

Principal Adviser

Corporate and International Tax Division

The Treasury

Langton Crescent

PARKES ACT 2600

Dear Sir/Madam,

I wish to make a recommendation that may provide a simple and effective solution to the erosion of profit based taxation of multinational companies for Australia.

The recommended solution is to simply tax multinational companies on a notional Australian profit - that reflects a fair share of their global profit, rather than actual Australian profit.

The notional Australian profit is simply calculated as "Australian revenue / Global revenue * Global profit".

It is common knowledge that multinational companies do financially engineer affairs to deliver higher profit margins in low tax countries and correspondingly lower profit margins in low tax countries.

This change to the method of taxing multinationals should remove any incentive for them to do this. In fact it will create an incentive for them to deliver an above average profit in Australia, as they are taxed based on their average global profitability.

Furthermore, the problem of reaching international agreements would all but disappear, as all countries would adopt the same methodology.

This is a fair way to tax multinationals, as they simply pay a level of tax that is fair (based on revenue) in each country. Also, multinationals should not complain about being able to reduce expenses in high tax countries (as they are currently able to increase them).

Yours sincerely

D.G.Young

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