A number of big Australian companies have started to publicly release tax reports recently, such as ANZ, BHP Billiton, AMP and the National Australia Bank. This follows intense scrutiny of tax minimisation and evasion from the Australian government.

It may be an attempt to prevent more rigorous mandatory tax regulation given the Federal government has started down this path with the “tax transparency framework” , that requires the ATO to publicly disclose largest companies' taxable income and tax payable. However the details available in the latest public tax reports are still not transparent, as the reports are relatively new and in some cases unaudited.

One example is BHP Billiton, which released its second ever audited Economic Contribution and Payments to Governments report, to comply with United Kingdom tax regulations. This regulation requires large businesses to publicly disclose details of their tax strategies. Large Australian companies with a permanent establishment in the UK are included.

BHP reports that it has paid US$3.7 billion globally in taxes, royalties and other payments. That is down from the US$7.3 billion it reported in 2015. In 2016, about US$2.5 billion was paid to governments in Australia (2015 US$5.24 billion), with US$1 billion paid as taxes. The remainder is primarily made up of US$1.5 billion in royalties and US$230 million in “other” payments.

Although these figures may be large by Australian standards, the disclosures themselves provide little to no additional information than the company’s financial statements. The real value in the disclosures is the total taxes and royalties payments by country, level of government and project.

However, there are some limitations to the disclosures as well. While all these disclosures are consistent with the UK legislation and have been independently audited, the report includes little analysis and contains no comparable figures in the same report, such as those for previous years.

The figures for 2016 show a substantial decrease in contributions to governments from the previous year's report. This is attributed in the report to lower global commodity prices.

Although that may be correct to some degree, the report does not discuss the annual change in the specific categories of payments to governments or in different countries. For example, the UK is the only country that has a net benefit in contributions. That means BHP receives more in refunds and tax offsets than it paid in taxes in either 2015 or 2016.

Additionally, the business segments for projects within each country have changed substantially from 2016 to 2015, making comparisons difficult. Although there may be legitimate reasons for that, no explanations are given in the "Basis of Report" section. This raises more questions than answers and reduces the usefulness of these reports.

The report also indicates an adjusted effective tax rate (ETR) of 35.8% globally and 30.3% in Australia. These are significantly higher than the average ETR for companies on the ASX 200 of around 22%, and of the 100 largely privately owned corporate tax payers of around 16.2%.

So on a global basis and in Australia, BHP Billiton does not appear to be avoiding tax especially given a statutory corporate tax rate of 30% in Australia. Only the global and the Australian ETRs are presented so we cannot establish whether this is the case in other jurisdictions.

The report also indicates that "once royalties are included, this rate (presumably the ETR of 35.8%) increases to 58.6% (globally)" and 56.6% in Australia. BHP has been including royalties in its publicised ETR for some years now. As the royalties the company pays to governments are consistently high, it automatically increases the rate it prefers to quote when discussing its tax affairs.

However, for financial accounting and tax purposes, royalties are not defined and recorded as taxes of any sort and those unaware of this may misinterpret the 58.6% as BHP's ETR. It is not.

In addition to this, unlike the 35.8% ETR, the 58.6% (royalty inclusive) figure is not reconciled in the report. So it is not obvious to as to how it was calculated in the first place. In fact, in all our attempts to do so using the royalty payments information provided in the report, we failed to reconcile the 58.6% to any other figure.

The consistent disclosure and emphasis by BHP on a royalty inclusive rate is puzzling. There is also no need for BHP to inflate its ETR as there is little to no indication of tax avoidance on a global scale or in Australia. A further puzzle is that the raw figure for royalties would have produced a higher rate.

Finally, for the first time the report discloses the names and some very basic information about 10 BHP subsidiaries incorporated in low-tax jurisdictions as defined by the European Commission in 2015. Although, the inclusion of subsidiaries in low tax jurisdictions is an important step, the European Commission definition of “low-tax jurisdictions” is a very narrow definition in comparison to that of the OECD.

For example, it excludes Singapore which is a jurisdiction that has caused problems between BHP and the ATO with respect to transfer pricing . Other than providing very basic information on each of the 10 companies there is no commentary as to why BHP has a need for these subsidiaries in the first place and what they have been used for. This also doesn’t include subsidiaries which BHP has in other tax-havens, such as those that are not on the European Commission’s list.

These reports by Australian companies with a permanent establishment in the UK contain tax payments information on a country-by-country, level of government and on a project basis. This is relevant and necessary for tax transparency purposes, and in particular the evaluation of corporate tax avoidance, both in Australia and globally.

The report still has significant inadequacies, but we still advocate that all large Australian companies be obliged to produce such as report on an annual basis. It is a step in the right direction compared to current requirements. The Federal government should be called on to introduce tax transparency legislation similar to that which came into effect this year in the UK.

The authors do not work for, consult, own shares in or receive funding from any company or *organisation that would benefit from this article, and have disclosed no relevant affiliations beyond the academic appointment above.*

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