

Australian tax crackdown to target Google, other multinationals

(Reuters) - [Australia](#) [1] released draft revisions to tax laws on Thursday, which it said were designed to stop big firms, including the local arm of Google, from shifting their income to countries such as Holland or [Ireland](#) [2] where the tax rates are lower.

The move is in line with a push by Britain and [Germany](#) [3] who want the [G20](#) [4] group of nations to make multinational companies pay their "fair share" of taxes, following reports of large firms exploiting loopholes to shift taxation of their income away from where they are generated.

Australia's Assistant Treasurer David Bradbury said the tax laws were being revised to ensure that companies pay tax on profits made in the country, citing the case of Google [Australia](#) [5].

"While the day-to-day dealings of Australian firms [advertising](#) [6] on Google might be with Google Australia, under the fine print of contracts Australian firms sign with Google, they are actually buying their advertising from an Irish subsidiary of Google," Bradbury said in a speech to accountants in Sydney.

"It is then argued that the source of this income - and therefore the taxing rights under our tax treaty - would be with [Ireland](#) [7] rather than Australia."

Australia's company tax rate is 30 percent, compared to Ireland's rate of 12.5 percent.

Google Australia would not comment directly on Bradbury's comments, but said it complied with all local tax laws.

"We make a significant contribution to Australia's [economy](#) [8] by helping thousands of businesses grow online, providing services to millions of Australians at no cost, as well as employing 650 people locally," a Google spokesperson said in a statement.

"We abide by all Australian tax laws."

Bradbury said Google's tax structures involved complicated royalty payments to a Dutch subsidiary which is paid back to another holding company controlled in Bermuda, where there is no corporate tax.

"The profits from the sale of [advertising](#) [6] to an Australian firm then sit in a tax-free jurisdiction - possibly indefinitely," Bradbury said.

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In October, a Reuters report showed Starbucks had legally lowered its UK tax bill with inter-company loans, paying royalty fees to foreign subsidiaries and allocating money made in the UK to other units in so-called "transfer pricing".

In other recent reports, companies including Apple have come under scrutiny for their approach to paying taxes.

(\$1 = 0.9665 Australian dollars)

(Reporting by James Grubel; Editing by Sanjeev Miglani)

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