

# To those that have, more shall be given

***Over the last two years the average tax paid by the companies calling for the Senate to pass the tax cuts was 12.35%; half of them paid no tax last year.***

**Bill Browne**

**David Richardson**

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## Introduction

The call to cut the company tax rate from 30% to 25% for Australia's largest companies took an extravagant turn in late March 2018 when the CEOs of 10 companies joined the CEO and President of the Business Council of Australia in making the "Commitment to the Senate". The CEOs, and the companies that they lead, are Andrew Mackenzie (BHP), Catherine Tanna (EnergyAustralia), Andrew Forrest (Fortescue Metals Group), Brent Eastwood (JBS Australia), Tim Reed (MYOB), Frank Calabria (Origin Energy), Alan Joyce (Qantas), Rob Scott (Wesfarmers), Peter Coleman (Woodside Energy) and Brad Banducci (Woolworths).

The "Commitment" is that if the Senate passes the tax cut, the CEOs will:

**commit to invest more in Australia which will lead to employing more Australians and therefore stronger wage growth as the tax cut takes effect.<sup>1</sup>**

Although reported as a commitment to "boost job creation and wages", the "Commitment" is actually only a commitment to "invest more", with the assumption

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<sup>1</sup> Packham (2018) *CEO's pitch to senators: Cut will lift wages*, <https://www.theaustralian.com.au/national-affairs/ceos-pitch-to-senators-cut-will-lift-wages/news-story/c69c273da93795986d75847d1baf4a7f>

that this will increase job creation and wages.<sup>2</sup> Conspicuously absent from the Commitment are any details of how much more the companies will invest, what guarantees there will be that this will lead to jobs and wage growth, whether the “Commitment” will bind later CEOs or what the consequences would be if they breached their “Commitment”. Many CEOs serve for less than the 10 years that the tax cuts will be brought in over.

It is also striking that of the BCA’s 132 member CEOs,<sup>3</sup> only 10 CEOs – or 7.6% of the BCA’s overall membership – were prepared to make the “Commitment”. Are the remaining 122 CEOs (92.4% of the BCA’s membership) not prepared to commit to investing in Australia?

In this briefing paper, we look at the remuneration of the 10 “Commitment” CEOs, as well as how much tax their companies paid in the last two reporting years.

## Remuneration and company tax

Half of the CEOs that were prepared to make the “Commitment” did not pay company tax last year. The majority – four out of five – of those CEOs lead companies that also did not pay company tax the year before that. Despite this, eight of the “Commitment” CEOs collectively received \$73.2 million in remuneration last year (the remaining two do not have public remuneration information available).

This information comes from the Australian Tax Office’s yearly reporting of company total income, taxable income and tax paid. The most recent data (released in December 2017) is for the period 2015–16. It shows that five of the “Commitment” CEOs lead companies that paid no company tax in 2015–16: EnergyAustralia, JBS Australia, MYOB, Origin Energy and Qantas. Four of these companies also paid no company tax in 2014–15: EnergyAustralia, MYOB, Origin Energy and Qantas.

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<sup>2</sup> Packham (2018) *CEO’s pitch to senators: Cut will lift wages*, <https://www.theaustralian.com.au/national-affairs/ceos-pitch-to-senators-cut-will-lift-wages/news-story/c69c273da93795986d75847d1baf4a7f>

<sup>3</sup> BCA (2017) *Our members*, <http://www.bca.com.au/about-us/our-members>

**Table 1: CEO remuneration and company tax paid**

CEO	Company	Remuneration	2015–16		2014–15	
			Company tax paid as a % of			
			Total income	Taxable income	Total income	Taxable income
<b>Andrew Mackenzie</b>	BHP	\$9,210,390	5%	25%	5%	27%
<b>Catherine Tanna</b>	EnergyAustralia	\$6,170,000	No tax paid		No tax paid	
<b>Andrew Forrest</b>	Fortescue Metals Group	0	4%	26%	<1%	6%
<b>Brent Eastwood</b>	JBS Australia	Not known	No tax paid		4%	22%
<b>Tim Reed</b>	MYOB	\$1,330,938	No tax paid		No tax paid	
<b>Frank Calabria</b>	Origin Energy	\$3,695,278	No tax paid		No tax paid	
<b>Alan Joyce</b>	Qantas	\$24,584,000	No tax paid		No tax paid	
<b>Rob Scott</b>	Wesfarmers	\$12,097,459	1%	29%	1%	29%
<b>Peter Coleman</b>	Woodside Energy	\$10,266,600	1%	5%	10%	22%
<b>Brad Banducci</b>	Woolworths	\$5,874,825	1%	27%	2%	29%
<b>Total remuneration</b>		\$73,229,490				
<b>Average tax paid</b>			<b>12.35%</b>			

Sources (remuneration): The most recent annual report of each company, where available.

Sources (company tax paid): ATO (2017) *2015-16 report of entity tax information* and *2014-15 report of entity tax information*, <https://data.gov.au/dataset/corporate-transparency>; Liddy (2016) *Who pays what? ATO names large companies that paid zero tax in 2014-15*, <http://www.abc.net.au/news/2016-12-09/tax-data-transparency-ato/8106178>

Note: Figures in other currencies converted to Australian dollars, where appropriate. Catherine Tanna’s remuneration is estimated based on the half year to 30 June 2017. Rob Scott’s remuneration is estimated based on that of his predecessor R Goyder.

The last row in the table gives the average tax paid as a proportion of taxable income by all the companies in the table over the two years, 2014-15 and 2015-16. That figure is 12.35 per cent, suggesting the companies concerned already pay well below the statutory 30 per cent company tax rate.

## Employment

The “Commitment” includes a statement that the signatories are “some of the nation’s largest employers”.

According to *The Australian*, the 10 companies employ 493,600 people between them.<sup>4</sup> This represents less than 4% of all employment in Australia.<sup>5</sup>

## Conclusion

Less than 8% of the BCA's member CEOs have been prepared to increase investment in Australia if the company tax rate is cut, the so-called "Commitment to the Senate". The "Commitment" indicates that job and wage growth will follow increased investment, but these 10 CEOs lead companies that between them provide less than 4% of employment in Australia.

Moreover, five of the 10 "Commitment" CEOs lead companies that did not pay company tax last year. The majority of those companies that did not pay last year also did not pay the year before. None of the companies paid the full rate of 30% in either year. On average and over the two years examined the "Commitment" companies paid 12.35 per cent company tax, well below the 30 per cent company tax rate.

The "Commitment" also does not specify how much investment will increase by, how that will be guaranteed to lead to jobs and wage growth or what the consequences for breaching that "Commitment" would be. In addition, it is not clear how many CEOs will still be with their companies in 10 years' time, when the full tax cut would come into effect. The "Commitment" does not appear to cover the CEOs that will inevitably replace them over time.

The "Commitment" is a non-binding statement of intent from a small minority of CEOs, calling for a tax cut that did not affect half of them last year.

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<sup>4</sup> Figures not provided for MYOB. Packham (2018) *CEO's pitch to senators: Cut will lift wages*, <https://www.theaustralian.com.au/national-affairs/ceos-pitch-to-senators-cut-will-lift-wages/news-story/c69c273da93795986d75847d1baf4a7f>

<sup>5</sup> ABS (2018) *Labour force, Australia, Feb 2018*, <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6202.0>