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Submission on the Tax and Superannuation Laws Amendment (Better Targeting the Income Tax Transparency Laws) Bill 2015

United Voice is strongly opposed to the proposed amendments to remove the obligation on private companies to disclose financial information for the purposes of tax transparency and urges that this Bill not be progressed. The arguments made in the Explanatory Materials to support the proposed amendments are without merit and are not backed by evidence. Furthermore, the intent of this legislation is contrary to the declared intent of the government to tackle corporate tax avoidance, as demonstrated by the recent proposed changes to corporate tax legislation announced by the Treasurer in the 2015 Budget and numerous public statements by the Treasurer to this effect.

The current language in section 3C of the *Tax Administration Act (TAA) 1953* which will allow the ATO to disclose income tax payable for all companies with annual revenues of $100 million or over, will go into effect this year. The increase in transparency will be a major step forward in encouraging voluntary compliance with the tax system. Rather than attempting to water down this legislation, The Treasury should be promoting it internationally and encouraging other countries to adopt similar measures.

There is no justification for excluding Australian companies from this new disclosure requirement. The existing provisions will enhance rather than undermine compliance as suggested in the Explanatory Materials. According to the ATO's own internal documents, as revealed through a Freedom of Information request, 26% of Australian companies with over $100 million in income paid no tax in 2012. This suggests that there is a problem with current corporate tax practices. Recent hearings of the Senate Inquiry into Corporate Tax Avoidance have also highlighted failings in the tax practices of top Australian companies. These problems can be at least partially addressed by enhancing the transparency of payable tax for all companies with revenues over $100 million, including Australian companies.

Furthermore, if large, private Australian companies are excluded it will continue to foster an uneven playing field for small businesses. Larger private companies have resources to determine legal ways to lower their tax obligations in Australia, while smaller companies are forced to pay their full share.

This will continue to put small Australian businesses at a major competitive disadvantage.

The public benefit associated with requiring the ATO to disclose tax payable for all companies with $100 million or over in annual revenues clearly outweighs any concerns over taxpayer privacy. This disclosure will be a strong disincentive to participate in aggressive tax minimisation schemes. If companies have legitimate reasons to pay low levels of tax in Australia then they should have no concerns about providing more detailed information to the general public to explain their tax practices.

Any notion of these requirements leading to safety concerns for individuals or companies involved are completely unfounded and unsupported by any credible evidence. Transparency helps markets operate efficiently and fairly. Much of the information that is to be disclosed by the ATO is already available from other sources therefore issues of commercial sensitivity are also unfounded.

The one legitimate concern raised in the Explanatory Materials (p.5, para. 1.17) is the possibility that the threat of disclosure "could lead to restructuring of the company's affairs in order to keep below the threshold." However, if this were to occur it would provide the ATO with a strong rationale to take a closer look at the tax practices of the companies involved. This is not a valid reason to exclude Australian companies from the disclosure requirements, but a strong reason why they should be included.

In conclusion, we urge that this Bill not be progressed and the implementation of section 3C of the TAA 1953 be allowed to proceed as currently enacted.

For more information on this submission, please contact Jacqui Woods via Jacqui.woods@unitedvoice.org.au or (02) 8204 3000.