



# **IMPROVING THE TRANSPARENCY OF AUSTRALIA'S BUSINESS TAX SYSTEM**

## **Response from AIA**

**APRIL 2013**

## INTRODUCTION

The Australian Information Industry Association (AIIA) is the peak national body representing multinational and domestic suppliers and providers of a wide range of information technology and communications (ICT) products and services.

We represent over 400 member organisations nationally, including global brands such as Apple, EMC, Google, HP, IBM, Intel, Microsoft and Oracle; international companies including Telstra; national companies including Data#3, SMS Management and Technology, Technology One and Oakton Limited; and a large number of ICT SME's.

Our members and their employees contribute to the nearly 8 per cent that ICT contributes to the Australian economy. All of our members, large and small are committed to developing Australia's digital capability and presence nationally and on the global stage.

We are pleased to have this opportunity to respond to the Discussion Paper: *Improving the transparency of Australia's business tax system*.

## COMMENTS

AIIA strongly supports the view that business enterprises meet their taxation liabilities. We also support the principle of transparency. However, we do not support the options outlined in the aforementioned discussion paper. The discussion as outlined in the paper is narrow and Option 1 in particular, unnecessarily punitive. The paper does not address fundamental limitations of the tax system itself and fails to give proper consideration to the broader digital economy/global economy context or current international taxation review considerations.

In summary: we do not support a 'naming and shaming' campaign as outlined in Option 1, as a substitute for appropriate legislative and policy review and amendment where current arrangements are deemed inadequate; and are unclear as to the extent to which Options 2 and 3 can achieve the outcome desired.

We would make the following key points:

- We are advised by members that they submit financial accounts annually and that these are routinely, publically accessible. Given this material is already in the public domain we are unclear as to why and what further 'transparency' is required.
- AIIA believes it is both unfair and inappropriate to attack the reputation of legitimate businesses complying with Australia's tax laws. It is inappropriate and arguably also ineffective, to address inadequacies of the taxation system by 'naming and shaming' companies that satisfy current taxation law and meet related compliance requirements. This has a potentially damaging impact on the preparedness of these companies to continue to invest in and support, as strongly as they currently do, the broader digital economy agenda, continued investment in ICT capability development and innovation in Australia, when in fact they do meet their legal taxation obligations. Especially in the case of ICT companies, the proposed 'name and shame' approach outlined in Option 1 undermines the Government's investment in the National Broadband Network and stated policy to drive Australia as a competitive, global digital economy.
- Further we strongly believe that Option 1 in particular, is unnecessarily provocative and will not achieve the desired outcome of a truly more transparent taxation system. We are concerned in fact, that release of information in the form proposed will cause more confusion and potential concern insofar as it is not clear that comparisons will be comparable and compromise commercial confidentiality. We are also concerned that Australia will suffer downstream damage should businesses feel maligned and, as a consequence, withdraw from doing business in Australia. Further we believe such arrangements will disadvantage Australia in efforts to encourage foreign businesses to undertake or expand investments in Australia, where no other countries in the Asia Pacific region have made similar changes. This would be different if Australia was implementing an already well understood multinational initiative.

- However, we note the concerns raised by the Government regarding perceived inadequacies of current taxation arrangements for some businesses. AIIA's view is that these are symptomatic of more fundamental problems with existing taxation regulations which have been overtaken by an increasingly dynamic, global economy. This is an issue already acknowledged internationally and articulated by the OECD in their February 2013 paper *Addressing Base Erosion and Profit Sharing*. Recognition that existing taxation and international taxation rules are out of step with current global business arrangements was noted. However, while the paper supported increased tax transparency of businesses' to relevant authorities, the option of revenue authorities exchanging information and the need for improved analysis of statistics to drive policy analysis, it did not recommend public disclosure of data from taxpayer returns.
  
- In line with the changed external environment AIIA supports a more holistic and comprehensive review of Australian taxation laws, which takes into account broader changes in our economy and business value chains, including the global context in which we live and conduct business. These are not issues that can be dealt with effectively by Australia in isolation from global developments and trade partners.
  
- We therefore think it imperative in developing any new taxation arrangements Australia take a global view and, for example, work closely with G20, G8 and OECD parties to ensure globally equitable arrangements. Such an approach is necessary if we are to retain international relevance and competitiveness and particularly if we want to assure a competitive position in the Asia Pacific region. We note the comments this week of Treasurer Wayne Swan at a meeting with G20 finance ministers in Washington DC, where he specifically called out that the new opportunities for global trade and investment in a global digital knowledge economy are also posing significant challenges to the tax systems of individual countries. He goes on to note that current taxation arrangements do not reflect the reality of the digital economy or reflect modern business models. For more information see Treasurer Wayne Swan's comments as reported:
  - [http://www.afr.com/p/national/swan\\_urges\\_action\\_on\\_tax\\_cheats\\_etlP\\_Ft6f1KkFywolggYttN](http://www.afr.com/p/national/swan_urges_action_on_tax_cheats_etlP_Ft6f1KkFywolggYttN); and

- <http://www.theaustralian.com.au/business/economics/swan-calls-on-g20-to-crack-down-on-corporation-tax-evasion/story-e6frg926-1226624755230>

The measures outlined in the Discussion Paper would seem to be somewhat out of step with the Treasurer's broader understanding of the complexity of taxation systems in a global digital economy.

- Finally, we are concerned that the 'transparency' approaches described in the Paper effectively politicise the role of the ATO. This is a risk to the integrity of the Public Service. AIIA's strongly believes this is an inappropriate and untenable position for a Government Agency. Such a shift would not be supported by the AIIA.

In concluding, AIIA notes the concerns raised in the Discussion Paper but firmly believes that the options proposed will not deliver the intended outcomes: Option 1 is unnecessarily punitive and the ability of Options 2 and 3 to achieve the desired result unclear. Australia would be better served by a more informed, measured and considered national conversation on taxation reform.