EXECUTIVE SUMMARY

Chevron’s tax schemes: piping profits out of Australia?

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Chevron’s tax practices, and those of other corporations, have huge implications for the living standards and public revenues to fund essential services in countries across the globe.

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
- at least 600 shell companies -and likely hundreds more- registered in Bermuda and Delaware
- set aside AUD$350 million to settle a tax avoidance lawsuit with the Australian Tax Office (ATO)
- set up a new tax scheme, currently being audited, to reduce its tax bill by AUD$35 billion or more
- amassed credits to avoid royalty payments on the Gorgon project, the world’s largest liquefied natural gas (LNG) project, for the first 8 years of operation or longer
- had operating revenue in Australia every year since 2011 of over AUD$2.5 billion, but managed to receive over AUD$30 million in tax refunds

Additionally, Chevron’s own annual report reveals that tax filings have not been approved by the United States government since 2008; in Nigeria since 2000; Angola since 2001; Saudi Arabia since 2012 and Kazakhstan since 2007. Chevron is unable to estimate the tax it may be required to pay given the ongoing examinations by tax authorities in countries around the world.

Chevron’s Gorgon project in Western Australia -which also includes Shell, Exxon and several Japanese energy companies- is crucial to Chevron’s future growth and will make LNG Australia’s largest export. The current ATO lawsuit against Chevron involves a high interest AUD$2.5 billion scheme between a Chevron subsidiary in the US state of Delaware -one of the world’s most used tax havens- and Chevron Australia between 2004 and 2008.

In 2009 Chevron created a new high interest AUD$35 billion ‘credit facility’ between Delaware and Australia. The result of this scheme is to reduce profits in Australia, where they might be taxed, and generate profits in Delaware, where they are not taxed. While operating revenues in Australia have increased by 15% since 2011, interest charges to the Delaware company have increased from 26% to 62% of operating revenue. As a result, profits in Australia have decreased by 83%. In 2014, Chevron Australia’s related party interest charges were more than five times greater than profits. It would be difficult to argue that this is not an intentional scheme to reduce profit and avoid taxes in Australia.

The tax avoided by Chevron’s latest scheme could be larger than Australia’s 2015-16 federal budget for education or more than half the budget for health.

Chevron’s aggressive tax avoidance schemes require much greater public scrutiny as billions of future tax revenues are at stake.

It is time to take action to level the playing field and make sure that companies like Chevron are paying their fair share.