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'GOOGLE TAX' WILL DAMAGE AUSTRALIA'S INVESTMENT REPUTATION

"The government's proposed 'Google tax' is nothing more than a tax grab and will damage Australia's investment reputation," says Chris Berg, Senior Fellow with the Institute of Public Affairs.

Treasurer Joe Hockey announced yesterday that the government has drafted legislation to go after companies accused of "profit shifting" across international borders to reduce their taxes.

"Companies should pay tax for economic activity in the countries in which that activity occurs. However to follow the United Kingdom's lead and introduce a Diverted Profits Tax would be to damage the integrity of our corporate tax system for little revenue benefit," says Mr Berg.

Mr Berg and Professor Sinclair Davidson put a submission into the Senate Inquiry into Corporate Tax Avoidance in February 2015.

"Institute of Public Affairs research has found that the profit shifting problem has been vastly overstated," says Mr Berg.

"There is little evidence to suggest the existing system is broken. Large firms are responsible for the vast bulk of Australia's corporate tax revenue. And past inaccurate Treasury forecasts of future corporate tax revenue are due to changing commodity prices, not corporate tax avoidance."

"Joe Hockey has a spending problem, not a revenue problem. If the government wants to get the budget back into shape it needs to focus on the size of government, not penalise successful companies for investing in Australia," says Mr Berg.

Mr Berg and Professor Davidson's submission is available at http://ipa.org.au/portal/uploads/2-feb-15-Submission_to_the_Senate_Inquiry_into_Corporate_Avoidance.pdf

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