest. We also recognise that some offshore structures, including in secrecy jurisdictions, are associated with legitimate economic activity. The ATO continues to scrutinise secrecy jurisdiction activities of multi-national enterprises to address those we identify as being associated with aggressive tax planning, avoidance or evasion.

Scrutiny includes data gathering and intelligence gathered through a supplementary schedule to the tax return - the International Dealings Schedule. We focus on secrecy jurisdiction transactions, through our compliance work, on risks associated with profit shifting and base erosion, controlled foreign company profit attribution, private equity investments into Australia and in relation to financial transactions.

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In addressing the tax risks associated with secrecy jurisdictions, the ATO works closely with other tax agencies and international bodies. With new tax treaties, Tax Information Exchange Agreements and Australia's ratification of the Organisation on Economic Co-operation and Development's (OECD) Multilateral Convention, the ATO has gained enhanced access to information from some 86 nations to deal with secrecy jurisdiction abuses. Our joint compliance work with other jurisdictions includes two joint audits with the United States' Internal Revenue Service, and the ATO's support of international transparency and the reforms being driven by the OECD and the G20.