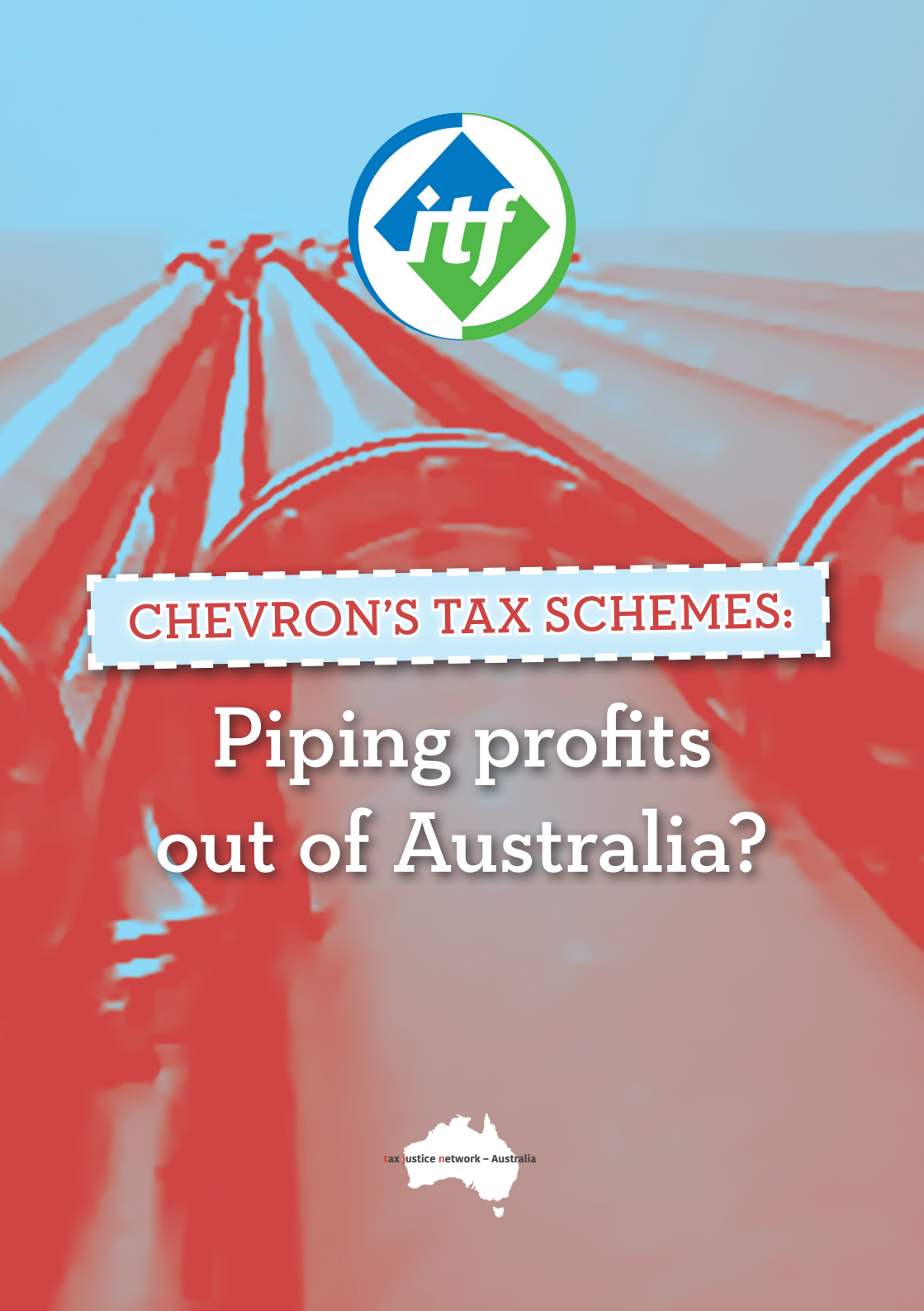


CHEVRON'S TAX SCHEMES:

Piping profits out of Australia?

tax justice network – Australia

"The essential principle is that you should normally pay tax in the country where you've earned the revenue."
TONY ABBOTT
PRIME MINISTER

Chevron's Tax Record:

With US$197 billion in market capitalisation, Chevron is the world's third largest and most profitable Oil & Gas Company - **yet:**

- Chevron has stashed over US$35 billion in un-taxed revenues in off-shore accounts.
- Chevron has at least 600 shell companies - and likely hundreds more - registered in Bermuda and Delaware.
- Chevron's latest tax scheme, currently under investigation by the Australian Tax Office (ATO), could reduce Chevron's tax bill by $35 billion or more.
- Chevron will pay no royalty (PRRT) payments on Gorgon for the first 8 years or longer.
- Chevron has set aside $350 million to settle a previous Chevron tax scheme being litigated by the ATO.
- The ATO refunded Chevron $25 million in 2011.
- The US Government has not approved Chevron's tax filings for over 7 years.

"Let me be very clear, a tax cheat is a thief ... I will give the Australian Taxation Office whatever laws it needs to ensure that the integrity of our taxation laws is upheld"

JOE HOCKEY
FEDERAL TREASURER

According to Chevron, the Gorgon project in Western Australia is "globally one of the largest natural gas projects ever undertaken and the largest single-resource development in Australia's history."

According to BRW, the Gorgon Project is "spearheading the global company's future growth plans."

As the world's largest LNG project prepares to flow, billions of future tax revenues are at stake in Australia.

Chevron's complex business structure, involving subsidiaries in Bermuda, Singapore and Delaware, may facilitate aggressive tax avoidance in Australia.

With LNG poised to become Australia's largest export, Chevron's aggressive tax avoidance schemes necessitate greater public scrutiny.

"Secretive oil major Chevron Corp has taken the art of tax avoidance to its ultimate form thanks to a scheme so aggressive that it goes beyond merely reducing exposure to income tax, but rather, has been designed to make a profit from the Australian Tax Office."

MICHAEL WEST
BUSINESS
COLUMNIST

CHEVRON'S TAX SCHEMES:
Piping Profits out of Australia?

Chevron, the US-based global oil giant, is now the largest foreign investor in Australia. The Chevron operated Gorgon liquefied natural gas (LNG) project in Western Australia is the largest resource project in Australia and the largest LNG project in the world. When the Gorgon gas begins to flow, LNG will overtake iron ore as Australia's largest export. Given Chevron's aggressive tax avoidance schemes, Australians should be very concerned about promised revenues.

Gas from the Gorgon project is expected to begin flowing this year, with an estimated annual post-tax operating cash flow above US$8 billion from 2019-2032 and continuing above US$5 billion per year until 2057. However, Chevron and others have indicated that no royalty payments (PRRT) will be paid for at least the first 8 years of operation.

Chevron's Global History of Prosecutions

Over the last two decades, Chevron has paid billions to settle tax disputes involving the United States, Indonesia, Saudi Arabia, Japan and many other countries. However, through armies of lawyers and a myriad of related party deals, Chevron may have avoided many more billions in global tax payments.

In Australia, the Australian Tax Office (ATO) has an active lawsuit against Chevron, covering the years 2004 to 2008, for an aggressive scheme which was designed to reduce Australian taxes by hundreds of millions of dollars. At the same time the ATO is auditing other more recent Chevron tax schemes.

Globally, Chevron reported stashing more than US$35 billion in un-taxed revenues in off-shore accounts. The US government has not approved Chevron's tax filings since 2008. Other oil producing nations have not approved Chevron's tax filings for even longer.

theguardian

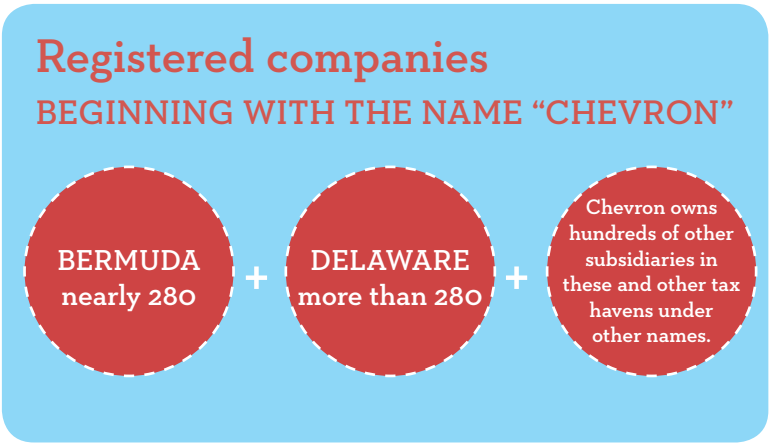
"When it comes to aggressive legal tactics, vindictiveness, threats, pollution, intimidation, tax evasion ... [Chevron] is in a league of its own as its corporate lawyers bludgeon, bully and try to beat with the law any opposition it meets around the world."

"Aggressive tax avoidance hurts schools and hospitals, undermines governments, and expands inequality. If Chevron avoids so much tax in Australia, imagine what they might do elsewhere. Australia needs to ensure Chevron pays its fair share and we need a global examination of Chevron's tax schemes."

SHARAN BURROW,
GENERAL SECRETARY, INTERNATIONAL TRADE UNION CONFEDERATION (ITUC)

In explaining its global tax situation, Chevron's 2014 Annual Report states that given "the number of years that still remain subject to examination and the number of matters being examined in the various tax jurisdictions, the company is unable to estimate the range of possible adjustments...."

Globally, Chevron uses a complex network of subsidiaries in tax havens which directly connect to Australia.

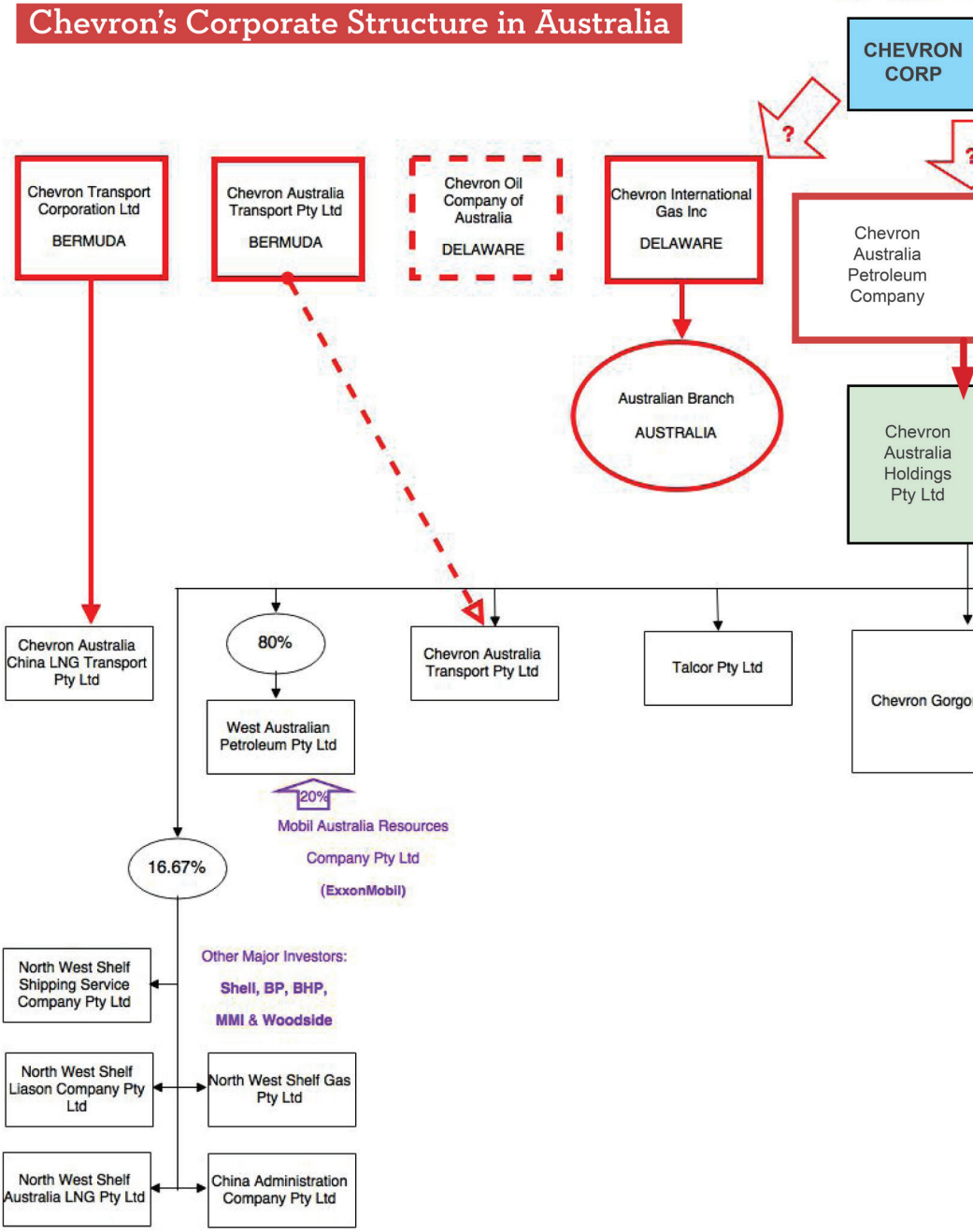


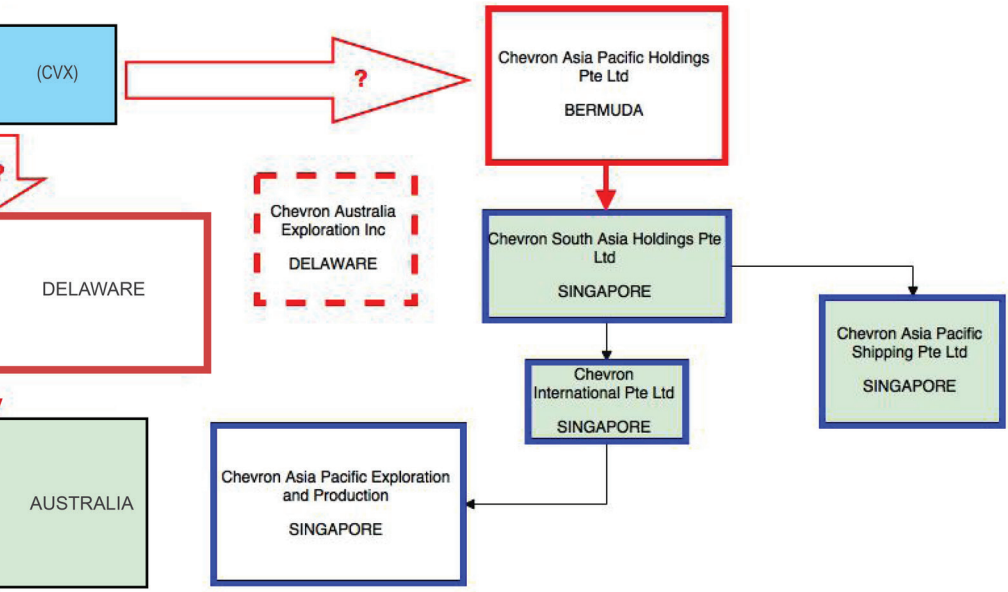
Australian Profit Shifting Schemes

Chevron's complex business structure, involving subsidiaries in Bermuda, Singapore and Delaware, may facilitate aggressive tax avoidance in Australia. As the world's largest LNG project prepares to flow, billions of future tax revenues are at stake. Australian taxpayers need to be wary.

In Australia, the majority of Chevron's Australian operations are owned through one company, Chevron Australia Holdings Pty Ltd. The Australian company is owned by Chevron Australia Petroleum Company, a shell company incorporated in Delaware. While the Delaware parent company holds over $9.1 billion worth of shares in Chevron Australia and has shifted $35 billion to Australia, it pays an annual tax bill of only US$175.

Chevron's Corporate Structure in Australia

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Chevron Australia Exploration Inc
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Chevron International Pte Ltd
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Chevron Asia Pacific Exploration and Production
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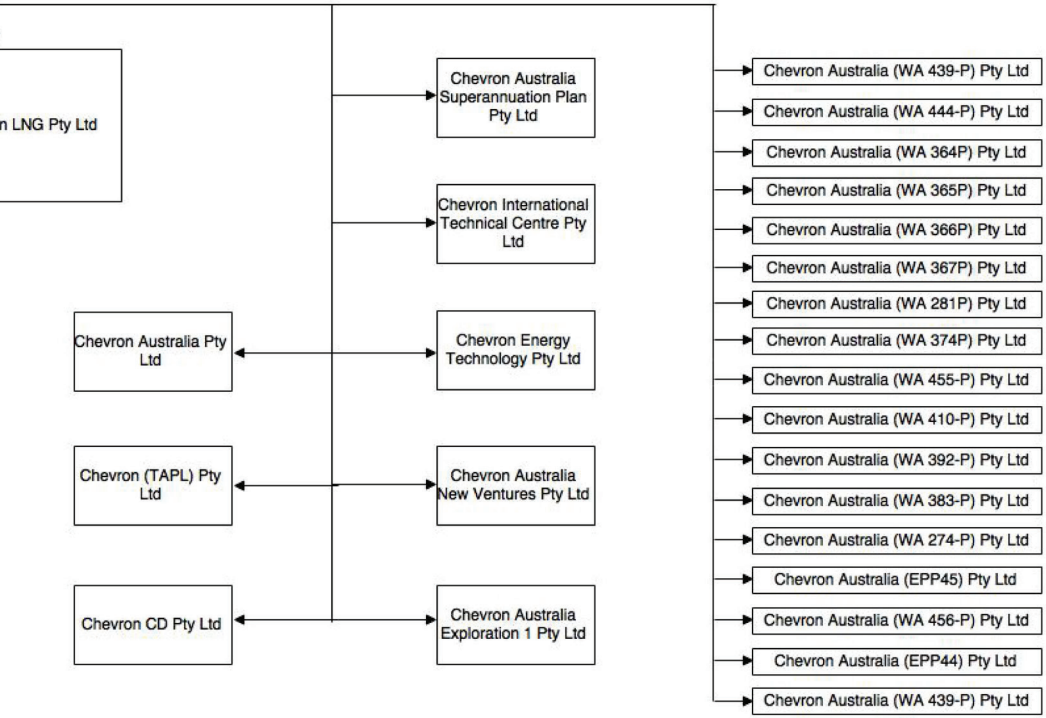
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Chevron Australia Superannuation Plan Pty Ltd
Chevron International Technical Centre Pty Ltd
Chevron Australia Pty Ltd
Chevron Energy Technology Pty Ltd
Chevron (TAPL) Pty Ltd
Chevron Australia New Ventures Pty Ltd
Chevron CD Pty Ltd
Chevron Australia Exploration 1 Pty Ltd
Chevron Australia (WA 439-P) Pty Ltd
Chevron Australia (WA 444-P) Pty Ltd
Chevron Australia (WA 364P) Pty Ltd
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Chevron Australia (WA 383-P) Pty Ltd
Chevron Australia (WA 274-P) Pty Ltd
Chevron Australia (EPP45) Pty Ltd
Chevron Australia (WA 456-P) Pty Ltd
Chevron Australia (EPP44) Pty Ltd
Chevron Australia (WA 439-P) Pty Ltd

IN DELAWARE, there are more than 280 registered companies beginning with the name "Chevron".

The Old Delaware Scheme

The ATO has a current lawsuit against Chevron over the shifting of funds between Delaware and Australia. Between 2004 and 2008, Chevron shifted $2.5 billion from Delaware. The money was borrowed in Delaware at 1.2% and lent in Australia at interest rates above 9%. The alleged purpose of the scheme was to drain profits out of Australia and reduce tax payments.

Chevron also owns hundreds of other subsidiaries in Delaware and in other tax havens under other names.

With no explanation, Chevron Australia's 2014 annual report notes $351.6 million has been set aside as an adjustment "for current tax of prior periods". This amount is presumably to settle the ATO court case. This adjustment cut taxable income by more than half and helped deliver - courtesy of Australian taxpayers - a $5.7 million tax refund in 2014.

The New York Times

Delaware... "allows companies to lower their taxes... by shifting royalties and similar revenues to holding companies in Delaware, where they are not taxed."

The New Delaware Scheme

A more insidious cause of the 2014 tax refund may have been a new scheme that could significantly reduce profits in Australia -and tax payments- far into the future. The AFR recently reported that "Chevron, ExxonMobil and Shell are facing a showdown with the Tax Office over tax-free profits of up to $3 billion a year they are making from the huge Gorgon project, even before they have shipped the first gas."

In 2009, Chevron began a new $35 billion 'credit facility' between Australia and Delaware. This shift of funds, 14 times larger than the previous scheme, is to be repaid from 2016 through 2021. This conveniently matches the expected start of LNG flows from the Gorgon project.

Globally, Chevron had debt of only $34 billion and, according to the AFR, "since 2012, Chevron Australia has carried more debt than the entire group."

The New York Times

"Delaware ... is seen as an onshore alternative with regulations more lax than such well-known offshore tax havens as the Isle of Man, Jersey and the Caymans, which require greater disclosure."

The interest rate appears to be above 5%. In stark contrast, Chevron's subsidiaries in Singapore lend to each other at interest rates below 0.2%.

In 2014 alone, this new scheme resulted in a $1.8 billion interest charge to the Delaware parent. This amount was not paid, but 'capitalised', and may amass more interest charges to be used later to further reduce taxes.

The AFR noted that if the actual rate was 0.3%, the interest expense "would have been $110 million, leaving an offshore profit of $1.73 billion."

Chevron Australia, in its recent submission to the Senate Inquiry on Corporate Tax Avoidance, has revealed that the ATO is auditing this scheme. Other tax schemes have been under investigation as well.

Chevron's bloated interest rates could divert profits from Australia to Delaware and offset future tax revenue by more than $35 billion.

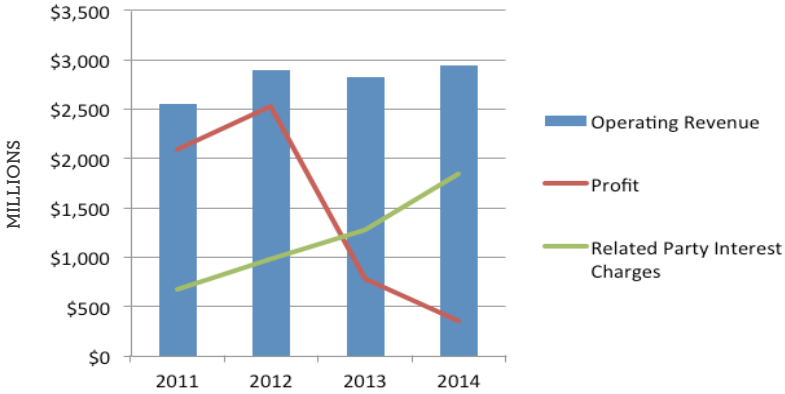
Gorgon Cost Blowouts: Another Tax Scheme?

With LNG poised to become Australia's largest export, Chevron's aggressive tax avoidance schemes necessitate greater public scrutiny. Chevron, and other oil and gas companies, must be held to account for the bold claims they made, when seeking a social license to operate in Australia, about future tax contributions and other public benefits.

Chevron's latest scheme also raises questions of whether the $17 billion in cost blowouts on the Gorgon project - conveniently blamed on unions and environmental regulations- were genuine or intentionally inflated to reduce future tax liabilities in Australia.

Revenue, Profit and Delaware Interest Charges:

CHEVRON AUSTRALIA 2011-2014



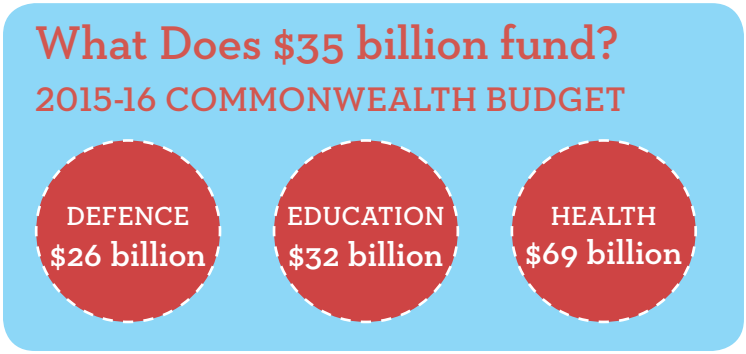
SINCE 2011, Chevron Australia has reported annual operating revenues of over $2.5 billion. While some corporate tax was paid in Australia, Chevron received refunds from the ATO of over $25 million in 2011 and nearly $6 million in 2014.

Do Australian Tax Payers Subsidise Chevron?

Chevron's operating revenues in Australia have been above $2.5 billion since 2011 and increased 15% by 2014. Meanwhile, interest charges to the parent company in Delaware have increased from 26% to 62% of operating revenue. Over the same period, profits have plunged by 83%.

In 2014, Chevron's interest charges to the Delaware parent were more than 5 times greater than profits in Australia. This level of internal interest charges could not be sustained by any normal business. Is this an intentional scheme to reduce profit and to avoid taxes in Australia?

Making Australian taxpayers subsidise one of the world's largest and most profitable oil and gas companies appears to be the effect of Chevron's latest Delaware scheme.



Chevron's Tax Schemes: We All Pay the Price

There are additional questions and concerns about Chevron's tax practices in Australia. Much greater transparency and disclosure is required to reveal the full story. The potential cost of Chevron's latest tax scheme is greater than the entire annual Commonwealth budget for education. It is also more than half of the nation's annual health budget. Chevron's tax practices, and those of other corporations, have huge implications for the living standards and the future of all Australians.

It is time to take action to level the playing field and make sure that companies like Chevron are paying their fair share to support a fairer and more prosperous Australia for everyone.

"If Chevron and its partners can be forced to pay their fair share of tax revenues on these massive LNG projects it has the potential to increase funding for schools, hospitals and other essential public services."

PADDY CRUMLIN
PRESIDENT,
INTERNATIONAL TRANSPORT
WORKERS' FEDERATION

This report was produced by the International Transport Workers' Federation (ITF) and endorsed by the Tax Justice Network – Australia.

The ITF, a global union federation founded in 1896, currently represents 4.5 million members in 700 affiliated unions in 150 countries.

SEPTEMBER 2015

The Tax Justice Network – Australia is the Australian branch of the Tax Justice Network (TJN) and the Global Alliance for Tax Justice.

TJN is a growing network of individuals and organisations calling for reform at the global and national levels.

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