

Submission of Tax Justice Network – Australia (TJN-Aus) and Centre for International Corporate Tax & Accountability (CICTAR) to Treasury’s Economic Reform Roundtable

TJN-Aus and CICTAR have long been active contributors to ideas for tax reforms to increase revenue for public services, enhance productivity and ensure the fairness and integrity of the tax system. We welcome this latest opportunity to put forward ideas for further reform. Given the 2-page submission limit, our proposal will be brief and summarised, but we are able to expand further on any of the points mentioned.

Firstly, we congratulate the government on legislating the world’s best public country by country reporting (pCbCR) requirement for multinationals. We hope this will lead the way towards a global pCbCR standard and that the increased transparency will make it evident where further reforms are required to close loopholes currently exploited by multinationals. As we suggested in previous review processes for pCbCR, we would like the list of required reporting jurisdictions to include for separate reporting, the **home country of the corporation, Puerto Rico, Ireland, the Netherlands and Luxembourg**. While mandating complete global reporting on a full pCbCR basis is ideal, adding these jurisdictions would significantly enhance the quality and utility of the reported data.

Given the failure of the OECD’s Pillar One reforms, the Australian government should revisit the notion of introducing a **Digital Service Tax (DST)** which may help move towards future multilateral solutions through the UN.

As Australia seeks to expand production and processing of **critical minerals** that are essential to energy transition, there is an opportunity for the federal government to require **export licenses** and coordinate state-based royalty regimes. Getting tax and regulatory regimes that are appropriate for new resource exploitation is crucial.

There is ample room to reform the use of **trusts both at a personal level and within corporate structures**, including stapled securities and managed infrastructure trusts. The abuse of trusts to avoid tax liability and decrease transparency must be addressed.

Further reforms to the **PRRT**, to address the inherent problems in the **gas transfer pricing mechanism**, are urgently needed. Alternatively, a **10% royalty on offshore gas extraction in Commonwealth waters** could be added and Australia’s tax and royalty regime for offshore gas would remain highly competitive by global standards.

Entities, whether for-profit or non-profit, which have revenues over \$10 million and are heavily reliant on **public funding** (direct or indirect) **to provide public services** should be required to report **full Tier 1 financial statements**, with no recourse to reduced or simplified disclosures. Greater transparency will help ensure that growing public spending (ie. ECEC, NDIS, aged care, etc.) is directed towards intended outcomes.

The government must strengthen existing requirements relating to **federal procurement**. The government must use its purchasing power to lift standards and should not be

rewarding corporations with a significant track record of tax avoidance with any further contracts. Specifically, **Higher standards** should be put in place in order to obtain a required **Statement of Tax Record (STR)** from the ATO for federal contracts.

We believe that a transition to **machine readable (xbrl) financial statements** for ASX-listed and private companies is long overdue. Australia is behind many other jurisdictions. Significant productivity gains in government and private sector are possible. The high cost of purchasing financial statements from ASIC (\$50 per annual financial statement) is also a continued hinderance to increased transparency. Australia should allow free access to company filings as in the UK, New Zealand and Luxembourg or at least more reasonable pricing as in jurisdictions such as Ireland and the Netherlands.

The **Foreign Investment Review Board (FIRB) should be required to examine a foreign investors tax record as part of its review process**. The experience of **private equity firms or other international investors** taking over Australian business or infrastructure and avoiding tax obligations and unfairly competing with Australian investors must be examined. Brookfield's takeover – and subsequent collapse – of Healthscope, through a series of tax haven structures, is a prime and current example. Private equity funds, and potentially other collective investors, should be required to **fully disclose all limited partners and/or beneficial owners** when acquiring businesses or assets providing public services and/or operating physical or social infrastructure.

Previous legislation that was developed to address **profit-shifting through intra-company royalty payments on intellectual property** should be pursued. This proposal met with significant opposition from the Biden administration but given significant changes in US policy and changed global geo-political dynamics, the proposal should be reconsidered. The abuse of royalty payments is a very significant contributor to destructive profit-shifting and tax avoidance practices by multinational corporations and is difficult for the ATO to challenge under existing rules and legislation.

There is global momentum on **wealth taxes**, which can be an important source of revenue. More crucially wealth taxes could help tackle growing financial and political inequality, concentration of economic power, and restore the integrity of the tax system.

Separate from wealth taxes, but related is the possibility to revisit previous reform proposals related to **negative gearing and capital gains**. These proposals are significant in terms of revenue, but more importantly are potential **policy levers to deal with the current crisis in affordable housing**.

Finally, given significant changes in global policy dynamics, we would urge the Australian government to **strongly support the development of the UN Tax Convention**. Given that the current US administration has disengaged from the OECD and from multilateral discussion on tax more generally, the UN would be a more inclusive and productive vehicle for progressing towards multilateral solutions to the problem on multinational tax avoidance. As a concrete example of this dynamic the G7's proposal to exempt US corporations from the OECD's Pillar 2 (global minimum tax) completely undermines years of progress made through the OECD.