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Media Clarification

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Description (Please provide a detailed description of the event in the box below)

Media response to the articles by the Straits Times dated 30 September 2014 and the Business Times dated 1 October 2014 (please see attachment).

Attachments

For Public Dissemination

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Media Clarification

We wish to clarify as follows:

- The Straits Times article “Australia’s biggest firms found to have dodged taxes” dated 30 September 2014 wrongly singled out SingTel as having the second largest amount of “tax forgone”.
- SingTel is a global telecommunications company with businesses in 25 countries, across three continents. The company is headquartered in Singapore and has been listed on the Singapore Exchange since 1993. SingTel’s dual listing on the Australian Securities Exchange (ASX) commenced in 2001.
- The article has simply and incorrectly calculated tax foregone in Australia by applying the Australian 30% corporate tax rate to the accumulated total of SingTel Group profits.
- SingTel’s Australian subsidiaries undertake all their legal and governance responsibilities diligently, including their Australian tax obligations.

Australia's biggest firms found to have dodged taxes

Jonathan Pearlman, for The Straits Times, in Sydney

30 September 2014

Straits Times

Report shows profits being moved to lower tax jurisdictions overseas

Australia has signalled that it will take a tough stance against tax avoidance after a report showed the nation's biggest companies have engaged in large-scale tax dodging and channelled profits through Singapore and Hong Kong as well as tiny offshore countries.

The report, released yesterday by United Voice, a trade union, and the Tax Justice Network, a non-government group, examined a decade's worth of financial records for the country's largest companies.

It found that almost a third of the biggest 200 Australian companies have been paying less than 10 per cent tax - or a third of the 30 per cent corporate rate - leading to more than A\$80 billion (S\$89.4 billion) worth of forgone tax from 2004 to 2013.

The report prompted calls by MPs for tougher enforcement and higher penalties for evasion.

Australia's Finance Minister Mathias Cormann signalled yesterday that he wanted to tighten oversight of tax collection.

"Our expectation is that any business that generates profits in Australia pays their fair share of tax in Australia," he told Sky News. "We are very conscious of the need to remain vigilant and we are working with the tax office to further improve the effectiveness of tax administration in Australia and to pursue whatever other responses may be required."

The report examined the use of offshore tax-friendly jurisdictions by Australian firms and found that Australian companies had 561 subsidiaries in Singapore, followed by 373 in Hong Kong, 252 in Malaysia, 230 in the British Virgin Islands and 120 in Mauritius.

The report noted that some companies have legitimate reasons for setting up subsidiaries in some larger jurisdictions such as Singapore and Hong Kong. But it said many Australian companies failed to give explanations for why they based subsidiaries in particular locations or failed to list all of their subsidiary companies.

The findings emerged as Australia seeks to use its position as host of the G-20 leaders' meeting in November to urge international action against tax avoidance.

The Tax Justice Network - an alliance of unions, charities and church and aid groups - said it was particularly concerned about "profit shifting", a practice which typically involves companies loading debt onto their Australian arm and their profits onto subsidiaries in lower tax jurisdictions.

The organisation has not accused companies of breaking the law but urged the government to require greater financial disclosure as well as automatic exchanges of information between international tax authorities.

"The tax minimisation practices of a minority of very large companies have a significant and disproportionate impact on Australia's corporate tax revenue base," the report said.

One of the worst named offenders in the report was media mogul Rupert Murdoch's Twenty-First Century Fox, which used the most number of offshore subsidiaries and was credited with the highest amount of avoided tax per year: A\$1.6 billion.

Mr Murdoch was quick to go on the offensive. He tweeted yesterday, referring to a big win over Australia's tax office last year: "NO tax avoidance by News, Fox or any Murdochs in Australia. Courts ruled, so move on!"

Top companies singled out

- Twenty-First Century Fox:

A\$1.6 billion (S\$1.78 billion)

- SingTel:

A\$713 million

- BHP Billiton:

A\$673 million

-Rio Tinto:

A\$436 million

-Westfield Group:

A\$370 million

Figures based on average annual tax forgone

SOURCE: United Voice and Tax Justice Network

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SingTel refutes claim of A\$713m tax avoidance

Michelle Quah

1 October 2014

Business Times

Others also lambast report claiming over A\$80b in foregone tax from ASX 200

Singapore Telecommunications (SingTel) has hit back at a report claiming that the telco had dodged more than A\$700 million in taxes due to the Australian government.

The Singapore telecommunications giant says the report wrongly applied the Australian corporate tax rate of 30 per cent to its entire group profits, not all of which are liable for Australian tax.

Others have since come out to denounce the report, which has garnered much attention and was widely reported Down Under.

The report, "Who pays for our common wealth? Tax practices of the ASX 200", looks at the tax practices of the ASX 200 - the largest companies listed on the Australian Securities Exchange (ASX).

Produced by United Voice and the Tax Justice Network - a coalition of unions, churches and charities - it purported to find that nearly a third of ASX 200 companies have an average effective tax rate of 10 per cent or less. It claimed that overall, the effective tax rate of ASX 200 companies over the last decade was 23 per cent, leading to more than A\$80 billion (S\$89.03 billion) worth of forgone tax from 2004 to 2013.

Among the companies it highlighted was SingTel - it claimed the telco dodged A\$713 million in taxes during the 10-year period.

SingTel - which is listed on both the Singapore Exchange and the ASX, and has operations in Australia through Optus - has come out to clarify such claims.

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"The article has simply and incorrectly calculated tax foregone in Australia by applying the Australian 30 per cent corporate tax rate to the accumulated total of SingTel Group profits," a SingTel spokesman said.

Australia levies a flat 30 per cent rate of tax on corporate income; however, non-resident companies, such as SingTel, are required to pay income tax only on Australian-sourced income, and not on income derived from all sources.

The SingTel spokesman went on to say: "SingTel's Australian subsidiaries undertake all their legal and governance responsibilities diligently, including their Australian tax obligations."

The report has also come under fire from other sources. The Australian columnist Stephen Bartholomeusz says the report was "built on a complete absence of the facts".

"The report is remarkable for the shallowness of its understanding of corporate taxation and, indeed, of the entities it points the finger so accusingly at," he adds.

Mr Bartholomeusz says the authors of the report don't seem to know the difference between a company and a trust (a trust doesn't pay tax), and that they have applied Australian tax rates to non-Australian income earned incurred by non-Australian resident companies such as 21st Century Fox and SingTel.

He concludes by saying that this sort of "shambolic and misleading analysis in the United Voice/Tax Justice report ... is less than constructive, is damaging to the companies and trusts concerned, undermines taxpayer trust in the tax system, and confuses the debate".