

Procurement issue

Overview

Proposal from Macquarie Telecom

- Macquarie Telecom made a submission to the Senate Economics Inquiry into Corporate Tax Avoidance. Their submission highlighted their concern that government departments are entering into procurement arrangements (particularly in relation to ICT services and cloud services) with international businesses paying no tax in Australia.
- They made a suggestion to the committee to recommend that:
 - Where a department or agency is choosing to acquire services from alternative providers, and the price, quality and value for money of the alternatives are equivalent, the department or agency should be required to inquire where the transacting parties are domiciled for tax purposes.
 - If the department or agency decides to proceed with a provider that is domiciled offshore ahead of a locally domiciled alternative, it should be required to report to the Secretary, agency head and portfolio Minister, providing the reasons.
- They argued that the benefits of the proposal include:
 - The Government setting an example to the private sector and protect it from being accused of indirectly supporting tax avoidance.
 - It would require international businesses to consider whether their arrangements were consistent with their own best interests.

Proposal from Senator O'Sullivan

- Senator Barry O'Sullivan wrote to the former Treasurer Joe Hockey proposing similar requirements:
 - Departments considering tenders where the price, quality of services and value for money is equivalent should be required to ask multinationals 'Where are you recording this transaction for tax purposes?'
 - Where the tender taken up is with a business choosing to record the transaction overseas, a written explanation will need to be provided to the head of the department or agency and the portfolio Minister.
- The Senator also proposed an additional requirement:
 - The information requested from the multinational should be such that the government can calculate how much revenue it can obtain if the contract was awarded to the multinational.
- The Senator argued that the benefits of the proposal are:

- Provide greater transparency
- Level the playing field for Australian businesses
- Particularly necessary as there will be more business with overseas companies in the next few years due to changes in technology, for example with the Government's Cloud Policy.

Position

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