

In the company of winners

Who are the beneficiaries of the company tax cut?

A government-circulated list of potential beneficiaries of a company tax cut has substantial discrepancies with ATO data. It does not take into account that a third of the companies listed did not pay company tax in the last year. 80% of companies that would benefit are headquartered in NSW and Victoria, despite these states producing just 56% of GDP. Finance, insurance and superannuation, sectors dominated by the big four banks, would receive almost half the benefit of the tax cut.

Discussion paper

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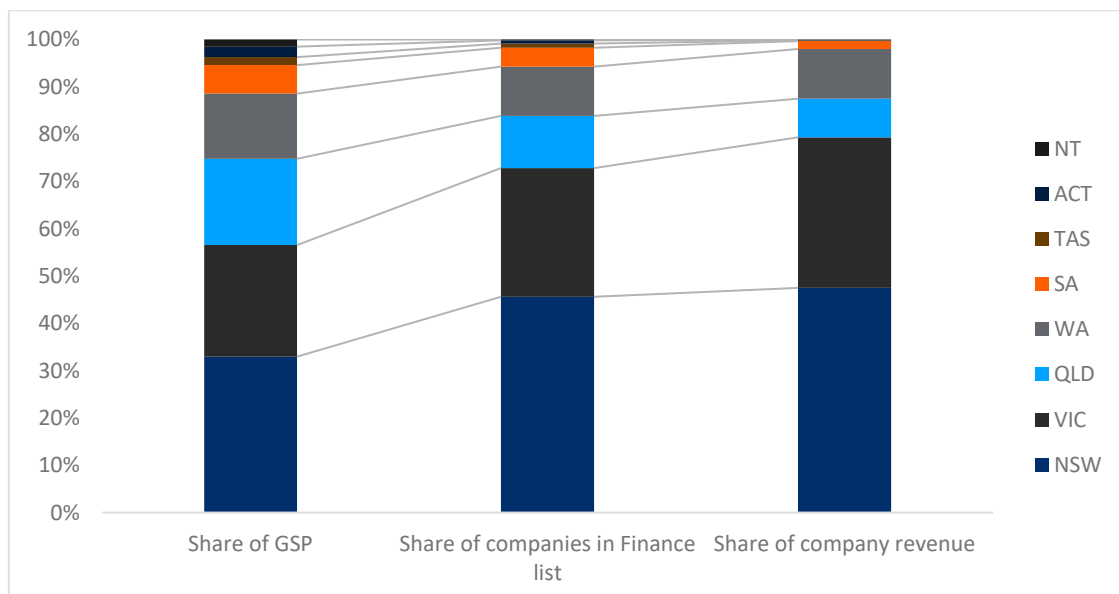
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Key points

- The Department of Finance has compiled a list of large companies that might benefit from further company tax cuts – but the list omits actual tax payments.
- 33% of companies on the Department of Finance list didn't pay any company tax at all in 2015-16.
- These companies had turnover of \$402 billion according to the Department of Finance list.
- Of companies that benefit from a tax cut based on 2015-16 results, 52% are in NSW, 28% in Victoria – 80% of the beneficiaries even though those states are responsible for 57% of production. Just 8% of beneficiary companies are based in Queensland, 8% also in WA, 2% in SA, 1% each in Tasmania and the ACT. Just one company based in the NT would have benefited based on 2016 results.
- Almost half of the benefit of the tax cut would accrue to companies in Finance (36%), Insurance and Super (7%), sectors dominated by the big four banks. Other beneficiary industries would be Metal Ore Mining (11%) dominated by BHP and Rio Tinto, Telecom Services (7%) dominated by Telstra and Food Retailing (5%) dominated by the owners of Coles and Woolworths.
- Companies from some industries on the list, like Coal Mining and Oil & Gas Extraction, have a much lower effective tax rate.

Figure 1: States and territories by share of GSP and share of company tax cut potential beneficiaries



Introduction

In February 2018, Finance Minister Mathias Cormann wrote to senators urging them to pass the government’s proposed company tax cuts. Included in the materials circulated to senators was a non-exhaustive list of companies expected to benefit from the company tax cuts – in other words, those with revenues of \$50 million or more.

The Department of Finance assembled the list from IBISWorld, InDaily and the InvestSMART database. In July, a freedom of information request was granted and the Department of Finance list (also called the “Finance list” in this report) became publicly available.¹

There is already a list of taxpaying companies in Australia. It is the Australian Tax Office’s annual corporate tax transparency data set (hereafter, the “ATO list”). The most recent set, from December 2017, is for the 2015–16 financial year and includes:²

- Australian public and foreign-owned corporate tax entities with total incomes of \$100 million or more,
- Australian-owned resident private companies with total incomes of \$200 million or more, and
- Entities required to pay the Petroleum Resource Rent Tax.

The ATO list provides the exact figures for total income, taxable income and tax payable in a given year. Matching the Finance list to the Senate list shows which of the companies on this list actually paid company tax last year – and would therefore have benefitted from a company tax cut. The matching process also illuminates a number of major companies that do not match between the lists and discrepancies between revenues reported in the Finance list and incomes reported to the ATO.

Many of the discrepancies between the lists relates to the ATO’s reporting limitations, which mean it does not include companies with revenues above \$50 million but below the \$100 or \$200 million thresholds. Nonetheless, there are considerable differences between the Department of Finance list and the ATO data not explained by their different criteria, which may warrant further research.

¹ Department of Finance (2018) *MF 18/06*, <https://www.finance.gov.au/foi/disclosure-log/foi-18-06/>

² ATO (2017) *Report of entity tax information*, <https://www.ato.gov.au/Business/Large-business/In-detail/Tax-transparency/Tax-transparency--reporting-of-entity-tax-information/>

The data

967 entries on the Department of Finance list match with entries on the ATO list. In these cases the names of the companies – in whole or in part – represent the same corporate entities.

The Department of Finance list contains a further 655 entries that we could not find a match for, and the ATO list contained a further 1,075 entries that were not matched.

Overall, the data set of almost a thousand entries is robust enough to draw a number of conclusions about company tax and its beneficiaries.

LIST DIFFERENCES

Some differences are based on the criteria for each list. For example, the Department of Finance list contained companies over \$50 million in revenue, while the ATO list is limited to companies over \$100 million or \$200 million in revenue. 167 companies with revenues below \$100 million appear on the Department of Finance list. The reported company income or revenue figures in the two sets do not match exactly, although most are similar. The two lists do not appear to be based on data from the same year, so changes in which companies are operating (and earning above the threshold) are to be expected.

Another difference is that some companies appear under different names in each list. Some examples include:

- Carlton & United Breweries (Department of Finance list) appears under owner SABMILLER AUSTRALIA (ATO list)
- MM Electrical Merchandising appears under owner MML HOLDINGS
- McConnell Dowell appears under owner AVENG AUSTRALIA HOLDINGS

Some large and prominent companies were conspicuously absent from one of the lists, despite checks against their parent and subsidiary companies. These appear in Appendix 2, and include such mainstays as Ausgrid, Best & Less, Cotton On Group, David Jones, Deloitte Touche Tohmatsu, HBF, HCF, James Hardie Industries and Oracle. Further inquiries as to whether these companies appear in the ATO list – and under what names – could be fruitful.

The methodology that the Department of Finance used to assemble their list is not outlined. For example, if two data sources gave different revenues for a company, did they use the higher or the lower revenue?

The Finance list also contains duplicates and inconsistencies. Examples of duplicates are Ingham’s and JBS Australia, each of which appears twice in the list with different spellings and revenues (\$2,438 million and \$2,480 million for Ingham’s, and \$4,569 million and \$5,662 million for JBS). Our approach in each of these cases was to use the revenue figure that accompanied the more accurate name.

Finally, reported revenue sometimes deviated significantly between the two lists. The five companies with the greatest differences (Finance list higher) are:

Table 1: Companies with differences (Finance list higher)

Department of Finance list name	Senate revenue (\$m)	ATO list name	ATO revenue (\$m)
Viva Energy Australia	\$1,756	VIVA ENERGY HOLDING	\$107
ENGIE Australia	\$1,236	ENGIE SERVICES AUSTRALIA & NEW ZEALAND	\$109
Vicinity Centres	\$2,279	VICINITY	\$251
Olam Investments Australia	\$3,729	OLAM INVESTMENTS AUSTRALIA	\$413
JBS Australia	\$4,569	JBS SMALLGOODS HOLDCO	\$640

The five companies with the greatest differences (ATO list higher) are:

Table 2: Companies with differences (ATO list higher)

Department of Finance list name	Senate revenue (\$m)	ATO list name	ATO revenue (\$m)
Tatts Group	\$888	TATTS GROUP	\$5,338
Sumitomo Australia	\$268	SUMITOMO AUSTRALIA	\$1,757
Mitsui & Co Australia	\$427	MITSUI & CO. (AUSTRALIA)	\$4,692
Gold Fields Australia	\$103	GOLD FIELDS AUSTRALIA	\$1,550
WAM Capital	\$108	WAM CAPITAL	\$2,113

Tax receipts

Of the 967 entities that we matched between the ATO and Department of Finance lists, 316 had not paid tax in the last reporting year. This non-payment rate of 33% is a little under the overall rate of about 36%,³ but it serves to illustrate that a large share of companies do not pay company tax in any given year – and therefore would not benefit from a company tax cut in that year.

Table 3: Overview of company numbers

	Result
Companies on Finance list	1,622
... not matched with ATO list	655
Companies on ATO list	2,042
... not matched with Finance list	1,075
Matched companies	967
... that paid company tax in 2015–16	651
... that did not pay company tax in 2015–16	316
Percentage that did not pay	33%

Because the ATO list and the Finance list gave different revenue/income figures for each company, Table 4 provides a breakdown by company and status (matched, paid tax, did not pay tax) using both the Finance list revenue figures and the ATO list revenue figures.

Table 4: Overview of company revenues/incomes

	Finance list figures	ATO list figures
Total revenue/income of all companies	\$1,723,776	\$1,808,012
Total revenue/income of matched companies	\$1,510,417	\$1,371,998
... that paid tax in 2016 (\$m)	\$1,108,680	\$1,043,213
... that did not pay tax in 2016 (\$m)	\$401,737	\$328,785
Percentage of total revenue earned by non-payers	27%	24%

³ Clark (2017) *The ATO just dropped corporate tax data and more than 700 companies paid nothing*, <http://www.abc.net.au/news/2017-12-07/corporate-tax-data-released-by-ato/9236878>

Companies by state and territory

HEADQUARTERS

The Department of Finance list included the state or states that a company is headquartered in. A spot check of some companies found that the state given in the Department of Finance list typically matched what was reported elsewhere.

In Table 5, we break down the Department of Finance list companies by state, and report their collective revenue. For those that we matched with the ATO list, we also show the number that paid tax in 2016. This allows us to calculate what share of matched companies from each state paid tax in 2016; in other words, this is the share of matched companies from that state that would have benefited from a company tax cut.

Table 5: State and territory overview

State of HQ	Number in Finance list	Collective revenue (Finance list; \$m)	Number matched	Matched, paid tax in 2016	Percent paying tax	Percentage of matched, paid tax
NSW	740	\$818,741	457	339	74%	52%
Victoria	441	\$548,680	272	181	67%	28%
Queensland	179	\$140,682	91	54	59%	8%
WA	169	\$181,064	103	51	50%	8%
SA	65	\$29,004	30	16	53%	2%
Tasmania	14	\$2,736	6	5	83%	1%
ACT	11	\$2,355	7	5	71%	1%
NT	3	\$514	1	0	0%	0%
Total	1,622	\$1,723,776	967	651	67%	

Note: Because some companies are headquartered in two states and counted in both states' entries, the sum of the state figures exceeds the total by a small amount.

Table 5 shows that the highest percentages of matched companies paying tax are in Tasmania, NSW, ACT and Victoria, all above 67%. However, the vast majority of these companies are located in NSW and Victoria. 80% of the companies that would have benefited from a company tax cut in 2016 are based in NSW and Victoria.

COMPANIES BY STATE AND TERRITORY

Companies that may benefit from the company tax cut – those with \$50 million or more in revenue – are not evenly distributed across each industry. Table 6 compares the number of companies on the Finance list headquartered in each state and territory with that state or territory’s Gross State Product from last year. While revenue and GSP figures are not exactly comparable in an economic and mathematical sense, these figures provide an indication of the size of the companies’ operations relative to the economy of the state.

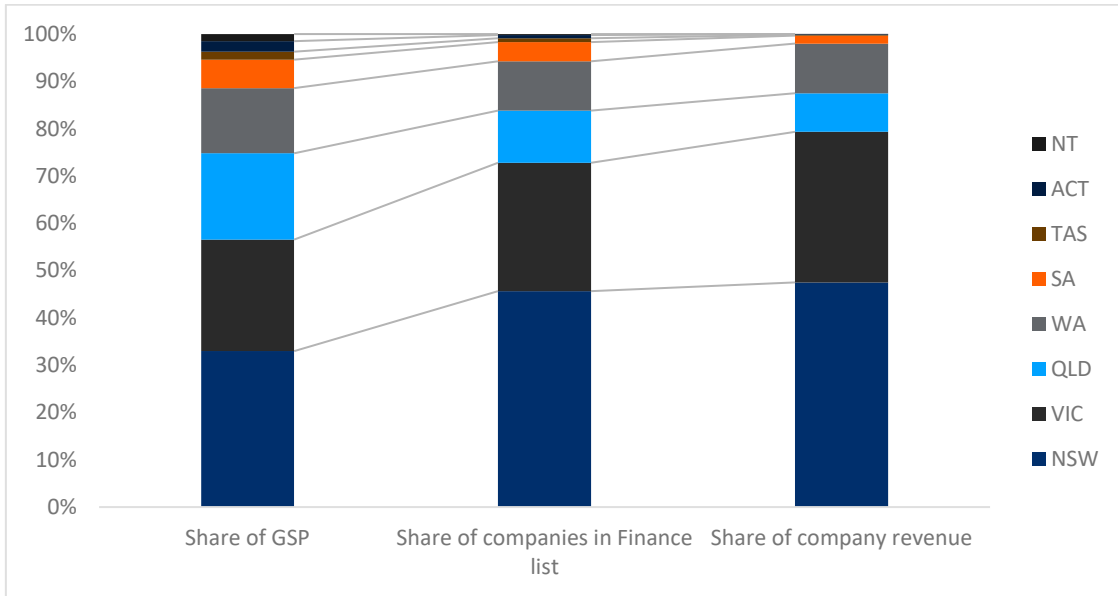
Table 6: State and territory company revenue compared to Gross State Product

State of HQ	Gross State Product (\$m)	Companies in Finance list	Combined revenue of these companies (\$m)	GSP as share of Australia’s GDP	Share of companies in Finance list	Share of company revenue
NSW	\$557,861	740	\$818,741	33.0%	45.6%	47.5%
VIC	\$399,009	441	\$548,680	23.6%	27.2%	31.8%
QLD	\$308,709	179	\$140,682	18.2%	11.0%	8.2%
WA	\$233,152	169	\$181,064	13.8%	10.4%	10.5%
SA	\$101,791	65	\$29,004	6.0%	4.0%	1.7%
TAS	\$28,577	14	\$2,736	1.7%	0.9%	0.2%
ACT	\$37,566	11	\$2,355	2.2%	0.7%	0.1%
NT	\$25,427	3	\$514	1.5%	0.2%	0.0%

The disproportionate preference for NSW and Victoria from large companies is illustrated in Figure 2. NSW and Victoria make up 56.5% of production, but are the headquarters for 72.8% of large companies – or 79.3% by large company revenue.

The other six states and territories make up 43.5% of production, but are the headquarters for 27.2% of large companies (20.7% by revenue).

Figure 2: States and territories by share of GSP and share of company tax cut potential beneficiaries



Appendix 1 includes a breakdown of the top 10 matched companies in each state.

Industry

The Department of Finance list included categorisation by industry. Most were based on the ANZIC code. Some smaller entries did not have an ANZIC code, in which case an industry was assigned by The Australia Institute based on their website. Table 7 below shows that the largest industries by revenue on the Finance list are Finance, Metal Ore Mining and Food Retailing and Insurance and Superannuation:

Table 7: 10 largest industries by revenue (Department of Finance list)

Row Labels	Companies	Total revenue (Finance list; \$m)
Finance	46	\$175,350
Metal Ore Mining	65	\$139,516
Food Retailing	8	\$137,802
Insurance and Superannuation Funds	39	\$115,523
Building Construction	63	\$63,940
Machinery and Equipment Wholesaling	95	\$61,561
Petroleum and Coal Product Manufacturing	6	\$56,160
Electricity Supply	26	\$54,105
Food Product Manufacturing	76	\$53,837
Professional, Scientific and Technical Services	107	\$49,404
Total (largest industries)	531	\$907,198
Total (all industries)	1,622	\$1,723,776

Among companies that matched between the lists, the largest industries were similar in terms of total income, also headed by Finance, Food Retailing, Metal Ore Mining and Insurance and Super, as shown in Table 8 below:

Table 8: 10 largest industries (matched companies only)

Industry	Co's	Total income (ATO list; \$m)	Total taxable income	Total tax payable (\$m)	% of taxable income	% of total tax payable
Finance	30	\$174,017	\$46,069	\$11,596	25%	36%
Food Retailing	6	\$124,242	\$5,529	\$1,551	28%	5%
Metal Ore Mining	42	\$114,786	\$14,008	\$3,411	24%	11%
Insurance & Super	26	\$105,834	\$12,201	\$2,159	18%	7%
Petroleum & Coal Product Mfg	6	\$68,925	\$1,132	\$234	21%	1%
Machinery & Equip't Wholesaling	66	\$51,734	\$2,612	\$662	25%	2%
Telecom Services	11	\$46,475	\$7,654	\$2,204	29%	7%
Electricity Supply	15	\$43,051	\$1,381	\$333	24%	1%
Building Construction	35	\$38,850	\$1,756	\$388	22%	1%
Food Product Mfg	45	\$35,984	\$1,446	\$319	22%	1%
Total (all industries)	967	\$1,371,998	\$132,893	\$32,130	24%	

Table 8 also shows that beyond total income or revenue, the percentage of total tax payable is highest in Finance, Metal Ore Mining, Insurance and Super and Telecom Services. The implication of this is that almost half of the benefit of a reduction in the company tax rate would accrue to Finance, Insurance and Super, sectors dominated by the big four banks.

Table 9 shows matched companies by other selected industries:

Table 9: Other significant industries (matched companies only)

Industry	Co's	Total income (ATO list; \$m)	Total taxable income	Total tax payable (\$m)	% of taxable income	% of total income
Oil and Gas Extraction	6	\$16,590	\$1,901	\$131	7%	1%
Coal Mining	8	\$16,456	\$436	\$80	18%	0%
Beverage & Tobacco Product Mfg	11	\$15,043	\$1,068	\$277	26%	2%
Gambling Activities	5	\$13,976	\$1,116	\$295	26%	2%
Medical and Other Health Care Services	8	\$4,583	\$299	\$68	23%	1%

Appendix 1: Top 10 matched companies by state

Table 10: NSW matched companies, top 10 by revenue

Companies	Department of Finance list revenue (\$m)	ATO revenue (\$m)	ATO taxable income (\$m)	ATO tax paid (\$m)	Effective tax rate
Woolworths	\$55,921	\$49,414	\$1,853	\$497	27%
Commonwealth Bank	\$44,949	\$42,730	\$11,359	\$3,291	29%
Westpac	\$37,518	\$37,100	\$10,415	\$2,967	28%
QBE Insurance Group	\$18,041	\$7,115	\$436	\$106	24%
Caltex	\$17,942	\$22,159	\$240	\$52	22%
Lendlease Group	\$16,918	\$7,910	\$355	\$-	0%
IAG	\$16,495	\$14,623	\$753	\$151	20%
Qantas	\$16,146	\$15,754	\$52	\$-	0%
AMP	\$14,771	\$28,626	\$6,416	\$681	11%
Metcash	\$14,229	\$13,771	\$267	\$69	26%

Table 11: Victoria matched companies, top 10 by revenue

Companies	Department of Finance list revenue (\$m)	ATO revenue (\$m)	ATO taxable income (\$m)	ATO tax paid (\$m)	Effective tax rate
BHP	\$39,164	\$26,672	\$5,260	\$1,326	25%
Rio Tinto	\$35,132	\$27,840	\$4,585	\$1,050	23%
ANZ Banking Group	\$34,221	\$28,742	\$8,359	\$1,971	24%
NAB	\$32,245	\$44,687	\$11,770	\$2,429	21%
Telstra	\$28,345	\$27,906	\$5,981	\$1,738	29%
Viva Energy	\$15,685	\$16,773	\$-	\$-	
BP Australia	\$13,536	\$21,585	\$760	\$175	23%
BlueScope Steel	\$10,741	\$4,895	\$445	\$-	0%
Amcor	\$9,209	\$3,573	\$17	\$-	0%
Toyota Motor Corporation	\$8,828	\$10,342	\$494	\$138	28%

Table 12: Queensland matched companies, top 10 by revenue

Companies	Department of Finance list revenue (\$m)	ATO revenue (\$m)	ATO taxable income (\$m)	ATO tax paid (\$m)	Effective tax rate
Suncorp Group	\$17,395	\$17,031	\$1,647	\$424	26%
Mitsubishi Development	\$7,937	\$4,724	\$-	\$-	
JBS	\$5,662	<i>See JBS Australia below</i>			
Virgin Australia	\$5,064	\$4,587	\$-	\$-	
JBS Australia	\$4,569	\$640	\$-	\$-	
A P Eagers	\$3,838	\$3,270	\$107	\$26	24%
Olam Investments Australia	\$3,729	\$413	\$1	\$-	0%
Aurizon	\$3,455	\$3,560	\$431	\$113	26%
ERM Power	\$3,168	\$2,575	\$26	\$7	29%
Anglo American Australia	\$2,756	\$3,687	\$156	\$-	0%
Flight Centre	\$2,679	\$1,564	\$281	\$83	30%

Note: JBS and JBS Australia appear separately on the Department of Finance list, with different revenues but the same industry code. We have included both for completeness, but our assumption is that these are accidental duplicates.

Table 13: WA matched companies, top 10 by revenue

Companies	Department of Finance list revenue (\$m)	ATO revenue (\$m)	ATO taxable income (\$m)	ATO tax paid (\$m)	Effective tax rate
Wesfarmers	\$68,732	\$63,447	\$3,257	\$931	29%
Fortescue Metals Group	\$8,480	\$8,882	\$1,490	\$393	26%
South32	\$7,266	\$3,494	\$-	\$-	
Automotive Holdings Group	\$6,082	\$4,691	\$106	\$16	16%
Hancock Prospecting	\$5,019	\$1,908	\$752	\$225	30%
Woodside	\$4,144	\$7,086	\$1,558	\$73	5%
CBH Group	\$3,717	\$2,831	\$-	\$-	
Alcoa of Australia	\$3,480	\$4,172	\$1,041	\$308	30%
Programmed Maintenance Services	\$2,703	\$2,062	\$-	\$-	
BGC	\$2,694	\$1,971	\$125	\$36	29%

Table 14: SA matched companies, top 10 by revenue

Companies	Department of Finance list revenue (\$m)	ATO revenue (\$m)	ATO taxable income (\$m)	ATO tax paid (\$m)	Effective tax rate
Santos	\$2,833	\$3,476	\$-	\$-	
Mitsubishi Motors Australia	\$2,187	\$2,135	\$1	\$-	
Elders	\$1,661	\$1,587	\$3	\$-	
KBR Holdings	\$1,618	\$610	\$53	\$11	21%
Adelaide Brighton	\$1,411	\$1,485	\$231	\$64	28%
Thomas Foods International	\$1,335	\$1,393	\$62	\$16	26%
BAE Systems	\$1,085	\$1,266	\$36	\$-	
Beach Energy	\$869	\$589	\$-	\$-	
OZ Minerals	\$846	\$915	\$103	\$-	
Bridgestone	\$711	\$525	\$23	\$7	30%

Table 15: Tasmania matched companies, top 6 by revenue

Companies	Department of Finance list revenue (\$m)	ATO revenue (\$m)	ATO taxable income (\$m)	ATO tax paid (\$m)	Effective tax rate
Tassal Group	\$483	\$447	\$68	\$16	23%
Huon Aquaculture Group	\$281	\$243	\$-	\$-	
Grange Resources	\$281	\$230	\$21	\$5	24%
Caterpillar Underground Mining	\$266	\$369	\$79	\$18	23%
Bellamy's Organic	\$241	\$227	\$51	\$12	24%
MyState	\$219	\$225	\$41	\$12	30%

Appendix 2: Omissions

The following companies with more than a billion dollars in revenue appeared in the Department of Finance list, but a match with the ATO list could not be found. There are a number of reasons why this might be the case, including:

- They trade under a different name to the name registered with the ATO
- They are owned by other entities that report to the ATO
- Different parts report separately to the ATO under their own names
- They have changed names since the year that the ATO data covers
- They are not required to report to the ATO

Company name	Revenue (\$m)	Company name	Revenue (\$m)
ABN Group	\$1,020	Goodman Fielder	\$2,014
Ausgrid	\$2,680	Hastings Deering Group	\$1,664
BB Retail Capital	\$1,170	HBF	\$1,697
Best & Less	\$1,162	HCF	\$2,528
BMD Group	\$1,105	Hewlett Packard Enterprise	\$2,161
Built	\$1,032	Holcim Australia	\$1,547
Cargill	\$2,044	HP PPS Australia	\$1,462
Chandler Macleod Group	\$1,252	James Hardie Industries	\$1,964
CitiPower and Powercor Australia	\$1,579	John Deere	\$1,011
CMV Group	\$1,186	KPMG	\$1,500
Consolidated Travel Group	\$1,303	Manildra Group	\$1,500
Cotton On Group	\$1,800	Mitsui Coal	\$1,472
David Jones	\$2,622	Mitsui Iron Ore Development	\$1,243
Deloitte Touche Tohmatsu	\$1,760	Oil Search	\$1,301
DHL Global Forwarding Australia	\$1,279	Oracle	\$1,216
Dick Smith	\$1,321	Peregrine Corporation	\$2,110
Endeavour Energy	\$1,330	Queensland Sugar	\$2,160
Essential Energy	\$1,534	SA Power Networks	\$1,318
EY	\$1,630	Spotlight Retail Group (SRG)	\$1,068
George Weston Foods	\$2,218	SunRice	\$1,113
Glencore Coal Investments Australia	\$4,557	Telstra Super	\$2,009
Good Guys	\$2,350	Toyota Finance Australia	\$1,350