

The public disclosure of information that Australia's largest companies give to the Australian Taxation Office (ATO) on their tax returns doesn't sway investors' decisions and doesn't reduce corporate tax avoidance, our research shows.

We examined the first three releases of ATO tax transparency data in 2014, 2015 and 2016, along with financial statement data and share price movements for 244 listed companies. Under the [Tax Laws Amendment Act 2013](#) the ATO is required to disclose total revenue, taxable income, and income tax payable for these companies.

Read more: [*The tax office's transparency reporting is looking a little opaque*](#)

When these companies first disclosed tax return data there was a significant negative reaction in stock prices for firms with lower effective tax rates. But the reaction wasn't limited to companies that disclosed. This suggests investor concerns about either spill-over effects for other businesses, or a more aggressive stance on tax avoidance from the ATO.

However, for the second and third releases of ATO data, there was no reaction from the financial markets at all, not even for those firms included in the disclosures.

In combination, these results suggest that the ATO disclosures provide little new or useful information to investors about corporate tax strategies. It also shows the information the ATO currently discloses doesn't lead to increased enforcement, and so, investors have little expectation of any increase in corporate tax payments.

What companies have to disclose to the ATO

The [aim of the Tax Laws Amendment Act](#) was to increase public scrutiny of company tax strategies through increased transparency, and ultimately discourage tax avoidance. Although

only limited to the largest firms, these disclosures are exceptional.

Apart from some Scandinavian countries that have public disclosure of all tax return information, Australia's legislation is unique. For example, the information is disclosed by the ATO rather than the companies themselves, and it's mandatory rather than voluntary.

The disclosed information also allows us to estimate the magnitude of corporate tax avoidance among these companies.

However, the tax transparency law is still yet to meet its stated aim. This may be due to the type of information disclosed.

Read more: [*To really tackle corporate tax evasion we need a public register*](#)

The information disclosed under the current legislation was chosen with no public consultation, discourse or input. So it's unclear whether the decision to include only certain information has been politically driven. Neither the government nor the ATO cite any research to support their choice of data to be released.

Our study demonstrates that the success of any scheme to improve company tax transparency relies on new information about corporate tax strategies being revealed. It also requires an expectation of some consequences. These could include an increase in the costs of corporate tax avoidance, such as increased scrutiny from the ATO, or additional costs to justify tax-reducing corporate structures.

Unfortunately, it seems Australia's law on this doesn't meet these hurdles, and the politics of addressing corporate tax avoidance has stifled an attempt to develop an effective policy to counter it.

Revealing how much tax companies pay doesn't move markets or reduce tax avoidance

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