The Tax White Paper Task Force

The Treasury

By electronic lodgement

To whom it concerns,

**Tax Incentives and Anti-Slavery Initiatives**

We provide herein our submissions on the Re:think Tax discussion paper released for public comment by the Australian Government in March 2015 (the Paper).

By way of context, CLEAR International Australian Ltd (CLEAR) is a grass roots organisation established as an initiative of state-based Christian societies in Australia. Our aim, in partnership with the Lawyers Christian Fellowship in the United Kingdom and indigenous lawyers in Rwanda, Uganda and Kenya, is to educate poor and marginalised communities as to their basic human rights and to offer legal aid and advice to those suffering injustice. We highlight this injustice through public interest litigation and advocacy, and our unique model emphasises partnership with local lawyers who run and manage each local CLEAR project, specialising in criminal justice, public and family law. Our concern to progress justice and the rule of law internationally also extends to Australia, our home jurisdiction.

**Slavery in International Supply Chains**

As noted by the Paper, ‘the world economy has been dramatically transformed in recent decades. Financial deregulation, the growth of multinational companies using global supply chains and the increasing digitisation of global commerce have been overwhelmingly positive developments for Australia.’[[1]](#footnote-1) Such globalisation has seen many Australian companies enter vast international supply chains, often where they have little or no ability to ensure compliance with ethical standards. The recent news that Fortescue Metals Group discovered slavery in in its supply chains on the conduct of an audit, and Andrew Forrests’ subsequent actions to remove those implicated suppliers has highlighted both the potential pervasiveness of slavery and slave-like conditions. The foregoing also provides an illustration of how the Australian corporate sector may play a role in reducing slavery internationally as good international corporate citizens. Government should provide incentives towards such good behaviour.

Accordingly, we write to draw your attention to the role that tax incentives may play in relation to the abolition of slavery in global supply chains and to recommend that the Green Paper explore further taxation regimes and incentives targeted towards the goal of cleansing Australia’s supply chains from slavery.

We wish to draw the Treasury’s consideration to the potential of local tax frameworks to provide a deterrence for slavery occurring in other jurisdictions. The ability to change behaviour through tax regimes is well recognised (it is the precursor to much of our commercial tax frameworks). There are many different expressions that a tax deterrence model may take, encompassing both voluntary and mandatory participation options, and randomly audited models. As an example, California has adopted an audit model that requires companies exceeding $100,000,000 in annual worldwide gross receipts to disclose their efforts to eradicate slavery and human trafficking in their supply chain.[[2]](#footnote-2) The disclosure extends to matters such as supplier audits, direct supplier certification, verification of product supply chains, internal accountability standards and training for supply chain management.

Further, if one were to add a fiscal incentive to an audit model this could be a powerful tool that is both financially attractive to shareholders and which has ‘good-news story’ public relations potential. There are any number of different incentive options that may be explored. As an example, incentives may include tax concessions, tax reductions, offsets, refundable offsets, payments, tax deductions (for associated expenses) or a reduction in state royalties. Whilst there are protections that would need to be built in to ensure the integrity of the model, CLEAR believes that the suitability of such a model for adoption into Australian law merits further investigation, with a view again to provide an example of the world’s best practice in endeavouring to abolish slavery. We raise this option within the context of the Paper, where the Government flags its intention to consider means by which it may hold larger international corporate entities to account over their tax obligations. It is not difficult to contemplate that the type of auditing regime that will necessarily accompany such an effort would provide the fundamentals for the slavery auditing regime complemented by accompanying tax incentives that is proposed by this submission.

In this context, we also draw your attention to industry codes of disclosure to consumers, both involuntary and voluntary. Disclosure may take the form of a requirement that any organisations with slavery in their supply chains be required to include a visible mark or tag on their product or service (an example of a similar regime requiring certain compulsory disclosures is the Queensland smoking regulations).[[3]](#footnote-3) Disclosure may instead be voluntary, with organisations that are certified as slavery free indicating so on their products to allow consumers to make better informed decisions as to their purchases.

Whilst the options raised herein are necessarily brief, we hope that they will provide a framework upon which further options may be developed in consultation. Thank you for your consideration of our views.

Yours Sincerely,

Mark Fowler  
Chairperson  
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1. Commonwealth of Australia, (2015), *Tax Discussion Paper. Re:Think*, The Australian Government, the Treasury, 1.   
    [↑](#footnote-ref-1)
2. California Civil Code s 1714.43. [↑](#footnote-ref-2)
3. Tobacco and Other Smoking Products Act 1998 (Qld). [↑](#footnote-ref-3)