

Aussie SMEs shafted as government tenders awarded to no-tax-paying multi-nationals



In January the Australian Tax Office (ATO) released a list of major corporations that “paid no income tax” in the 2013-14 financial year. On this list are three multi-national companies active in the Australian cleaning supply industry. General manager of Rapid Group, **Bruce Lees**, shares his views on how this negatively impacts the Australian economy and the knock-on effect it should have on purchasing decisions.

The three companies in point are Staples Australia Holdings Pty Ltd and OfficeMax International Pty Ltd, both of which paid no income tax for the relevant financial year, and Bunzl Australasia Ltd, which paid 0.8 per cent income tax. This is publicly available information on the ABC website.

The difficult thing to understand, however, is why our government would then award a supply contract to these companies. Bunzl Australasia and OfficeMax Pty Ltd were recently appointed to a panel of three suppliers to supply cleaning products to the NSW State Government.

The tender process was weighted toward large multi-nationals as it had a stipulation that respondents needed to supply more than 80 per cent of the listed products – which were themselves predominantly manufactured by other multinationals.

Our Australian-owned Rapid Group, which has 48 stores nationally and 14 stores in NSW, was unable to reach the 80 per cent minimum, so we advised the government that we could supply close to 100 per cent of products if Australian-made and equivalent products were accepted. The representative from the government said this was not acceptable and therefore our tender submission was not even considered.

We have a situation now where two stationary supply companies with a history of not paying income tax in Australia are being paid by the NSW State Government to supply cleaning products to our hospitals and other state-funded institutions. This has a double negative impact on the Australian economy: no income tax is received by the government and the multinationals send the profits offshore. Effectively it is a big funnel sending tax gathered from Australians overseas.

There are lots of small to medium (SME) sized Australian companies capable of supplying cleaning supply products to our hospitals, but they are unable to win the tender due to the onerous conditions of the

tender and because they are at a competitive disadvantage when they pay income tax.

Furthermore, these SME cleaning supply specialist companies have immeasurably more product knowledge to address issues such as cross-contamination and infection control. The situation is just ridiculous and should make every Australian taxpayer furious.

I applaud the ATO for releasing the list of companies that paid no or little income tax, and I hope companies will use that information when making decisions about where they purchase products. Especially organisations like state governments that are purely funded by tax.

“This has a double negative impact on the Australian economy: no income tax is received by the government and the multinationals send the profits offshore.”

A recent comment in an article on the Sydney Morning Herald website reported, ‘The Australian Tax Office will open negotiations with 80 multinational companies to *encourage* them to “restructure” in order to pay more tax on profits generated in Australia.’

The word I find hard to believe in that statement is ‘encourage.’ If they really want to encourage the multinationals to pay income tax then they should exclude them from winning government supply contracts unless they are paying a minimum percentage of turnover in income tax.

Even if it was only 10 per cent, the three multinationals I mentioned would pay \$194 million.



If their revenue stream was to dry up, then they might be *encouraged* to pay income tax. This would level the playing field and improve Australia SME’s capacity to compete.

Australian SMEs are unbelievably efficient and the owners and staff work so hard that it breaks your heart when you hear they have lost a contract to a multinational. I implore our governments to do something constructive to assist the companies that pay tax in Australia before they are beaten into submission by their multinational competitors. If they won’t ban the non-income-tax paying multinationals, then they could at least devalue their tender bids by increasing the cost of their submission by the equivalent of the company tax.

I ask all companies in Australia to support each other wherever possible. Buy from an Australian company if you can. The product might cost a little more, but it will probably perform better and last longer. Plus, you will be supporting a fellow Australian taxpayer.

The government tender process also needs an overhaul with a weighting toward supporting Australian SMEs. The current tender documents have motherhood statements about supporting SMEs, but in reality, the terms of the tenders exclude them from meeting the conditions. So, in effect, they are disqualified from even trying to win the business.

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For more information and the full ATO list please visit: www.abc.net.au/news/2015-12-17/tax-transparency-report/7036708