Tax aggressiveness of alcohol and bottling companies in Australia

May 2017

Roman Lanis, Ross McClure and Mark Zirnsak

This research was funded by the Foundation for Alcohol Research and Education, Uniting Church in Australia Synod of Victoria and Tasmania, the Tax Justice Network Australia, and the International Transport Workers' Federation.

itf

tax justice network Australia

Uniting Church in Australia SYNOD OF VICTORIA AND TASMANIA

UTS BUSINESS SCHOOL

fare Foundation for Alcohol Research & Education

About the Foundation for Alcohol Research and Education

The Foundation for Alcohol Research and Education (FARE) is an independent, not-for-profit organisation working to stop the harm caused by alcohol.

Alcohol harm in Australia is significant. More than 5,500 lives are lost every year and more than 157,000 people are hospitalised making alcohol one of our nation's greatest preventive health challenges.

FARE is guided by the World Health Organization's (2010) *Global strategy to reduce the harmful use of alcohol* for stopping alcohol harms through population-based strategies, problem directed policies, and direct interventions.

If you would like to contribute to FARE's important work, call us on (02) 6122 8600 or email info@fare.org.au.

About Uniting Church in Australia, Synod of Victoria and Tasmania

The Uniting Church in Australia is an Australian Christian movement. It shares with Australian people in the search for meaning, purpose and community in life.

We have journeyed in faith through organic church union since 1977 from Methodist, Presbyterian and Congregational backgrounds to be a part of a truly Australian church: moved by the Spirit and inspired by the Gospel of Jesus.

The Uniting Church has a strongly felt and argued sense of social justice. These stances have been expressed in practical involvement and in political comment and advocacy.

The Uniting Church is the third largest Christian denomination in Australia, behind the Roman Catholic and the Anglican churches, with about 250,000 members spread throughout about 2,500 congregations. In Victoria and Tasmania the church has approximately 600 congregations and about 60,000 members.

About Tax Justice Network Australia

The Tax Justice Network Australia (TJN-Aus) is the Australian branch of the Tax Justice Network (TJN) and the Global Alliance for Tax Justice. TJN is an independent organisation launched in the British Houses of Parliament in March 2003. It is dedicated to high-level research, analysis and advocacy in the field of tax and regulation. TJN works to map, analyse and explain the role of taxation and the harmful impacts of tax evasion, tax avoidance, tax competition and tax havens. TJN's objective is to encourage reform at the global and national levels.

The Tax Justice Network aims to:

- promote sustainable finance for development
- promote international co-operation on tax regulation and tax related crimes
- oppose tax havens
- promote progressive and equitable taxation
- promote corporate responsibility and accountability, and
- promote tax compliance and a culture of responsibility.

The Tax Justice Network Australia is made up of 35 organisational members.

About the International Transport Workers Federation

The International Transport Workers' Federation (ITF) is an international federation of transport workers' trade unions.

Around 700 unions representing over 4.5 million transport workers from some 150 countries are members of the ITF. It is one of several global unions federation unions allied with the International Trade Union Confederation (ITUC).

Researcher affiliations

This report was commissioned and funded by the Foundation for Alcohol Research and Education (FARE); the Uniting Church in Australia, Synod of Victoria and Tasmania, the Tax Justice Network Australia; and the International Transport Workers' Federation. The analysis was conducted by Associate Professor Roman Lanis and Ph.D. candidate Ross McClure from the Accounting Discipline Group at the University of Technology Sydney.

1. Roman Lanis is an Associate Professor at the University of Technology Sydney.
2. Ross McClure is a Ph.D. candidate from the Accounting Discipline Group at the University of Technology Sydney.
3. Mark Zirnsak, Director, Social Justice Unit, Synod of Victoria and Tasmania, Uniting Church in Australia

The correct citation for this publication is:

Lanis, R., McClure R., Zirnsak, M. (2017) *Tax aggressiveness of alcohol and bottling companies in Australia*. Canberra: Foundation for Alcohol Research and Education.

Contents

1. Summary

Alcohol was responsible for 5,554 deaths and 157,132 hospitalisations.[1] The combined cost of both the harm from alcohol to individuals and those incurred on people around those drinking is estimated at $36 billion annually.[2] It is therefore worthy to consider the financial contribution these alcohol corporations make to the costs they inflict on the broader community.

In light of the current and critical debate in Australia on corporate tax avoidance, the objective of this research is to analyse the tax aggressiveness of major alcohol and bottling companies operating in Australia. Included in the analysis are both Australian and foreign owned businesses. In total 13 companies were analysed: Accolade Wines Holdings Australia Pty Ltd, Asahi Holdings (Australia) Pty Ltd, Beam Global Australia Pty Ltd, Brown-Forman Australia Pty Ltd, Casella Wines Pty Ltd, Coca-Cola Amatil Limited, Coopers Brewery Limited, Diageo Australia Limited, Lion Pty Ltd, McWilliams Wines Group, Pernod Ricard Pacific Holdings Pty Ltd, SABMiller Australia Pty Ltd and Treasury Wines Estates Limited.

The sample was broken up between profit or loss firms in consistency with the academic literature. Five companies were classified as loss, seven as profit and one as neither. Effective tax rates and book tax gaps were analysed with respect to the sample. Although it is difficult to interpret the results of loss firms (Accolade Wines Holdings Australia Pty Ltd, Asahi Holdings (Australia) Pty Ltd, McWilliams Wines Group, Pernod Ricard Pacific Holdings Pty Ltd and Treasury Wines Estates Limited) and SABMiller Australia Pty Ltd, the fact that they have made consistent losses and paid little-to-no tax is a potential sign of aggressive tax behaviour.

Using the Australian Taxation Office (ATO) tax data, six corporations (Beam Suntory, Brown-Forman Australia, Casella Wines, Coopers Brewery, Coca-Cola, Diageo Australia) paid tax at, or near, the statutory rate of 30 per cent in the financial years 2013-14 and 2014-15, two paid at a rate lower than 20 per cent (Asahi Holdings and Lion), and the other five paid nothing.

Taken together, the large alcohol companies in Australia are paying much less tax than would be expected if the 30 per cent corporate income tax rate applied.

The analysis found that the wine industry made only small tax contributions to the Australian community over the two years (with only Casella Wines making any corporate income tax contribution in the two years), despite having revenues four to five times that of the two beer companies (Coopers Brewery and Lion), who paid twice as much tax. The wine industry also enjoys special treatment through the excise arrangements, with the Wine Equalisation Tax generally resulting in lower excise on wine than on other types of alcohol, resulting in lower contribution in tax receipts overall

During the same time period, SABMiller, a beer and spirits company, generated a revenue of $5,544.4 million and paid nothing in corporate income tax in Australia.

2. Introduction to Tax Avoidance

The term ’tax aggressiveness’[a] first entered accounting research literature in the late 1990’s. At this time, the gap between financial income and tax income in company financial statements was steadily increasing.[b,3] Research into tax avoidance has been concerned with the magnitude, determinants and consequences of these corporate behaviours and activities.[4]

While the term ’tax avoidance’ has a specific meaning within accounting research into tax, in wider practice it is used interchangeably with the term ‘tax aggressiveness’, and in Australia, it is often referred to as ‘aggressive tax planning’. Much of the tax research literature uses very broad definitions of tax aggressiveness that capture all tax-reducing activities. However, it is the activities at the more aggressive end of the spectrum that are of interest to most stakeholders, such as tax authorities, capital markets, employee organisations and interest groups.

The need to encompass definitions from other disciplines becomes obvious when a firm, or firms, have been identified and accused of being tax aggressive. The first response by the firm(s), or an industry body defending them, is nearly always that they fully comply with all laws and pay all taxes required of them in all jurisdictions in which they operate.[5] The question as to whether or not an activity or scheme is legal is a fundamental issue in gauging or ranking the level of tax aggressiveness. As Borek, Frattarelli & Hart point out, “litigation has long revealed difficulties in designing, implementing and interpreting tax law in a manner that allows taxpayers to claim intended benefits without encouraging abuse”.[6] The abuse of tax laws for consequences never intended by parliaments are the activities and corporate behaviours that both interest and motivate much of the tax research in accounting.

Within the research literature, as well as in general usage, there are other terms such as ‘tax minimisation’, ‘tax planning’, ‘tax avoidance’, “tax sheltering”, and ‘tax evasion’. At times, some of these terms are also often used interchangeably. However, they can have specific meanings, based on legal, economic or legislative notions. Recent attempts to categorise and characterise these terms[7,8] has led to the following general categorisation.

- *Tax minimisation* refers to any activity that reduces explicit taxes.[c] This includes tax concessions such as capital allowances, accelerated depreciation, and research and development tax deductions that were designed to encourage investment and growth in the Australian economy.

---

[a] While accounting tax research differentiates between the terms “tax aggressiveness” and “tax avoidance”, the terms can be and are used interchangeably. In this report, the more common term, “tax avoidance” is used unless the authors are specifically referring to prior research or to a particular aspect of tax minimisation.

[b] This gap was identified by Desai (2003) who found that by 1998, the book-tax gap could no longer be explained by the previously attributed determinants, such as capital allowances, debt structure, etc.

[c] Explicit taxes are those taxes paid to tax authorities. On the other hand, implicit taxes are the losses incurred by entering into certain transactions. For example, when a US firm purchases local government bonds, the interest they receive on the bonds is not taxable income, thereby reducing explicit taxes. However, the firm may have to accept lower rates of return on these bonds than they could achieve elsewhere, thereby incurring an implicit tax. Most tax research is only interested in explicit taxes. Implicit taxes are very difficult to identify or estimate and are largely ignored in tax research.

- *Tax planning* is a term mainly used in Australia and Europe research literature and usually refers to an aggressive form of tax minimisation. It is described as a concerted strategy to reduce taxes.
- *Tax avoidance* refers to companies (and individuals) entering into transactions that have no economic significance, and with the sole or dominant purpose of reducing taxes. While this is supposedly illegal in Australia under Part IVA of the *Income Tax Assessment Act 1997* (ITAA), these cases can be difficult to prosecute and exist in a 'grey' area of tax law that usually requires judicial determination.
- *Tax sheltering* is a US term that is similar to tax avoidance, but usually refers to schemes that are marketed by tax consultants and sometimes involve a series of transactions in an attempt to disguise the ultimate nature of the arrangement.
- *Tax evasion* refers to activities that are illegal under tax legislation such as not reporting foreign income or claiming fraudulent deductions.

The decision to enter into an aggressive tax scheme involves balancing the costs and benefits involved. The main benefits of corporate tax aggressiveness are:

- increased cash and liquidity
- increased after-tax profits represented in a firm's performance metrics such as earnings per share[9]
- a reduced tax liability[10]
- a reduced effective tax rate that can send a positive signal to investors, thereby reducing the cost of equity capital.[11, 12, 13, 14]

The costs of tax aggressiveness include:

- reduced government revenue for important services like health care, hospitals, schools, mental health services, aged care and support for people with disabilities
- unfair competition for businesses that are complying with tax laws in the way the laws were intended to operate
- transaction costs incurred in setting up the tax planning strategy, such as registration and legal fees to establish off-shore subsidiaries
- the risk of detection if the activities are illegal, or in the 'grey' area. Gergen produced empirical evidence that the risk of detection increases as more firms engage in the same strategy, and also with the length of period a firm pursues the strategy[15]
- the increased ability of managers to use the opaqueness required to disguise some transactions in order to extract rents for themselves[16]
- the incentives required to encourage the tax manager or director to engage in these activities, as they face personal costs if detected.[17, 18]

There are further costs involved if the activity is detected and disallowed, such as:

- the unpaid tax liability and back taxes
- tax benefits that may be disallowed
- interest on the tax deficiency
- penalties imposed on both managers and the firm
- staff and managers' time along with disruptions from normal activities in order to comply with a tax audit.

Critically, there are also reputational and political costs from being associated with tax aggressiveness, both for the firm[19] and the individual managers.[20] Reputational damage can affect a company's sales, and produce a negative effect on a firm's share price, leading to an increased cost of equity capital.[21]

Since the global financial crisis the Australian Government has responded to corporate tax aggressiveness with a number of reforms. It has required increased transparency of large multinational enterprises (MNEs), with MNEs with over $1 billion in revenue being required to file reports breaking down their revenue, profits, assets and taxes paid on a country-by-country basis by the end of 2017. Such large MNEs also need to file general purpose accounts with the Australian Taxation Office (ATO) if they have not already filed such accounts with ASIC. The government amended the ITAA in 2015 to close a loophole in the definition of a permanent establishment that made it inapplicable to overseas multinational corporations for capital gains tax purposes. There have also been improvements to the general anti-avoidance provisions that are contained in Part IVA of the ITAA. Part IVA cases are difficult to prosecute and there have been few successful cases in Australia.

In the 2016 Commonwealth budget a Diverted Profits Tax (DPT) was proposed for introduction in 2017. It is aimed at MNEs who divert profits from Australia by either arranging their affairs so as to avoid creating a permanent establishment in Australia, or by making payments that lack economic substance, such as some royalty payments and management fees. The DPT rate itself is set at 40 per cent of any profits relating to Australian activity that are diverted. A secondary aim of the DPT is to remove information bias, allowing the Australian tax authorities full and timely examination of high-risk transfer pricing transactions. This provision creates strong financial incentives for full disclosure and engagement with tax authorities.

The 2016 Commonwealth budget also promised the introduction of United Kingdom (UK) style laws that require tax advisers selling aggressive tax schemes to notify the ATO of the schemes they are promoting to MNEs. In the UK this scheme has helped the government close loopholes in the tax law and recover significant revenue. So far the Australian Treasury has conducted a consultation on the scheme.

Also in the 2016 Commonwealth budget was the promise of better protection for whistleblowers that expose tax evasion by MNEs. The Australia Treasury has launched a consultation paper on what reforms might be put in place to achieve the greater protection.

MNEs are in a unique position to engage in tax aggressive strategies, as they are generally large in size and highly profitable, they exhibit low levels of debt in their capital structure, and have operations across national borders that generate foreign income streams. The overall group is made up of multiple entities across a number of tax jurisdictions and most multinational corporations have at least one subsidiary in a secrecy jurisdiction (with high secrecy concerning bank accounts). These characteristics have been associated with tax shelter activity in the US[22] and with aggressive tax planning strategies such as abusive transfer pricing in Australia. The information technology, pharmaceutical and energy sectors are dominated by large MNEs and provide strong mechanisms that allow these corporations to divert profits away from where value and profits are created to low tax secrecy jurisdictions in order to reduce their tax liabilities. However, MNEs in other industry sectors have also been shown to engage in tax aggressive and tax avoidance behaviour.

'Secrecy jurisdictions' provide laws and regulations that offer secrecy to those depositing funds within their borders. They undermine the ability of other governments, elected by their citizens, to levy taxes in a just and fair way, by providing a loophole for the wealthiest and MNEs to escape paying their fair share of tax. Global good governance is undermined when governments choose to act as 'secrecy jurisdictions'.

While many 'secrecy jurisdictions' are also defined as 'tax havens', the definitions of the two are different. The Australian Taxation Office (ATO) has also used the language of 'secrecy jurisdictions'.[23]

The definition of a secrecy jurisdiction is in three parts.[24] Firstly, secrecy jurisdictions are places that intentionally create regulation for the primary benefit and use of those not resident in their geographical domain. It must deliberately create laws that wholly or mainly relate to activities that take place 'elsewhere' as far as it is concerned.

Secondly, a secrecy jurisdiction deliberately designs the regulation they create for use by people and corporations who do not live in their territories so that it undermines the legislation or regulation of another jurisdiction.

Thirdly, the secrecy jurisdiction creates a deliberate, legally backed veil of secrecy that ensures those from outside the jurisdiction making use of its regulation cannot be identified to be doing so. While all three of these characteristics must be present for a jurisdiction to be considered a secrecy jurisdiction, this third characteristic is the most important.

3. Sample selection of alcohol companies and data source

The tax behaviour in Australia of the 13 largest companies from the alcohol production and bottling industry was examined. Some are public or proprietary and/or wholly owned subsidiaries of foreign multinationals while some are Australian owned (see Tables 1 and 2).

3.1 Brief descriptions of the companies examined

The following is a brief description of the 13 companies examined in this report, including the brands they own, type of alcohol involved and an indication of their size.

Wine companies

Accolade Wines Holdings Pty Ltd

Accolade Wines Holdings Pty Ltd states it is the fifth largest wine corporation in the world with 45 brands, sold across more than 140 countries, and more than 1,600 employees across 12 countries.[25] Its brands are:

Hardys	Bay of Fires Wines	Drylands
Amberley Reynella	Goundrey	Monkey Bay
Yarra Burn Sparkling	Renmano Premium	Geyser Peak
Leasingham	Grant Burge Barossa	Robert Mondavi
Houghton	Berri Estates	Atlas Peak
Moondah Brook	Omni	Paul Masson
Banrock Station	Eddystone Point	Gran Tierra
Stanley Wines	House of Arras	Flagstone
Starve Dog Lane	Brookland Valley	Stone's
Mad House	Ta_Ku	Country Manor
Nobilo	Babycham	Ginger Joe
Waipara Hills	Da Luca	Mozzomondo
Echo Falls	Jack Rabbit	Stowells
Ravenswood	Kumala	Turner Road
XYZin	Fish Hook	Anakena

Champ Private Equity owns 80 per cent of the company and Constellation Brands 20 per cent. It was announced in December 2016 that the company will be launched for public offer by June 2017.[26] Champ Private Equity is seeking to conclude its ownership.

In November 2016 it was announced that Accolade Wines had agreed to buy Lion's premium wine business, Fine Wine Partners (FWP).[27]

The researchers were unable to locate any public information about the tax affairs of Accolade Wines and the corporation appears to not have offered any public explanation concerning the absence of paying any tax in Australia in the years for which the ATO has released data.

Accolade Wines has an office in Amsterdam.

Casella Wines Pty Ltd

Casella Wines Pty Ltd is Australia's largest family-owned winery, which has its headquarters in Sydney.[28] It is owned through a trust structure.[29] In 2011 it accounted for almost 10 per cent of Australia's total grape crush.[30] In 2017 the business was valued at almost $1.5 billion in a share buyback.[31]

Casella Wines brands are:

Yellow Tail	Peter Lehmann Wines	Brand's Laira
Casella Limited Release	Casella 1919	Young Brute
Morris Wines		

Casella Wines does not make its annual accounts publicly available on its website.

McWilliams Wines Group Ltd

McWilliam's Wines Group Ltd is an Australian proprietary company owned by the McWilliam family. McWilliam's Wines brands include:

McWilliams	Hanwood Estate	Markview
Inheritance Fruitwood	On the Grapevine	On the Grapevine
Original Vineyards	Bagtown Range	High Altitude
Cool Climate	1913	Appellation

No financial accounts are publicly available on its website.

Treasury Wines Estates Ltd

Treasury Wines Estates is a global wine company with four regional business units in the Americas, Asia, Australia and New Zealand, Europe, the Middle East and Africa.[32] It was formerly Foster's wine business, but a demerger in 2011 created Treasury Wines Estates. The corporation is headquartered in Melbourne.

Treasury Wines Estates brands are:

19 Crimes	Annie's lane	Devil's Lair
Fifth Leg	Jamiesons Run	Lindeman's
Penfolds	Rosemount Estate	Acacia Vineyard
Wolf Blass	Baileys of Glenrowan	Yellowglen
Beaulieu Vineyard	Belcreme de Lys	Beringer Vineyards
Blossom Hill	Castello di Gabbiano	Chateau St Jean
Coldstream Hills	Etude	Greg Norman Estates
Heemskerk	Hewitt Vineyard	Ingoldby
Killawarra	Leo Baring	Matua
Meridian	Metala	Pepperjack
Provenance Vineyards	Rawson's Retreat	Run Riot
Saltram	Secret Stone	Seppelt
Shingle Peak	Sledgehammer	Squealing Pig
St Huberts	Stag's Leap Winery	Stellina di Notte
Sterling Vineyards	T'Gallant	Wynns Coonawarra Estate

Spirits Companies

Beam Suntory Australia Pty Ltd

Beam Suntory Australia is part of the multinational giant Beam Suntory, which is headquartered in Chicago, USA. However, Beam Suntory Australia Pty Ltd operates as a subsidiary of Beam Netherlands BV.

Beam Suntory is the fourth largest premium spirits company in the world and the largest US-based spirits company.[33]

In 2012 Beam Suntory had total global sales of US$2.5 billion and advertising and marketing expenditure of $398.7 million.[34]

Beam Global owns the following brands:

Teacher's Rum	Old Crow Kentucky Straight Bourbon
Baker's Kentucky Straight Bourbon Whiskey	Old Grand-Dad® Kentucky Straight Bourbon Whiskies
Basil Hayden's Kentucky Straight Bourbon Whiskey	Chita Single-Grain Whisky
Booker's Kentucky Straight Bourbon Whiskey	Hakushu Single Malt Whisky
Bourbon de Luxe Kentucky Straight Bourbon Whiskey	Hibiki Japanese Harmony Suntory Whisky
Jim Beam	Kakubin Suntory Whisky
Knob Creek	Toki Torys
Maker's Mark Bourbon	Yamazaki Single Malt Whisky
2 Gingers Irish Whiskey	(ri)1 Straight Rye Whiskey
Greenore Single Grain Irish Whiskey	DYC Whisky
Kilbeggan Irish Whiskey	100 ANOS Tequila
Tyrconnell Single Malt Irish Whiskey	El Tesoro de Don Felipe 100% Agave Tequilas
Alberta Premium Canadian Rye Whisky	Hornitos Tequila
Canadian Club	Sauza
Tangle Ridge Double Casked Blended Canadian Whisky	Tres Generaciones Tequila
Old Overholt Straight Rye Whiskey	Calico Jack Rum
Cruzan Rum	Ronrico Rum
AO Vodka	Effen Vodka
Kamchatka	Pinnacle
VOX Imported Vodka	Courvoisier Cognac
Salignac Cognac	After Shock Liqueur
DeKuyper	JDK & Sons™ O3
Kamora	Lejay Lagoute Cassis Liqueurs
Midori	Sourz Liqueurs
Gilbey's Gin	Larios Dry Gin
196 C	Homemade Style
Horoyi	Kokushibori
Skinnygirl Cocktails	

Brown-Forman Australia Pty Ltd

Brown Forman Australia Pty Ltd is owned by Brown-Forman Netherlands B.V. (Brown Forman, 2016, p.102).[35] and both are subsidiaries of Brown-Forman Corporation, headquartered in Delaware, USA.

Brown Forman brands in Australia are:

Jack Daniel’s	Collingwood	Canadian Mist
Woodford Reserve	Coopers’ Craft	Early Times
Old Forester	The Benriach	The Glendronach
Glenglassaugh	Herradura	El Jimador
Don Eduardo	Pepe Lopez	Finlandia
Finlandia Frost	Chambord	Santa Dose
Korbel	Sonoma-Cutrer	

The Brown-Forman Corporation (USA) states in its 2016 annual report that its Effective Tax Rate was 30.5 per cent in 2014, 31.7 per cent in 2015 and 28.3 per cent in 2016 (*Brown Forman, 2016 Annual Report, p.18)*.

Wine and spirits companies

Pernod Ricard Pacific Holding Pty Ltd

Pernod Ricard Pacific Holding Pty Ltd is a wholly-owned subsidiary of the French-based Pernod Ricard Group. Pernod Ricard reported paying €160 million ($227 million) on €603.7 million of global net profit ($854.8 million) in the 2015-16 financial year[36], for an effective tax rate of 26.5 per cent.

The company’s brands include:

Wine	
Jacobs Creek	Wyndham Estate
Richmond Grove	Gramps, Poets Corner
Russet Ridge	Jacaranda Ridge
Lawson's	
Sparkling wine	
Trilogy	Carrington
Fortified wine	
Morris	
Spirits	
Brandy: Martell	Gin: Beefeater, Seagram's, Plymouth
Rum: Havana Club, Malibu	Tequila: Avion, Olmeca Altos
Vodka: Absolut	Whiskey: Chivas Regal, Jameson, The Glenlivet, Ballantine's, Wiser's
Liquer	
Kahlúa	

Beer companies

Coopers Brewery Limited

Coopers Brewery Limited is a private company owned in Australia. The publicly accessible annual reports for the company do not include a statement of accounts.[37] Its shares are primarily owned by the extended Cooper family, and the company's constitution and classes of shares makes it difficult to sell shares outside the family.

Coopers have the following international partner brands:

Kronenbourg	Sapporo	Fix Hellas
Carlsberg	Mythos	Thatchers Cider
Holsten 0.0%	Brooklyn	

Beer and wine companies

Lion Pty Ltd

Lion Pty Ltd is a wholly-owned subsidiary of Kirin Holdings Company Limited, headquartered in Tokyo, Japan. Lion Pty Ltd is headquartered in Sydney.

Lion Pty Ltd brands include:

Beer		
XXXX	Summer Bright	Tooheys
Hahn	James Boag’s	Emu
Swan Draught	West End Draught	White Rabbit
Kosciuszko Pale Ale	Knappstein Reserve Lager	Furphy Refreshing Ale
James Squire	One Fifty Lashes Pale Ale	The Chancer Golden Ale
The Constable Copper Ale	Nine Tales Amber Ale	The Swindler
Stowaway IPA	Hop Thief American Pale Ale	Four Wives Pilsener
Jack of Spades Porter	Little Creatures	
International beers		
Kirin	Heineken	Guinness
Birra Moretti	Kilkenny	Steinlager
Cider		
5 Seeds	James Squire	Kirin
Pipsqueak Apple Cider	Aspall	
Wine		
Croser	Petaluma	Knappstein
St. Hallett	Stonier	With Hills
Te Hana	Tatachilla	Argyle

Beer and spirits companies

Asahi Holdings (Australia) Pty Ltd

Asahi is a beer and spirits multinational corporation headquartered in Japan. Asahi's brands in Australia and New Zealand are:

Asahi	Schweppes	Solo
Spring Valley	Cottee's	Cricketeers Arms
Real Iced Tea Co	Woodstock	Charlie's
Cool Ridge	Vodka Cruiser	New Zealand Phoenix Orange
Frantelle	Mountain Goat	Pop Tops
Pepsi	Somersby	Gatorade
Mountain Dew	Kingfisher	Sunkist
NZ Pure Lager	VOSS	Highland Genuine Scotch Whiskey
Lqd+	Estrella Damm	Wild Moose

Coca-Cola Amatil Pty Ltd

Coca-Cola Amatil is headquartered in Sydney. The alcohol component is small element of the overall Coca-Cola Amatil company.

In 2011 it renewed an agreement with Beam Inc to continue to manufacture, sell and distribute the Beam premium spirits products in Australia for 10 years.[38]

In August 2012 Coca-Cola Amatil signed an agreement with Casella Wines to form a joint venture company, the Australian Beer Company, to brew and market Casella Wines beer products.[39]

In 2013 Coca-Cola Amatil signed a joint venture deal with Rekorderlig to be the sole importer and distributor of Rekorderlig Cider in Australia.[40]

In August 2013 Coca-Cola Amatil announced the establishment of a long-term agreement to distribute the Molson Coors beers in Australia.[41]

In 2015 Coca-Cola Amatil expanded its relationship with Beam Suntory, signing a new 10-year agreement in Australia that, amongst other things, expanded the relationship to take in the Suntory range of spirits.[42]

Diageo Australia Limited

Diageo Australia Limited is a wholly-owned subsidiary of Diageo Asia Pacific which in turn is owned by Diageo Plc, which is headquartered in London. It manufactures alcoholic beverages in 30 countries and sells products in 180 countries.[43] It reports an operating profit margin for the Asia Pacific region of 11.6 per cent.[44]

In 2016, Diageo paid £637 million in taxes ($1,028 million) on £2,858 million in operating profit ($4,610 million) worldwide,[45] with an effective global tax rate of 22.3 per cent.

Its brands include:

Gin		
Tanqueray	Gordon's	Booth's
Rum		
Captain Morgan	Ron Zacapa	Cacique
Tequila		
Don Julio		
Vodka		
Smirnoff	Ketel One	Cîroc
Whiskey		
Johnnie Walker	Crown Royal	Bulleit
Seagram's	George Dickel	Caol Ila
Talisker	Lagavulin	Oban
J&B	Bell's	Buchanan's
Cardhu		
Liqueur		
Baileys		
Beer		
Guinness		

SABMiller Australia Pty Ltd

SABMiller Australia Holdings Ltd is a wholly-owned subsidiary of SABMiller plc, incorporated in the United Kingdom. SABMiller was the world's second largest brewing company until it was purchased by Anheuser-Busch InBev on 10 October 2016, creating the world's largest brewing company.[46]

SABMiller Australia's brands include:

Beer		
Abbotsford	Aguila	Beck's
Budweiser	Carlton	Cascade
Corona	Crown	Foster's
Great Northern	Hoegaarden	Yak Ales
Leffe	Melbourne Bitter	Pure Blonde
Reschs	Sheaf	Stella Artois
Victoria Bitter		
Cider		
Bonamy's	Bulmers	Matilda Bay
Little Green	Mercury	Pure Blonde
Spring Cider Co.	Strongbow	
Spirits		
Cougar	The Black Douglas	Karloff Vodka
Akropolis Oyzo	Prince Albert's Gin	Coyote
Continental		

3.2 Tax analysis of the alcohol companies

Three sources of data were used to analyse the tax aggressiveness of the 13 companies. The first data source is the ATO disclosures of the 2013-14 total income, taxable income and tax payable for 1,858 companies released on two separate occasions, in December 2015 and in March 2016.

The second source is the ATO disclosures of the 2014-15 total income, taxable income and tax payable released in December 2016.

The third source of data is the latest available financial reports for these companies from Australian Securities and Investment Commission (ASIC) or the Mint Global database that provide two years of financial data. The data required to analyse the tax aggressiveness of these companies over their most recent two-year period was hand collected from the reports for 2013-14 or 2014-15 (see Table 2). The data for each firm was averaged over the two-year period to provide a clearer picture of any tax reducing mechanisms and to reduce the volatility that can exist in single period results.

The sample contained five companies (Accolade Wines Holdings Australia Pty Ltd, Asahi Holdings (Australia) Pty Ltd, McWilliams Wines Group, Pernod Ricard Pacific Holdings Pty Ltd and Treasury Wines Estates Limited) that made an overall loss and seven (Beam Global Australia Pty Ltd, Brown-Forman Australia Pty Ltd, Casella Wines Pty Ltd, Coca-Cola Amatil Limited, Coopers Brewery Limited, Diageo Australia Limited and Lion Pty. Ltd.) that made an overall profit for the two years (Treasury Wines Estates and Accolade Wines Holdings were the only two that made a profit in one year and a loss in the other with an overall loss over the two sample periods).

One company SABMiller Australia made zero profit in 2014 and an insignificant profit of only $122,000 in 2015 and is therefore classified as a zero profit firm. The sample was divided into profit firms, that netted an overall profit across the two years, and loss firms that reported an overall loss plus the one zero profit firm. The main reason for separating loss firms from profit firms is that the incentives involved in loss creation move in the opposite direction to profit-shifting in profitable firms, and therefore, could potentially corrupt the results. Thus, any analysis of loss firms (whereby losses over more than one period may indicate tax aggressive behaviour in its own right) is treated with caution below. The summary of the data selection process is in Table 1.

Table 1: Sample Selection 1 - Selected Alcohol Companies Operating in Australia – 2013-14 and 2014-15 financial years.

	Public Australian Listed	Public Foreign Owned Unlisted	Proprietary Australian	Foreign Owned Proprietary	Total
All Firms	3	1	3	6	13
Loss Firms	1		3	2	6
Profit Firms	2	1	0	3	6
Zero Profit				1	1

Data source: ASIC 'Copy of financial statements and report', Form 388.

Table 2: Sample Selection 2 - Selected Alcohol Companies Operating in Australia – 2013-14 or 2014-15.

Firm	ABN	2013FY	2014FY	2015FY	%	Parent Company HQ	Type
Accolade Wines holdings Australia Pty Ltd	56103359299	0	1	1	100	Australia	Prop
Asahi holdings (Australia) Pty Ltd	48135315767	1	1	0	100	Japan	Prop
Beam Global Australia Pty Ltd	85003953357	1	1	0	100	US/Japan	Prop
Brown-Forman Australia Pty Ltd	87000064086	0	1	1	100	US/NED	Prop
Casella Wines Pty Ltd	96060745315	0	1	1	100	Australia	Prop
Coca-Cola Amatil Limited	26004139397	0	1	1	majority	Australia	public listed
Coopers Brewery Limited	13007871409	0	1	1	majority	Australia	public listed
Diageo Australia Limited	33004167720	0	1	1	100	UK	Public unlisted
Lion Pty Ltd	50128004268	0	1	1	100	Japan	Prop
McWilliams Wines Group Limited	36000024108	0	1	1	100	Australia	Prop
Pernod Ricard Pacific Holding Pty Limited	16003678484	0	1	1	100	France	Prop
SABMiller Australia Pty Ltd	17125851167	0	1	1	100	UK/ US via AB InBev merger	Prop
Treasury Wines Estates Limited	24004373862	0	1	1	majority	Australia	Public Listed

4. Analysis of effective tax rates of thirteen alcohol companies operating in Australia

4.1 Descriptive statistics

The largest profit in a single year was $574.4 million by Coca-Cola Amatil Ltd in 2015. The largest single loss was reported by Treasury Wines Estates Pty Ltd of $241 million in 2014. Over the two years, 100 per cent of profit firms incurred a net tax expense as opposed to a tax benefit and paid taxes rather than receiving a net refund. Of the loss firms, Asahi Holdings paid cash taxes but incurred no tax expense over the two years, while Accolade Wines paid cash taxes and recorded a tax expense in 2015. In general, profit firms were more likely to pay taxes and more likely to report a tax expense against their profits than the loss firms. The descriptive statistics are shown in Table 3. Column A shows the total amounts over the two-year period. Column B displays the average annual amount for each firm.

The exceptional firm from the list is SABMiller Australia which made zero profit in 2014 and an insignificant amount in 2015 of $122,000, but received tax benefits of almost $200 million on average over the two years. The company also paid no tax at all in the 2013-14 and 2014-15 financial years, but had 'Total Income'[d] of over $2 billion in the 2013-14 financial year and total income of $3.5 billion in the 2014-15 financial year according to the ATO.

[d] 'Total Income' from the ATO data releases refers to assessable income before allowable deductions and is fairly equivalent to Total Revenues from the Financial Statements with a few, usually minor adjustments for exempt and non-assessable income.

Table 3: Descriptive statistics for alcohol companies operating in Australia 2013-14. Total amounts from the Financial Statements for the two-year period.

Firm	Accounting Net Profit before Tax 2yr average ($)	Tax Expense 2yr average ($)	Cash Tax Paid 2yr average ($)
Accolade Wines Holdings Australia Pty Ltd	-1,209,000	8,416,000	829,500
Asahi Holdings (Australia) Pty Ltd	-112,763,500	-8,040,500	1,239,500
Beam Global Australia Pty Ltd	9,194,196	3,311,223	2,751,953
Brown-Forman Australia Pty Ltd	6,793,437	2,192,868	2,958,228
Casella Wines Pty Ltd	56,122,000	16,710,000	10,343,000
Coca-Cola Amatil Limited	479,800,000	141,700,000	163,600,000
Coopers Brewery Limited	40,481,000	12,020,000	11,489,500
Diageo Australia Limited	39,891,000	13,742,500	5,719,500
Lion Pty Ltd	286,450,000	72,200,000	54,500,000
McWilliams Wines Group Limited	-14,913,500	1,932,500	0
Pernod Ricard Pacific Holding Pty Ltd	-40,908,500	-5,575,000	0
SABMiller Australia Pty Ltd	61,419	-278,866,082	0
Treasury Wines Estates Limited	(65,050,000)	-52,650,000	-1,250,000

4.2 Methodology

Measuring tax aggressiveness in business research has always been problematic as it is not directly observable due to the private nature of tax returns and other submissions to the tax authorities. Accounting research has traditionally employed proxy measures of tax aggressiveness obtained from data in the financial statements. The main proxies used in recent research are the effective tax rates (ETRs) and book-tax gaps (BTG's). These proxies capture the tax contributions facing companies and are useful for the comparative ranking of firms on their level of tax aggressiveness. The most popular measures of effective tax rates are the cash effective tax rates, which use cash taxes paid, rather than the tax expense; these were used by the Citizens for Tax Justice in the US in the early 1980's to instigate the largest tax reform in US history. However, using these measures in this analysis is problematic due to inconsistencies in the reporting of cash taxes paid in the financial statements of some companies. As a result, the analysis will rely on the Generally Accepted Accounting Principles (GAAP) effective tax rate and the book-tax gap to examine these companies and to estimate the amount of taxes avoided if any[47].

The GAAP effective tax rate captures both the current tax payable and the deferred tax liability. While in principle most of the deferred tax liability will at some future stage reverse and become current tax payable, analysis of deferred tax liabilities has shown that a significant proportion can be deferred almost indefinitely.[48] [49] In such cases, the tax expense may not accurately represent the correct level of taxes incurred on corporate profits. GAAP ETRs can also be distorted by the estimates used to calculate accruals. These estimates may be unreliable, and many accruals are disallowed for taxation purposes. However, GAAP ETRs capture the reporting behaviour of firms, which is the main focus of this analysis. The formula used to estimate this measure is:

GAAP ETR = Tax Expense / Accounting Net Profit before Tax

The use of Cash Taxes Paid identifies tax avoidance associated with permanent differences. Permanent differences can cause estimates of ETRs based on the Current Tax Expense to be overstated. The cash ETR is also not affected by changes to the valuation allowance or tax cushion, which create permanent differences. The formula used to estimate this measure is:

Cash ETR = Tax Paid / Accounting Net Profit before Tax

Book-tax gaps are useful for estimating the amount of taxes that are avoided. Like the ETRs, these measures can use either cash taxes paid or the GAAP tax expense. The book-tax gap measures the difference between the amount of tax that was paid and the amount that would have been paid if the statutory tax rate was applied to reported profits. It provides a measure of the magnitude of the economic loss caused by tax aggressive behaviours. For the GAAP BTG, the reported tax expense is grossed up by the statutory tax rate and the pre-tax profits are deducted, indicating the difference between book income and an estimate of the taxable income on which tax expense was incurred. A positive figure indicates that the grossed up taxable income is higher than the reported accounting income representing a lower level of tax avoidance. The formula used to estimate this measure is:

GAAP BTG = (Tax Expense/ STR) - Accounting Net Profit before Tax

When interpreting the results from these measures, a lower ETR represents a higher level of tax aggressiveness, whereas it is the opposite for the BTG.

4.3 Results

The results from the main analysis of tax aggressiveness in large private companies and multinational subsidiaries operating in Australia are shown in Table 3. Column 3 (GAAP ETR) displays the results from the GAAP ETR averaged over two years. The average ETR for profit firms is 31 per cent. This is slightly higher than the statutory tax rate for companies in Australia which is currently 30 per cent.

Table 4: Results of analysis of the tax aggressiveness of alcohol companies operating in Australia in 2013-14 and 2014-15.

Firm	Firm Type	GAAP ETR 2yr average	Cash ETR 2yr average	GAAP BTG 2yr average ($)
Accolade Wines Holdings Australia Pty Ltd	Loss	-6.9611	-0.6861	29,262,333
Asahi Holdings (Australia) Pty Ltd	Loss	0.0713	-0.0110	85,961,833
Beam Global Australia Pty Ltd	Profit	0.3601	0.2993	1,843,212
Brown-Forman Australia Pty Ltd	Profit	0.3228	0.4355	516,121
Casella Wines Pty Ltd	Profit	0.2977	0.1843	-422,000
Coca-Cola Amatil Limited	Profit	0.2953	0.3410	-7,466,667
Coopers Brewery Limited	Profit	0.2969	0.2838	-414,333
Diageo Australia Limited	Profit	0.3445	0.1434	5,917,333
Lion Pty Ltd	Profit	0.2521	0.1903	-45,783,333
McWilliams Wines Group limited	Loss	-0.1296	0.0000	21,355,167
Pernod Ricard Pacific Holding Pty Ltd	Loss	0.1363	0.0000	22,325,167
SABMiller Australia Pty Ltd	Zero	-4540.4248	0.0000	-929,615,025
Treasury Wines Estates Limited	Loss	0.8094	0.0192	-110,450,000

Data source: ASIC 'Copy of financial statements and report', Form 388.

Column 4 (Cash ETR) displays the results from the Cash ETR. The two-year average ETR for profit firms is 26.8 per cent. This is slightly below the statutory tax rate for companies in Australia, currently 30 per cent. Diageo has a two-year average Cash ETR of 14.34 per cent which is reduced by a negative ETR in 2015 of 1.34 per cent (in 2014 it was 28 per cent). Diageo received a tax refund of $506,000 in 2015, despite making a profit of more than $12 million.

Lion Pty Ltd has a two-year average Cash ETR of 19.0 per cent and Casella Wines Pty Ltd has a two-year average Cash ETR of 18.43 per cent, well below the statutory corporate income tax rate of 30 per cent.

Column 5 (GAAP BTG) shows the total amount of tax not paid on the profits of companies over the two-year period.

Loss firms are difficult to interpret with respect to the three tax avoidance proxies. Two of the loss firms, McWilliams Wines and Pernod Ricard, paid no tax in 2014 and 2015. Asahi Holdings paid $1.2 million of tax on over average over 2013-14, and Treasury wines received a cash tax refund of over $2 million over 2014-15. Accolade Wines paid $1.7 million in taxes over the two years. Overall the loss firms received $111 million in tax benefits and paid $1.6 million in cash taxes over the two years. Although there may be legitimate reasons for making consistent losses and paying little tax, it can also be an indicator of tax aggressive behaviour.

SABMiller Australia tax aggressiveness indicators show that the company essentially has a zero profit over 2014-15. SABMiller Australia has paid no tax over the two years and has received a tax benefit of over $270 million on average (and $557 million in total) over 2014-15. Again, there could be legitimate reasons for these figures, but this is a strong indication of potential tax aggressive behaviour. SABMiller stated in its 2016 tax report that the losses in Australia "reflect challenging market conditions which have impacted profitability over time and funding costs incurred by the business which are associated with the acquisition of the Foster's Group. However, we expect that the business in Australia will generate sufficient taxable profits in future years and therefore the deferred tax asset in relation to these losses has been recognised."[50]

Table 5: ATO tax data for alcohol businesses operating in Australia for the 2013-14 financial year.

Firm	Total Income ($ millions)	Taxable Income ($ millions)	Tax Payable ($ millions)	Tax payable/ Taxable income (%)
Accolade Wines Holdings Australia Pty Ltd	400.1	0	0	0
Asahi Holdings (Australia) Pty Ltd	1,413.9	37.9	5.28	13.9
Beam Global Australia Pty Ltd	269.3	9.07	2.64	29.1
Brown-Forman Australia Pty Ltd	222.0	7.52	2.26	30.1
Casella Wines Pty Ltd	400.9	46.4	13.9	30.0
Coca-Cola Amatil Limited	3,782.5	438.5	123.2	28.1
Coopers Brewery Limited	218.7	39.1	11.3	28.9
Diageo Australia Limited	542.5	13.2	3.97	30.1
Lion Pty Ltd	4,418.2	221.5	43.6	19.7
McWilliams Wines Group Limited	113.1	0	0	0
Pernod Ricard Pacific Holding Pty Ltd	517.3	0	0	0
SABMiller Australia Pty Ltd	2,078.4	0	0	0
Treasury Wines Estates Limited	1,012.6	49.6	0	0

Data source: ATO data release 2015.

Table 6: ATO tax data for alcohol businesses operating in Australia for the 2014-15 financial year.

Firm	Total Income ($ millions)	Taxable Income ($ millions)	Tax Payable ($ millions)	Tax payable/ Taxable income (%)
Accolade Wines Holdings Australia Pty Ltd	425.2	0	0	0
Asahi Holdings (Australia) Pty Ltd	1,499.3	62.3	11.2	18.0
Beam Global Australia Pty Ltd	Not listed	Not Listed	Not listed	N/A
Brown-Forman Australia Pty Ltd	214.2	6.76	2.03	30.0
Casella Wines Pty Ltd	428.5	71.8	21.5	30.0
Coca-Cola Amatil Limited	3,682.0	375.4	104.6	27.9
Coopers Brewery Limited	225.9	40.9	10.7	26.2
Diageo Australia Limited	532.6	24.2	7.27	30.0
Lion Pty Ltd	4,135.8	186.4	31.7	17.0
McWilliams Wines Group Limited	119.0	0	0	0
Pernod Ricard Pacific Holding Pty Ltd	537.3	0	0	0
SABMiller Australia Pty Ltd	3,466.0	0	0	0
Treasury Wines Estates Limited	1,075.3	40.6	0	0

Data source: ATO data release 2015.

Further analysis of the thirteen companies was carried out using the ATO data and is set out in Tables 5 and 6. The analysis of the ATO data is largely consistent with the financial statement analysis in Table 4. Four of the loss firms (Accolade Wines, McWilliams Wines, Pernod Ricard and Treasury Wines Estates) and SABMiller Australia had no tax payable. Only Treasury Wines had a taxable income of $49.6 million in the 2013-14 financial year and $40.6 million in the 2014-15 financial year but paid no tax.

All the profit firms, except Lion Pty Ltd, paid tax at the around 30 per cent tax rate (the corporate tax rate payable on taxable income), further confirming the likelihood of tax aggressive behaviour on their part is minimal. However, Lion had a tax rate of 20 per cent in the 2013-14 financial year and 17 per cent in the 2014-15 year. At the same time it continues to expand its operations, purchasing the Byron Bay Brewery and Panhead Custom ales in New Zealand.[51] It also plans to build a new micro-brewery at the Imperial Hotel, Eumundi, to revive the Eumundi brand.[52]

The only loss firm to have a tax payable, according to the ATO data, is Asahi Holdings, which is consistent with Table 3, but the rate is only 14 per cent (that is tax payable on taxable income) for the 2013-14 financial year and 18 per cent for the 2014-15 year.

5. Discussion

Comparing different types of alcohol, the wine industry stands out as making very little tax contribution to the Australian community. The combined income of the four wine companies Accolade Wines, Casella Wines, McWilliams Wines and Treasury Wines Estates in the 2014-15 year was $2,048 million, or $2,585 million if Pernod Ricard is included, on which only $21.5 million of tax was paid. By comparison the two beer companies (Coopers Brewery and Lion) had a combined total income of $412.3 million (between 16 per cent and 20 per cent of that of the wine industry, depending if you count Pernod Ricard Pacific Holdings as a wine company) but made twice the tax contribution of the wine industry. This raises questions if the wine industry collectively can really be this unprofitable. In the year ending 30 June 2016, Pernod Ricard's sales increased seven per cent, but it gained an income tax benefit of $340,000.[53] The previous year it was given a $2.33 million income tax benefit.[54] Despite reporting a loss of $11 million for the year ending 30 June 2016, Pernod Ricard Winemakers still managed to find $59.4 million to spend on marketing.[55]

In the case of Treasury Wines, despite being able to claim a loss for the two years to 30 June 2015, its share price has more than doubled between mid-2015 and January 2017.[56] It posted a profit before tax of $259.4 million and $179.4 million profit after tax for the 2015-16 financial year on 18 August 2016.[57] Treasury Wines has become the biggest single wine exporter to China in the world.[58] Treasury Wine's profits from its Asia business are now bigger than profits from sales in Australia and Wine Australia, the wine industry body, has trumpeted that the momentum will continue.[59] Treasury Wines expects that its profit margins will increase to the high teens by the 2017-2018 financial year, with profit margins on its Asia business already above 30 per cent.[60] It is also looking to expand into France, exporting French wines to China.[61]

SABMiller has a global reputation as being tax aggressive and for a lack of transparency. In 2010 relief and development organisation ActionAid published a report into alleged questionable tax practices by SABMiller in Ghana, Mozambique, Tanzania, South Africa and in India, titled Calling Time. The report alleged that the alleged questionable tax practices by SABMiller may have cost the two governments in question up to $33 million a year.[62] The brewery in Ghana produced $47 million in beer a year, which was growing, but only paid corporate income tax in Ghana for one year in the period 2007-10.[63]

At the time of the investigation, SABMiller had 65 subsidiaries in secrecy jurisdictions around the world.[64]

ActionAid reported that many of the SABMiller brands in Africa were owned by Rotterdam-based SABMiller International BV, which under Netherlands tax arrangements paid next to no tax on the royalties paid to SABMiller International BV.[65] Six SABMiller companies in Africa paid this Dutch based company $41 million in 2009 in royalties to use the brands,[66] transferring taxable profits out of Africa to be almost tax free in the Netherlands.

ActionAid also reported that SABMiller's African and Indian subsidiaries paid very large 'management service fees' of $77 million to sister companies in European secrecy jurisdictions where the effective tax rates were lower, mostly to Switzerland.[67] In Ghana, the fees amounted to 4.6 per cent of the company's revenue every year; in India, they were enough to wipe out the taxable profits entirely.[68] An SABMiller employee at the Swiss office address that received millions of dollars a year from Africa for management services told ActionAid "we don't do that kind of thing here, we're just the European head office."[69]

ActionAid revealed the Accra brewery borrowed more than seven times its capital value from a SABMiller subsidiary based in the secrecy jurisdiction of Mauritius,[70] where the tax rate is much lower than in Ghana. The interest repayments on the loan were estimated by ActionAid to cheat on SABMiller's Ghana taxable income by $1.2 million.[71]

After the release of the report *Calling Time*, SABMiller bought out the minority shareholders in the Accra brewery, removing it from the Ghana stock exchange and escaping any obligation to make its accounting information public.[72] The 2011 accounts from other SABMiller companies in Tanzania, Zambia and Mozambique showed a reduced role for the group's Mauritian operations in these companies, but increased royalty payments and management service fees paid into secrecy jurisdictions across Africa.[73]

Investigative journalist Michael West has pointed out that the financial statements of SABMiller in Australia "are frankly useless"[74] He went on to state, "While claiming to follow the accounting standards, they conceal the true state of the financial affairs of the group."[75]

In 2016 SABMiller states that it paid US$1,315 million on its US$5,295 million in adjusted profits on a revenue base of US$19.8 billion.[76] SABMiller has produced a report on its taxes, but rather than provide transparency on what taxes it pays on its profits in each country in which it operates, it provides a tax figure for each country that includes the tax on profit, any sales taxes collected from customers, the taxes paid by its employees and other sundry taxes.[77] Clearly the sales tax paid by people who buy SABMiller products and the taxes paid by employees on their wages are not taxes SABMiller itself pays. Bulking up its tax payments with these numbers creates a reasonable concern the corporation has something to hide about its tax payments. It is not clear if the brewery in Accra, Ghana has been paying taxes on profits created in Ghana or not, based on the SABMiller tax report. The report does not provide a list of SABMiller subsidiaries and their locations, so it is not possible to know from the report the number of subsidiaries located in secrecy jurisdictions and the profits generated or allocated to these subsidiaries.

Anheuser-Busch InBev, which has purchased SABMiller, also has a history of tax aggressiveness in places where it is really doing business. Anheuser-Busch InBev is the largest company by market value in its home country of Belgium.[78] In 2014, while the official corporate income tax rate was 34 per cent, Anheuser-Busch InBev paid a tiny fraction of one per cent on the profit of US$1.93 billion it reported in Belgium.[79] In 2012 the company had a global effective tax rate of 16.2 per cent, but by 2013 it had managed to reduce that to 11.1 per cent,[80] but that has increased to 19.1 per cent in 2015 and 20.9 per cent in 2016.[81]

6. Conclusion

Analysis of the 13 largest companies from the alcohol production and bottling industry has found that while six (Beam Suntory, Brown-Forman Australia, Casella Wines, Coopers Brewery Coca-Cola, Diageo Australia) paid tax at, or near, the statutory rate of 30 per cent in the financial years 2013-14 and 2014-15, two paid at a lower than 20 per cent (Asahi Holdings and Lion), and the other five paid nothing.

The wine industry stands out as making small tax contributions to the Australian community with only Casella Wines making any corporate income tax contribution in the two years in question, despite having revenues four to five times that of the two beer companies (Coopers Brewery and Lion), which paid twice as much tax.

SABMiller also stands out as a beer and spirits company with revenue of $5,544.4 million over the two years and paying nothing in corporate income tax.

References

[1] Gao, C., Ogeil, R., & Lloyd, B. (2014). *Alcohol's burden of disease in Australia*. Canberra: Foundation for Alcohol Research and Education and VicHealth in collaboration with Turning Point.

[2] Foundation for Alcohol Research and Education (FARE). (2011). *About alcohol's $36 billion cost*. Canberra: FARE. Retrieved from http://www.fare.org.au/wp-content/uploads/research/36-Billion.pdf

[3] Desai, M. A. (2003). The Divergence between Book Income and Tax Income, in Poterba, J.M., Ed., *Tax Policy and the Economy, Volume 17*, MIT Press, Cambridge MA.

[4]Hanlon, M. and Heitzman, S. (2010). A review of tax research. *Journal of Accounting and Economics*, 50, 127-178.

[5] Aston, H. and Wilkins, G. (2014, September 30). ASX200 company tax avoidance bleeds Commonwealth coffers of billions a year, report finds. *The Age.* Retrieved from http://www.theage.com.au/action/printArticle?id=61543983

[6] Borek, C.T, Frattarelli, A. and Hart, O. (2014)., *Tax Shelters or Efficient Tax Planning? A Theory of The Firm Perspective On the Economic Substance Doctrine*, Harvard University Law School, Working Paper, April 2013 (revised May 2014). p2.

[7] Lisowsky, P., Robinson, L. and Schmidt, A. (2013). Do Publicly Disclosed Tax Reserves Tell Us About Privately Disclosed Tax Shelter Activity? *Journal of Accounting Research*, 51(3), 583-629.

[8] Hanlon, M. and Heitzman, S. (2010). A review of tax research. *Journal of Accounting and Economics*, 50, 127-178.

[9] Hanlon, M. and Slemrod, J. (2009). What does tax aggressiveness signal? Evidence from stock price reactions to news about tax shelter involvement. *Journal of Public Economics*, 93(1–2),126–141.

[10] Hanlon, M. and Slemrod, J. (2009). What does tax aggressiveness signal? Evidence from stock price reactions to news about tax shelter involvement. *Journal of Public Economics*, 93(1–2), 126–141.

[11] Chi, S.S., Pincus, M. and Teoh, S.H. (2014). Mispricing of Book-Tax Differences and the Trading Behavior of Short Sellers and Insiders. *The Accounting Review*, (89)2, 511-543.

[12] McGuire, S.T., Omer, T.C. and Wilde, J.H. (2014). Investment Opportunity Sets, Operating Uncertainty, and Capital Market Pressure: Determinants of Investments in Tax Shelter Activities? *The Journal of the American Taxation Association*, (36)1, 1-26.

[13] Inger, K.K. (2014), Relative Valuation of Alternative Methods of Tax Avoidance. *The Journal of the American Taxation Association*, 36(1), 27-55.

[14] Omer, T.C., Molloy, K.H. and Ziebart, D.A. (1993). Measurement of effective corporate tax rates using financial statement information. *Journal of the American Taxation Association*, 12(Spring), 57-72.

[15] Gergen, M.P. (2002) The Logic of Deterrence: Corporate Tax Shelters. *55 Tax L. Rev*. 255.

[16] Desai, M.A. and Dharmapala, D. (2009). Corporate Tax Avoidance and Firm Value. *The Review of Economics and Statistics*, (91)3, 537–546.

[17] Crocker, K.J. and Slemrod, J. (2005). Corporate tax evasion with agency costs, *Journal of Public Economics*, 89, 1593–1610.

[18] Chen, K-P. and Chu, C.Y.C. (2005). Internal control versus external manipulation: a model of corporate income tax evasion. *The RAND Journal of Economics*, 36(1), 151-164.

[19] Gallemore, J., Maydew, E.L. and Thornock, J.R. (2014). The Reputational Costs of Tax Avoidance. *Contemporary Accounting Research*, 31(4), 1103-1133.

[20] Chyz, J.A. (2013). Personally tax aggressive executives and corporate tax sheltering. *Journal of Accounting and Economics*, 56, 311–328.

[21] Hanlon, M. and Slemrod, J. (2009). What does tax aggressiveness signal? Evidence from stock price reactions to news about tax shelter involvement. *Journal of Public Economics*, 93(1–2), 126–141.

[22] Wilson, R. (2009). An Examination of Corporate Tax Shelter Participants. *The Accounting Review*, 84(3), 969-999.

[23] Australian Taxation Office (2011) *Compliance Program 2011-12*. June 2011, 25-33.

[24] Tax Research LLP (2010). *Research Briefing – Secrecy Jurisdictions*. Financial Integrity and Economic Development Task Force, Tax Justice Network, Tax Research UK. Retrieved from http://www.taxresearch.org.uk/Documents/Secrecyjurisdiction.pdf

[25] Accolade Wines (2017). Webpage: Our company. Retrieved from: http://www.accolade-wines.com/our-company/about/

[26]http://www.theaustralian.com.au/business/dataroom/accolade-wines-set-for-ipo/news-story/4e2fa3139f44c19ee36a8aff55226c44

[27] Young, A. (2016, November 14). Accolade Wines agrees to buy Fine Wine Partners., *The Shout* Retrieved from:, http://www.theshout.com.au/2016/11/14/article/Accolade-Wines-agrees-to-buy-Fine-Wine-Partners/HBACJLHUFC.html

[28] McCusker Centre for Action on Alcohol and Youth (2014). *A Guide to the Alcohol Industry*. Perth: Curtin University, p.10.

[29] Greenblat, E. (2017, March 23). Casella family emerges with $1.5bn wine empire. *The Australian*, p. 21.

[30] McCusker Centre for Action on Alcohol and Youth (2014). A Guide to the Alcohol Industry. Perth: Curtin University, p.10.

[31] Greenblat, E. (2017, March 23). Casella family emerges with $1.5bn wine empire. *The Australian*, p. 21.

[32] McCusker Centre for Action on Alcohol and Youth (2014). *A Guide to the Alcohol Industry*. Perth: Curtin University, p.11.

[33] McCusker Centre for Action on Alcohol and Youth (2014). *A Guide to the Alcohol Industry*. Perth: Curtin University, p.10.

[34] McCusker Centre for Action on Alcohol and Youth (2014). *A Guide to the Alcohol Industry*. Perth: Curtin University, p.10.

[35]Brown Forman (2016). *Deep Roots Dynamic Vision: Annual Report 2016*. Retrieved from: , https://www.brown-forman.com/wp-content/uploads/2016/06/Brown-Forman_2016_Annual_Report.pdf,.102.

[36] Pernod Ricard (2016). *Pernod Ricard SA Financial Statements 2015/2016*. p. 190.

[37] Coopers. (2016). Annual Reports. Retrieved from: https://coopers.com.au/our-company/coopers-annual-reports

McCusker Centre for Action on Alcohol and Youth (2014). *A Guide to the Alcohol Industry*. Perth: Curtin University, p.10.

[39] McCusker Centre for Action on Alcohol and Youth (2014). *A Guide to the Alcohol Industry*. Perth: Curtin University, p.10.

[40] McCusker Centre for Action on Alcohol and Youth (2014). *A Guide to the Alcohol Industry*. Perth: Curtin University, p.10

[41] McCusker Centre for Action on Alcohol and Youth (2014). *A Guide to the Alcohol Industry*. Perth: Curtin University, p.10

[42] Coca-Cola Amatil (2015). Real possibilities, real progress: 2015 Annual Report. Retrieved from: https://www.ccamatil.com/-/media/Cca/Corporate/Files/Annual-Reports/2015/CCA166-CCA-Annual-Report-2015-WEB_final.ashx, 26-27.

[43] Diageo. (2017). Webpage: Our structure. Retrieved from: http://www.diageo.com/en-row/ourbusiness/ourregions/Pages/default.aspx

[44] Diageo. (2017). Webpage: Our regions. Retrieved from: http://www.diageo.com/en-row/ourbusiness/ourregions/Pages/default.aspx

[45] Diageo (2016). *Diageo Annual Report 2016*. London: Diageo plc, 111.

[46] Narin, T. (2016, October 10). It's Final: AB InBev Closes On Deal To Buy SABMiller., *Forbes,* Retrieved from: https://www.forbes.com/sites/taranurin/2016/10/10/its-final-ab-inbev-closes-on-deal-to-buy-sabmiller/#5b9eef60432c

[47] Chartered Accountants Australia & New Zealand (CAANZ) (2017). Financial Reporting Handbook 2017. Milton: John Wiley & Sons Australia Ltd

[48] Zimmerman, J.L. (1983). Taxes and firm size. *Journal of Accounting and Economics*, 5, 119-149.

[49] Porcano, T. (1986). Corporate tax rates: Progressive, proportional, or regressive. *Journal of the American Taxation Association*, 7(2), 17-31.

[50] SABMiller (2016*). Our Approach to Tax 201.* 23.

[51] Robins, B. (2017, February 14). Little Creatures leads Lion's big push into craft beers abroad. *The Age*.

[52] Robins, B. (2017, February 14). Little Creatures leads Lion's big push into craft beers abroad. *The Age.*

[53] Evans, S. (2017). Maker of Australia's top bottled wines in the red. *The Australian Financial Review*.

[54] Evans, S. (2017). Maker of Australia's top bottled wines in the red. *The Australian Financial Review*.

[55] Evans, S. (2017). Maker of Australia's top bottled wines in the red. *The Australian Financial Review*.

[56] Evans, S. (2017, January 6). Treasury chief shifts focus to upper tier. *The Australian Financial Review.* 21.

[57] Evans, S. (2017, January 6). Treasury chief shifts focus to upper tier. *The Australian Financial Review.* 21.; and Treasury Wines (2016). *Treasury Wines Annual Report 2016.* 65.

[58] Evans, S. (2017, January 6). Treasury chief shifts focus to upper tier. *The Australian Financial Review.* 21.

[59] Evans, S. (2017, January 6). Treasury chief shifts focus to upper tier. *The Australian Financial Review.* 21.

[60] Evans, S. (2017, January 6). Treasury chief shifts focus to upper tier. *The Australian Financial Review.* 21.; and Ferguson, A. (2017, March 13). Good leadership revives Treasury. *The Australian Financial Review.* p. 40.

[61] Barrymore, K. (2017, March 11) Sacre Bleu! Treasury Wines in 'new world' push into France. *The Herald Sun.* 64; and Greenblat, E. (2017, March 13) Treasury's French connection with China, *The Australian*.

[62] Hearson, M. and Brooks, R. (2012). *Calling Time.* ActionAid. 2012 Edition. p. 6.

[63] Hearson, M. and Brooks, R. (2012). *Calling Time.* ActionAid. 2012 Edition. p. 7.

[64] Hearson, M. and Brooks, R. (2012). *Calling Time.* ActionAid. 2012 Edition. p. 6.

[65] Hearson, M. and Brooks, R. (2012). *Calling Time.* ActionAid. 2012 Edition. p. 8.

[66] Hearson, M. and Brooks, R. (2012). *Calling Time.* ActionAid. 2012 Edition. p. 8.

[67] Hearson, M. and Brooks, R. (2012). *Calling Time.* ActionAid. 2012 Edition., p. 8.

[68] Hearson, M. and Brooks, R. (2012). *Calling Time.* ActionAid. 2012 Edition. p. 8.

[69] Hearson, M. and Brooks, R. (2012). *Calling Time.* ActionAid. 2012 Edition. p. 8.

[70] Hearson, M. and Brooks, R. (2012). *Calling Time.* ActionAid. 2012 Edition. p. 9.

[71] Hearson, M. and Brooks, R. (2012). *Calling Time.* ActionAid. 2012 Edition. p. 9.

[72] Hearson, M. and Brooks, R. (2012). *Calling Time.* ActionAid. 2012 Edition. p. 4.

[73] Hearson, M. and Brooks, R. (2012). *Calling Time.* ActionAid. 2012 Edition. p. 4.

[74] West, M. (2017, February 28). Multinational tax dodgers are the real leaners. *The Conversation*.

[75] West, M. (2017, February 28). Multinational tax dodgers are the real leaners. *The Conversation*.

[76] SABMiller (2016). *Our Approach to Tax 2016*. p.1.

[77] SABMiller (2016). *Our Approach to Tax 2016.* pp.8-9.

[78] Kanter, J. (2015, October 19). Anheuser-Busch InBev Aims Its Tax-Trimming Skills at SABMiller. *New York Times*.

[79] Kanter, J. (2015, October 19). Anheuser-Busch InBev Aims Its Tax-Trimming Skills at SABMiller. *New York Times*.

[80] Kanter, J. (2015, October 19). Anheuser-Busch InBev Aims Its Tax-Trimming Skills at SABMiller. *New York Times*.

[81] Anheuser-Busch InBev (2016). *Annual report 2016*. Anheuser-Busch InBevp. 43.

Foundation for Alcohol Research & Education
PO Box 19, Deakin West ACT 2600
Level 1, 40 Thesiger Court Deakin ACT 2600
Ph 02 6122 8600
info@fare.org.au
www.fare.org.au