



Australian Senate Economics Committee Hands Down Report on Corporate Tax Avoidance

The Commonwealth Senate Economics Committee (a standing committee composed by members of the upper house of Parliament) handed down its long-awaited final report on corporate tax avoidance in Australia. The final report is the product of the Committee's three-and-a-half-year investigation on corporate tax avoidance, following the matter's referral to the Committee on 2 October 2014. The final report is complemented by two previous interim reports published by the Committee in 2015 and 2016.

Some of the key recommendations of the final report include that:

1. the government undertake an independent review into the detriment to Australian tax revenue arising from the current transfer pricing regime, and explore options to modify transfer pricing rules or other tax laws;
2. companies with annual turnover of \$100 million or more be required to publicly report certain tax information annually;
3. uplift rates for future projects incurring Petroleum Resource Rent Tax be revised to be less generous;
4. "thin capitalisation rules" be amended so that interest deductions are calculated by reference to a corporation's worldwide gearing ratio;
5. entities with income of a certain level be required to lodge general purpose financial statements with the Australian Securities and Investments Commission;
6. the existing voluntary tax transparency code be converted to a mandatory code for all large and medium corporations operating in Australia, including subsidiaries of multinational corporations; and
7. the gas transfer pricing method for Petroleum Resource Rent Tax-eligible projects be made simpler and more transparent.

The final report also notes that the Australian Taxation Office, in its submission to the Committee, stated that its recent success in proceedings against the local subsidiary of a large multinational oil and gas group had potentially "changed the game" and that the focus of its investigations in respect of transfer pricing practices will cover other industries, including the pharmaceutical industry.

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