SE News

HD **Foreign-owned miners should pay their dues**

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THEIR SAY opinion

The federal government must close the loopholes that allow some major multinationals to pay little or no corporate tax, writes Tim Buckley.

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THE recent article in the Newcastle Herald by Michael West ("Tax bill for Glencore a big zero") brilliantly highlighted a harsh truth: when it comes to paying tax, multinationals play by their own rules.

Be it Glencore, Facebook or Google, thesecompanies work primarily for their global shareholders and might work for the general benefit of their host country, but as for any foreign domain like Australia - it is fair game. The idea of paying a fair share of corporate tax in a foreign country is certainly not in any hymn book they sing from.

Looking at the coalmining industry specifically, the evidence is pretty clear - foreign companies own most of Australia's mining and related infrastructure assets. Global pension funds like Blackrock, Fidelity and Capital International own the majority of shares in even Australian domiciled multinationals like BHP and Rio. Japanese, Korean, **Chinese** and Indian power and trading companies, plus global coal companies like Anglo American, Peabody and Vale own most of Australia's coal assets.

The rail and port infrastructure of the coalmining industry is likewise increasingly owned by global firms like Brookfield of Canada (which owns the vast Dalrymple Bay coal port), Adani of India (Abbot Point) and **China** Merchants **Group** (which now owns the Port of Newcastle). The Port of Brisbane is partly owned by Abu Dhabi Investment Authority.

Not even NSW coal assets of Whitehaven Coal, an ASX listed **firm**, are Australian. Whitehaven's largest shareholder is Farallon Capital of New York. As of March 2014, Whitehaven's share register shows that 10 of the top 15 shareholders are foreign registered. And Japanese and Korean power firms like Itochu Corp own direct stakes of 25 to 30 per cent in each of Maules Creek, Narrabri and Tarrawonga coalmines.

In its Mining the age of entitlement report last week, The Australian Institute revealed $17.6 **billion** was paid in state government assistance to the mining industry in Australia in the past six years. So no matter what the foreign **company**-funded Queensland Resource Council lobby **group** claims, Australian coalmining is majority foreign owned; in the main, pays a disproportionately low share of corporate tax; and receives a disproportionately large share of state aid, at a time our government requires austerity for all ordinary Australians.

Here are some solutions to limit tax avoidance by multinationals. One is to limit the tax deductibility of interest from excessive leverage, termed a thin-capitalisation rule.

When questions are raised about the overstated benefits of foreign investment, mining industry lobby groups are quick to claim "xenophobia" in a crude attempt to stifle debate. Having worked in the global financial markets for 25 years, I am all for free markets. But with one caveat - that our Australian government should set the rules to protect the interests of all Australian citizens.

The government needs to ensure multinationals can't **buy** up Australian companies, add huge amounts of tax-deductible debt, and then use transfer pricing so the tax haven-based marketing divisions shift offshore the profits from industrial divisions, and then ask for fossil fuel subsidies like the $2.4 **billion** annual diesel rebate. Australian voters pay diesel tax, but foreign-owned miners are exempt.

Who is our government working for? Premier Campbell Newman in Queensland knows - he regularly tells us he is proudly in the coal **business**, right alongside Adani Enterprises, GVK Power, Anglo American and Glencore.

BHP Billiton and Rio Tinto are multinationals, but being domiciled in Australia, their attitude to environmental, social and governance issues is far more attuned to Australia's interests. BHP and Rio Tinto are among its largest corporate taxpayers. BHP and Rio Tinto also identify worker safety as a key performance indicator. Swiss-based Glencore falls way behind on both counts.

The revelations of Glencore's tax minimising raise broader questions too. If coal companies can exploit tax law loopholes to pay next to no corporate tax in Australia, the bulk of the financial benefits of coalmining will flow overseas while residents will be left to carry the costs of coal dust, water, health and mine remediation.

The risk is that not only will Hunter Valley industries such as tourism, **wine**, renewable energy and farming be badly compromised in what looks like the dying decade of the thermal coal industry but governments will have no funds to invest in enabling the development of the industries of the future.

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CO bkhlp : BHP Billiton Ltd | bltplc : BHP Billiton PLC

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