Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates 1 - 2 November 2006

Question: **sbt 88**

Topic: **Domestic and Foreign ownership of resource sector and the effect on Revenue**

Hansard Page: **E114**

Senator JOYCE asked:

With the change of ownership of some of our resource bases, is there an overall long-term loss of revenue capacity for Australia? I am also interested, if you are taking it on notice, in your investigations into transfer pricing in those organisations that acquire an Australian resource base, a mining base, and in our ability to monitor and track whether there is a diminution of the Australian revenue base by the effect of foreign ownership and their transfer pricing mechanisms in our mining sector.

Mr Beckett—That is generally a matter that is handled by Revenue Group, but we will take it on notice for them.

Answer:

Company tax is a withholding tax on the income earned by Australian residents through an Australian resident company and on income earned by non-residents through an Australian resident company or permanent establishment in Australia.

Australia has in place comprehensive rules to address issues of inappropriate transfer pricing behaviour, which may arise from cross-border transactions. These rules aim to ensure that Australia receives its fair share of tax from international transactions by requiring such transactions to be priced according to the arm's-length standard.

The secrecy provisions of the income tax legislation prevent the Commissioner of Taxation from divulging information on particular taxpayers, including foreign-owned companies.

While there have been changes in the ownership structure of mining companies over time, company tax revenue from mining companies as a proportion of GDP has remained relatively stable (see page 5-13 of 2006-07 Budget Paper No. 1).