eJournal of Tax Research

Volume 15, Number 2 December 2017
(Special Edition: Tax and Corruption Symposium)

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Atax UNSW

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Atax
UNSW

ISSN 1448-2398

eJournal of Tax Research (2017) vol 15, no. 2, pp. 359-383

Addressing aggressive tax planning through mandatory corporate tax disclosures: An exploratory case study

Heidi Zummo,[1] Bronwyn McCredie[2] and Kerrie Sadiq[3]

Abstract

Secrecy and aggressive tax planning are arguably interdependent. As such, when secrecy is reduced via mandatory tax disclosures there is likely to be a consequential reduction in aggressive tax planning. However, to reduce secrecy, legislative interventions, as opposed to voluntary frameworks such as corporate social responsibility (CSR) reporting guidelines, are generally required. In this article, we argue that aggressive tax planning can be addressed through public disclosures by revenue authorities of certain taxpayer information collected from annual corporate tax returns. Further, we propose that it is a combination of primary tax disclosures by revenue authorities and the subsequent responses of corporate taxpayers subject to the disclosure legislation which may increase public confidence in the integrity of rules, systems and institutions. This article briefly considers the concept of aggressive tax planning in the context of the OECD/G20 base erosion and profit shifting program of reform and then examines the concept of mandatory corporate tax disclosures by revenue authorities. It also provides a theoretical framework for an investigation into taxpayer responses. The second part of the article adopts a case study approach to test the hypothesis that corporate taxpayers react to mandatory disclosure requirements by increasing their disclosures and by adopting impression management strategies to legitimise their image and identity. Using the introduction of the *Tax Laws Amendment (2013 Measures No. 2) Act 2013* as the critical event point, we investigate whether there has been an increase in tax communications by corporate taxpayers since the introduction of the legislation and then undertake an analysis to identify the types of strategies used in these disclosures. Also investigated is whether there is a relationship between a company's level of CSR and their tax communications. Overall, we conclude that a combination of primary tax disclosures by revenue authorities and the subsequent responses of corporate taxpayers subject to the disclosure legislation is likely to increase public confidence in the integrity of rules, systems and institutions.

Keywords: Aggressive tax planning, corporate tax avoidance, tax secrecy, disclosures, corporate taxpayers, corporate social responsibility

[1] PHD Candidate, QUT Business School.

[2] Lecturer, QUT Business School.

[3] Professor of Taxation, QUT Business School. Corresponding author, email: Kerrie.sadiq@qut.edu.au.

1. INTRODUCTION

Secrecy and aggressive tax planning are interdependent. As such, when secrecy is reduced via mandatory tax disclosures there is likely to be a consequential reduction in aggressive tax planning. However, to reduce secrecy, legislative interventions, as opposed to voluntary frameworks such as corporate social responsibility (CSR) reporting guidelines, are generally required. In response to current initiatives by the OECD, several mandatory tax disclosure reform measures have recently been adopted by national jurisdictions. Specifically, many jurisdictions have introduced legislation to enact the Automatic Exchange of Information – Common Reporting Standard framework and the Base Erosion and Profit Shifting – Country-by-Country Reporting recommendations. To date, these reforms require the disclosure of tax-related information to revenue authorities on a confidential basis. In this article, we argue that aggressive tax planning can also be addressed through public disclosures by revenue authorities of certain taxpayer information collected from annual corporate tax returns. Further, we propose that it is a combination of primary tax disclosures by revenue authorities and the subsequent responses of corporate taxpayers subject to the disclosure legislation, which may increase public confidence in the integrity of rules, systems and institutions.

Following this introduction, section 2 of this article briefly considers the concept of aggressive tax planning in the context of the OECD/G20 base erosion and profit shifting program of reform. Section 3 then examines the concept of mandatory corporate tax disclosures by revenue authorities. Utilising the Australian approach, one of the first jurisdictions to provide a contemporary example of mandatory disclosure of taxpayer information by a revenue authority, a possible legislative model is considered, namely, the regime contained in the *Tax Laws Amendment (2013 Measures No. 2) Act 2013* (Cth) (2013 Act) which received Royal Assent on 29 June 2013 requiring the Commissioner of Taxation to publish certain information about the tax affairs of large corporate taxpayers. Section 4 of the article then provides a theoretical framework for an investigation into taxpayer responses. Based on impression management theory, we argue that corporate taxpayers are likely to respond to mandatory disclosures by revenue authorities after they review how the public perceives them. The corporate taxpayer will then use impression management strategies in the communication of tax-related information to control and legitimise their image and identity. We argue that, ultimately, this leads to corporate taxpayers voluntarily disclosing more information about their tax planning strategies. That is, as corporate tax positions become more transparent and available for public evaluation through mandatory disclosure, there is an increase in the frequency of voluntary communication by corporations about their tax position.

In section 5 of this article, we adopt a case study approach to test the hypothesis that corporate taxpayers react to mandatory disclosure requirements by increasing their disclosures and by adopting impression management strategies to legitimise their image and identity. Using the introduction of the 2013 Act as the critical event point, we investigate whether there has been an increase in tax communications by corporate taxpayers since the introduction of the legislation and then identify the types of strategies used in these disclosures. We also investigate whether there is a relationship between a company's level of CSR and its tax communications. Statistical testing is adopted to assess any increases in tax communications and the tax and CSR relationship, while content analysis is used to determine the impression management techniques used by corporate taxpayers. Measurable results are obtained to illustrate changes in the level of tax communication since the critical incident point. The use of impression management strategies by corporations in their tax communications is also confirmed. Further, the results demonstrate a relationship between CSR and tax communications. Overall, we conclude that a combination of primary tax disclosures by revenue authorities and the subsequent responses of corporate taxpayers subject to the disclosure legislation is likely to increase public confidence in the integrity of rules, systems and institutions.

2. Aggressive tax planning by corporate taxpayers

In the last few years, a great deal has been written about corporate tax avoidance, tax evasion and aggressive tax practices. Even more has been done to address these practices, both through international bodies such as the OECD and at national levels by revenue authorities. Currently, the technical umbrella term capturing corporate tax behaviour deemed inappropriate is 'base erosion and profit shifting' (BEPS). In this article it is also suggested that such behaviour is an abuse of public interest which undermines 'public confidence in the integrity of rules, systems and institutions that promote the public interest' (Tax Justice Network, 2017). This suggests that corporations have a responsibility not just to shareholders but to the general population of a society.

The adoption of aggressive tax strategies by corporate taxpayers for the private financial gain of corporate shareholders may be legal but such strategies are often considered devoid of ethical considerations. Often, it is argued that corporations cannot be expected to voluntarily pay more tax than is legally required (Freedman, 2006). However, from a moral and ethical perspective, corporations engaging in aggressive tax planning strategies to reduce their corporate tax rate are employing undesirable corporate behaviour (Avi-Yonah, 2008, 2014; Hoi, Wu & Hao, 2013; Sikka, 2010; Lanis & Richardson, 2012). The conflict between these legal and moral viewpoints arises amidst the corporation's obligation to shareholders to create profit and to society to contribute to the public purse. Companies that act solely in the interest of their shareholders by increasing profits via tax minimising activities are ignoring the impact of their behaviour on broader society. So, as corporate profits increase and government revenues decrease, governments, media, and the public are focusing on the tax behaviour of large corporations (PricewaterhouseCoopers, 2016). It is this behaviour that arguably may amount to aggressive tax planning and which we argue can, at least in part, be addressed through mandatory disclosure regimes.

It is also often argued that corporations should be expected to act as individuals constrained by ethical and moral behaviour (Avi-Yonah, 2008, 2014). Avi-Yonah asserts through the real entity theory that corporations should be seen as individual citizens and thus are expected to pay taxes and not engage in overtly aggressive tax avoidance arrangements. This article seeks to apply Avi-Yonah's (2008, 2014) concept of a corporate conscience to examine the relationship between tax and CSR. The motivation for adopting these notions comes from prior research which links these constructs (Hoi, Wu & Hao, 2013, Huseynov & Klamm, 2012; Lanis & Richardson, 2012, 2013; Sikka, 2010; Zeng, 2016) and an aim of seeking to test the assertion that corporations that engage in tax minimising arrangements not only affect the revenue stream to government treasuries, but impact on the supply of public goods and benefits to society.

The payment of taxes is a fundamental way in which corporations engage in contributing to the 'lifeblood of the social contract' (Christensen & Murphy, 2004). For this reason, society's attention to tax transparency is building, particularly at a time when government austerity measures are being imposed. The financial reporting of corporations is being scrutinised due to public interest in how and whether corporations contribute to the society in which they make their profit. Prior to the global focus on tax, CSR had evolved as the public's measure of corporate promises of ethical and moral behaviour (Sikka, 2010). This article proposes that the increase in corporate tax transparency has motivated corporations to incorporate disclosures on tax within CSR disclosures. Consequently, we also seek to determine whether this proposed change is related to their level of CSR engagement.

3. CURRENT CORPORATE TAX DISCLOSURES

In February 2013, the Australian Government announced its intention to increase transparency within the country's corporate tax system. The rationale for doing so was that improvements in tax transparency encourage corporations to pay their 'fair share' of tax, to dissuade taxpayers from the use of aggressive tax minimisation arrangements and to provoke public debate on corporate tax policy (Bradbury, 2013). Following this announcement, the Australian Government introduced the 2013 Act which incorporated a new requirement into the *Taxation Administration Act 1953* for the Commissioner of Taxation to publish annual corporate tax transparency information. Specifically, new section 3C of the *Taxation Administration Act 1953* provides that where an Australian public or foreign owned company returns a total income of AUD 100 million or more for an income year, the Commissioner is required to publish the entity's name and ABN, total income, taxable income, and tax payable, as reported in its company tax return. The Commissioner is also required to disclose the same information for Australian-owned resident private companies with total income of AUD 200 million or more, entities that have petroleum resource rent tax (PRRT) payable and entities that had minerals resource rent tax (MRRT) payable for the years it was in place. Under a further provision introduced in 2015, similar reporting obligations now also apply in respect of 'significant global entities' with effect from 1 July 2016 (generally, multinational entities with annual global income of AUD 1 billion or more) (section 3CA of the *Taxation Administration Act 1953*, introduced by *Tax Laws Amendment (Combating Multinational Tax Avoidance) Act 2015*).

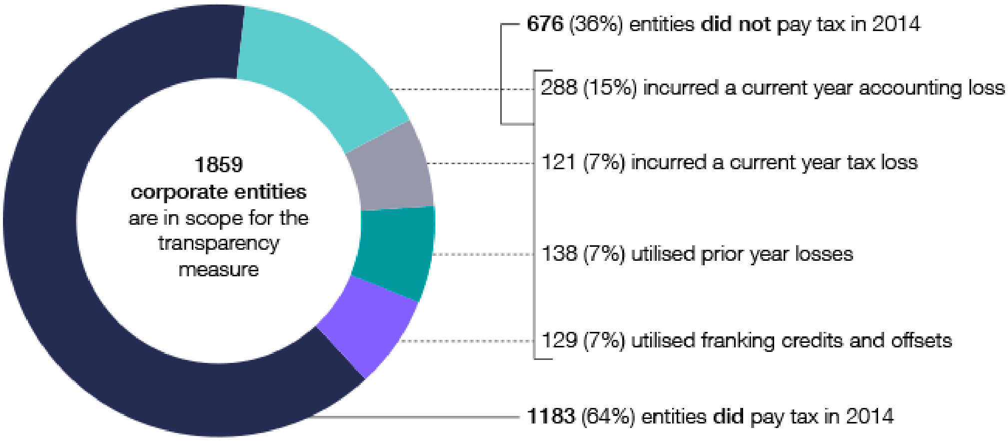
Australia has a self-assessment system which requires voluntary compliance. The overarching rationale for the introduction of the disclosure requirements was the fact that a system which relies on voluntary compliance requires strong public confidence (Explanatory Memorandum to the Tax Laws Amendment (2013 Measures No. 2) Bill, p. 75). This suggests that the purpose of the disclosure requirement aligns with the notion that aggressive tax planning undermines public confidence and that increased transparency is an option to address this. The Explanatory Memorandum (p. 76) provides four objectives to the disclosure requirement, which also support the notion of greater public confidence and increased transparency:

> The first objective of these amendments is to discourage large corporate tax entities from engaging in aggressive tax avoidance practices.
>
> The second objective of these amendments is to provide more information to inform public debate about tax policy, particularly in relation to the corporate tax system.
>
> The third objective is to enable better public disclosure of aggregate tax revenue collections, even when the identity of particular taxpayers (other than natural persons) could potentially be deduced.
>
> The fourth objective is to allow improved sharing of relevant tax information between Government agencies.

The first publication of Australian public and foreign owned company information, entitled *The Report of Entity Tax Information* (Australian Taxation Office, 2015) and detailing information about the 2013-14 income tax year, was released on 17 December 2015. A second publication detailing the same information for the 2014-15 income tax year was released on 6 December 2016 (Australian Taxation Office, 2016) and a third publication detailing information for the 2015-16 income tax year was released on 7 December 2017 (Australian Taxation Office, 2017). For the purposes of this study, we use the first report released as the event point. This report disclosed what was previously considered sensitive tax information relating to approximately 1,500 of Australia's top public companies including their total income; taxable income; and tax paid (Australian Tax Office, 2015). The report is published directly on the Australian Government website and available through a link on the ATO website for evaluation by all interested stakeholders. The report uses information contained in the tax returns of the relevant entities, but does not release further information beyond what is provided in the report. Consequently, as stated by the ATO, the report itself does not indicate whether an entity is paying a high or low rate of tax; this can only be assessed by calculating effective tax rates, which requires additional information.

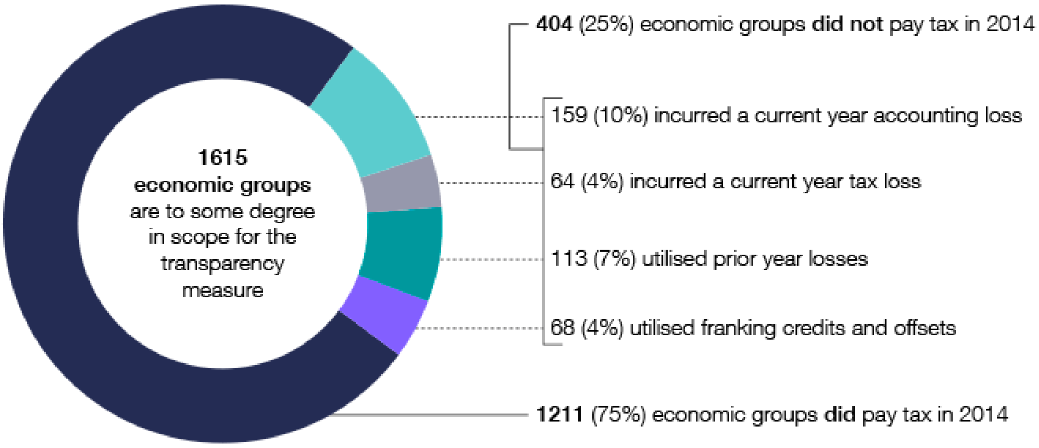
The ATO also published an analysis of the data of 1,859 corporate tax entities on its website which included 321 large Australian private companies. Of relevance is the information around nil tax payable at both entity and economic group level.

Figure 1: Nil Tax Payable at the Entity Level



Source: https://www.ato.gov.au/Business/Large-business/In-detail/Tax-transparency/Corporate-tax-transparency-report-for-the-2013-14-income-year/.

Figure 2: Nil Tax Payable at the Economic Group Level



Source: https://www.ato.gov.au/Business/Large-business/In-detail/Tax-transparency/Corporate-tax-transparency-report-for-the-2013-14-income-year/.

The publication of this report has led to scrutiny by stakeholders of tax strategies used by corporations in Australia. Consequently, the introduction of this legislation has been chosen as the event point for this study. The legislation has resulted in the publication of a unique report, following which corporate responses to increased transparency of their corporate tax practices can be investigated. This study investigates how these corporations have responded to their tax strategies becoming more transparent.

While the study uses the 2013 Act as its event point, other initiatives cannot be dismissed. Adding to the Australian Government's commitment to tax reform and increased transparency has been an Australian Senate inquiry into corporate tax avoidance, announced in 2014. The Senate Economics References Committee Inquiry into Corporate Tax Avoidance was tasked with understanding corporate tax strategies used by large corporations, and making them more transparent. High-level executives of multinational corporations, such as Apple, Google, News Corp, and Microsoft, have been 'grilled' by the Senate inquiry to explain their tax affairs in Australia (Om, 2015). The Senate inquiry has been extended eight times since its inception with the committee due to report by 30 May 2018.[4] An interim report delivered in August 2015, headed 'You cannot tax what you cannot see' (Parliament of Australia, Senate Economics References Committee, 2015), and a subsequent report released in April 2016 'Gaming the system' (Parliament of Australia, Senate Economics References Committee, 2016), are aptly named, referring to the difficulty in unravelling the international tax arrangements used by corporations in Australia.

Australia continues to move forward with measures to reform and increase the transparency of its corporate tax system both at a domestic and international level. It has committed to increased transparency of corporate tax information through the sharing of tax data under the Automatic Exchange of Information – Common Reporting Standard framework and has adopted the Base Erosion and Profit Shifting –

[4] See https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Corporatetax45th (accessed on 12 December 2017).

Country-by-Country Reporting recommendations as developed by the OECD. Further, it has introduced measures such as the Diverted Profits Tax and Multinational Anti-Avoidance Laws. Australia has also undertaken work around a new voluntary Tax Transparency Code, harsher penalties for breaches, new protections for whistleblowers and support for a new Tax Avoidance Taskforce within the ATO, to enforce and police these measures (Morrison, 2016). These actions indicate a significant shift in Australia's view on how its tax system should function.

With increased transparency, the Senate investigation, and new tax rules (summarised in Table 1), the challenge for corporations is to make sure their tax position is properly understood (PricewaterhouseCoopers, 2016, p. 2).

Table 1: Timeline of Change in Tax Focus During Test Period

2008	Global Financial Crisis hits economies worldwide: Governments are encouraged to adopt austerity measures and focus on budget expenditures and revenue in aid to control rising fiscal deficits.
2 April 2009	*G20 London Summit:* Global leaders announce focus on overhaul on global tax architecture, targeting tax minimising strategies and increasing transparency of international tax systems.
18 June 2012	*G20 Los Cabos Summit:* G20 Leaders restate the need to prevent BEPS and endorse the work of the OECD.
September 2012	Australia's transfer pricing rules changed to reflect the OECD Transfer Pricing Guidelines.
4 February 2013	Australian Government announces intention to amend tax laws to increase the transparency of the corporate tax system.
June 2013	OECD releases 15-point BEPS Action Plan to be delivered by end of 2015.
3 April 2013	Discussion paper released by Australian Government regarding corporations being required to disclose tax information to the public.
24 April 2013	Discussion paper closed to submissions regarding corporations being required to disclose tax information to the public.
29 May 2013	Tax Laws Amendment (2013 Measures No. 2) Bill introduced to the Australia Parliament, with requirements for the Commissioner of Taxation to publish information about the tax affairs of large corporate taxpayers.
28 June 2013	Tax Laws Amendment (2013 Measures No. 2) Bill passed by the Australian Parliament.
30 June 2014	Australia and the United States intergovernmental agreement to implement the US Foreign Account Tax Compliance Act (FATCA) in Australia.
December 2014	Australia takes over G20 Presidency with focus on leading global efforts to combat multinational tax avoidance.
September 2014	Australian Treasurer releases ministerial statement on G20-OECD tax transparency. Common Reporting Standard for the automatic exchange of financial accounting information will come into effect in 2017 to address tax evasive practices.
26 September 2014	Tax Justice Network and United Voice publish '*Who pays for our Common Wealth? Tax practices of the ASX 200*' report on the effective tax rates of Australia's top 200 companies.
2 October 2014	The Senate Economics References Committee inquiry into Corporate Tax Avoidance proceeds.
15 November 2014	*G20 Brisbane Summit:* Australia hosts G20 leaders.
April 2015	Australia and the United Kingdom form a joint working group to develop initiatives to tackle diverted profits by multinational organisations.
May 2015	Australian Government announces, in 2015-16 Budget, action on four key BEPS Actions and provides the ATO with $87.6 million to continue the International Structuring and Profit Shifting program.
16 September 2015	*The Tax Laws Amendment (Combating Multinational Tax Avoidance) Act 2015:* introduced into Parliament. The bill contains multinational anti-avoidance law, stronger penalties to combat tax avoidance and profit shifting, and country-by-country reporting.
5 October 2015	OECD releases final BEPS recommendations.
11 December 2015	The *Tax Laws Amendment (Combating Multinational Tax Avoidance) Act 2015*: receives Royal Assent.
17 December 2015	Release of first *Report of Entity Tax Information* by the ATO detailing 1500 public corporations' total income, taxable income and tax paid for the 2013/14 financial year.

Source: Australian Tax Office, 2016; Bradbury, 2013; OECD, 2016; G20 Australia, 2014; Parliament of Australia, Senate Economics References Committee, 2015; United Voice, 2016.

4. IMPRESSION MANAGEMENT THEORY

In this section we provide a theoretical framework to investigate taxpayer responses to the introduction of the 2013 Act. We use impression management theory, developed by Erving Goffman and published in *The Presentation of Self in Everyday Life* (1959), which examines how individuals represent themselves strategically to others in the hope of being perceived favourably (the *performance*) and extend it to corporations. First, the techniques and strategies are discussed, followed by an explanation of his dramaturgy framework.

4.1 Techniques and strategies

Goffman (1959, p. 35) explains that to achieve favour an individual will 'tend to incorporate and exemplify the officially accredited values of the society'. Based on this theory, this article uses impression management strategies to analyse the tax communications (*performances)* of Australian corporations prior to and post the 2013 Act. That is, we examine the volume and content of pre- and post-tax communications to determine, first, the impact of legislated transparency in the corporate tax system, and second, the impression management strategies employed by corporations to influence and align public perceptions of the corporation with accepted societal values (Hooghiemstra, 2000). To accomplish this, we use impression management theory, as it has been extended, to consider organisations in the same vein as the individual (Hooghiemstra, 2000; Tata and Prasad, 2015); that is, corporations act strategically to influence an *audience's* perception of them (Elsbach, Sutton & Principe, 1998). We acknowledge the concerns of Bolino et al. (2008), that looking at impression management from an organisational level can be difficult as the *actor* is not constant. For example, there are a variety of individuals (the *actors*), from CEOs to public relations personnel, engaging in scripting and presenting the *performances* to the *audience*. However, this article aims to interpret the *performances* as an overall projection of the desired corporate image and identity. In accordance with Goffman's (1959) concept of 'front stage performances' (which is discussed in section 4.2 below), this article assumes that all *actors* are reading from a similar script with complementing goals on what the *performance* is required to illustrate to the *audience*.

To analyse the tax communications, two impression management strategies that address the methods used by the *actors* to promote the desired corporate image and identity, and to project and react to *audience* perceptions, have been adapted from Bolino et al. (2008). First, we consider assertive strategies in which corporations 'proactively manage impressions of themselves', and second, defensive strategies where corporations 'reactively manage impressions of themselves'. Assertive impression management strategies encompass three techniques used in the *performance*: ingratiation, self-promotion, and exemplification. Bolino et al. (2008) indicate that these techniques aim to maximise and advertise the positive perceptions and attributes of a corporation. Similarly, they reflect Goffman's (1959) aspect of self-presentation in which the *actor* tries to control the impression presented to the *audience*. Defensive impression management strategies contain the techniques of excuses and justifications. These techniques are used to restore and enhance the legitimacy of a corporation and to minimise negative attributes seen by the *audience,* for example a negligible corporate effective tax rate.

Table 2 provides a summary of the assertive and defensive impression management strategies along with a brief explanation of the techniques that are used to investigate corporate tax communications (*performances*).

Table 2: Definitions of Impression Management Strategies

Assertive Behaviours	
Ingratiation	A corporation trying to gain *audience* approval through trying to appear likeable.
Self-Promotion	Communication of abilities and accomplishments to the *audience* to appear competent and compliant.
Exemplification	Communication of doing more or better, than what is required, in attempt to appear dedicated and superior.
Defensive Behaviours	
Excuses	Denial of any negative behaviour or outcomes.
Justifications	Accepting responsibility for negative implications but providing reasons that there are external causes for actions.

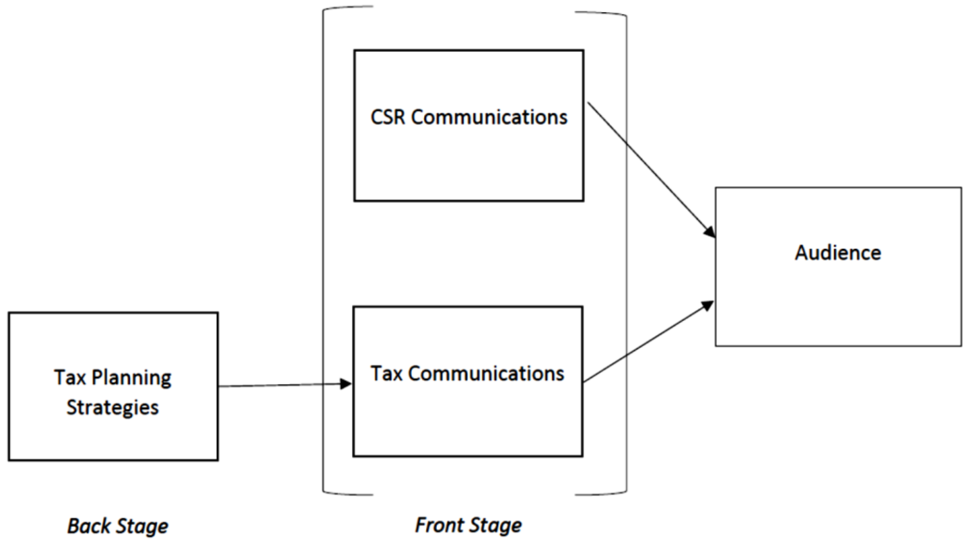
Source: adapted from Jones (1964) and Bolino et al. (2008).

4.2 Dramaturgy

To complement impression management theory, Goffman (1959) proposed a dramaturgical framework to explain the positioning of *performances*. This dramaturgy describes and compares *front stage performances*, which include 'the stage props, appropriate expressions, and attitudes that allow a *performer* to conjure up a desired self-image' (Fine & Manning, 2003, p. 46), to *back stage* functions, where the *actors* may 'knowingly contradict the impressions that had carefully been publicly presented' (Fine & Manning, 2003, p. 46). Such positioning of performances is no more apparent than when corporations publish Corporate Social Responsibility (CSR) reports that espouse their commitment to aiding society on the *front stage*, whilst potentially engaging in tax-minimising strategies covertly in the *back,* 'away from the glare of public scrutiny' (Sikka, 2010, p. 156).

Studies examining corporate disclosures suggest that a CSR report is the medium by which corporations communicate their moral and ethical positions to society (Hooghiemstra, 2000; Tata & Prasad, 2015). As such, if we apply the dramaturgical framework, CSR reports serve as the main *performance* piece presented by corporations on the *front stage* to communicate their desired self-image to their *audience*. Historically, the CSR report has focused on three dimensions: social, environmental, and corporate governance performances. However, the recent focus on tax transparency, which in Australia includes the 2013 Act and the subsequent publication of the *Report of Entity Tax Information* (Australian Tax Office, 2016), has drawn public attention to the issue of corporate taxation. We therefore argue that *performances* regarding tax have transitioned from a back stage function to the *front stage* (alongside societal, environmental, and corporate governance concerns), with corporations purposefully altering their presentation of tax information in an effort to justify their actions to their *audience*, as illustrated in Figure 3. To coin a phrase, the curtain has been lifted and tax performances are now on the billing.

Figure 3: The Proposed Change of Performances on the Front Stage in a Dramaturgical Context



This article tests the proposition that tax communications have moved to the front stage by examining the relationship between the level of tax communications and CSR. If these two variables exhibit a significant positive relationship this supports our argument and provides evidence of a fourth dimension in CSR reporting, that of tax.

5. AN AUSTRALIAN CASE STUDY

The purpose of this case study is to determine how corporations have responded to changes in the Australian tax landscape, specifically the increase in corporate tax transparency. First, this section investigates whether there has been a significant increase in the volume of corporate tax communications in response to transparency legislation in the corporate tax system, namely the 2013 Act and the subsequent publication of the *Report of Entity Tax Information* (Australian Tax Office, 2016). Second, it examines the content of those corporate tax communications, including an analysis of the impression management strategies employed. This analysis highlights how corporations have responded to greater public scrutiny about tax and their methods for legitimising their image and identity. Third, it investigates whether there is a relationship between the level of corporate tax communications and, given its positioning as the *front stage performance*, a corporation's CSR performance.

5.1 Data

The corporations examined in this article, that is, the *dramatists* of the corporate tax communications, are the constituents of the S&P/ASX 200 index. This sample was chosen as these corporations are conspicuous enough to compel a public *performance* via tax communications. The constituent data was obtained from the Thomson Reuters Tick History database of the Securities Industry Research Centre of Asia-

Pacific (SIRCA) for the 2012/13 and 2014/15 financial years. This sample period captures data prior to and post the introduction of the 2013 Act. The year the Act was introduced (2013/14) was omitted to avoid any contemporaneous issues.

Corporate tax communications, defined as those communications that include the term 'tax', were obtained from reports published on corporate websites (predominantly within the annual and CSR reports) for the sample period. These communications were analysed for content, with those communications that discussed the corporation's effective tax rate or their position on tax deemed relevant; whilst those that discussed general tax information (e.g., explanatory notes to the financial statements) were deemed irrelevant and trimmed from the sample.

CSR *performance* data was collected from the Thomson Reuters ASSET 4 database, which provides scores on all three dimensions of CSR: social, environmental and corporate governance; along with an equally-weighted composite. These scores transparently and objectively measure a corporation's CSR performance based on 70 key *performance* indicators across more than 400 data points. A sample of these metrics is provided in Table 3.

Table 3: Examples of Metrics Used to Calculate CSR Dimension Scores

Social	Environmental	Corporate Governance
Accidents Total	Carbon Offsets/Credits	Anti-Takeover Devices
Average Training Hours	CO2 Equivalents Emission Total	Audit Committee Independence
Day Care Services	Energy Use Total	Board Cultural Diversity
Donations Total	Environmental R&D Expenditures	Board Member Compensation
Flexible Working Schemes	Environmental Supply Chain Management	CEO-Chairman Separation
Health & Safety Policy	Green Buildings	CSR Sustainability External Audit
Human Rights Policy	Hazardous Waste	Female on Board
Lost Time Injury Rate	Policy Energy Efficiency	GRI Report Guidelines
Policy Child Labour	Policy Water Efficiency	Highest Remuneration Package
Trade Union Representation	Renewable Energy Use	Shareholders Vote on Executive Pay
Women Employees	Waste Total	Veto Power or Golden Share

To allow comparability, the constituent lists over the three years were trimmed to include only those corporations that were constituents of the S&P/ASX200 index over the full three-year period and only those corporations that had complementary CSR performance data. This trimming resulted in a final sample of 161 corporations. A full list of the corporations included in the sample is provided in Appendix 1.

5.2 Research question 1

To assess the impact of legislated transparency in the corporate tax system, our first research question is:

RQ1: *Has there been a significant increase in the volume of corporate tax communications (performances) since the introduction of the 2013 Act in Australia in June 2013?*

Consistent with Goffman's impression management theory (1959), whereby individuals (corporations) act strategically to influence an *audience's* perception of them, we hypothesise that legislated transparency in the corporate tax system has increased the volume of corporate tax communications. To test this hypothesis and contrast the number of tax communications made by each of the constituents of the S&P/ASX 200 index (trimmed sample), prior to and post the introduction of the 2013 Act (the 2012-13 and 2014-15 financial years respectively), descriptive statistics and a paired samples *t*-test were calculated.

The number of corporate tax communications for each year are presented in total and by report type in Table 4 below. These statistics indicate that the number of tax communications increased across the sample period, from 69 in 2012-13 to 86 in 2014-15.

Table 4: Corporate Tax Communications across the Sample Period

	2012/13 Financial Year	**2014/15 Financial Year**
Number of tax communications		
Total Tax Communications	69	86
Annual Report	49	58
CSR Report	20	28

Trimmed sample: 161 companies

This increase was found to be statistically significant in the paired samples *t*-test (*t*-statistic 3.09, significant at 1 per cent), supporting our hypothesis that legislated transparency in the corporate tax system has increased the volume of corporate tax communications.

Further analysis to determine the source of the additional tax communications, via paired samples *t*-tests, required the sample to be partitioned into tax communications that originated from the annual report and those that originated from the CSR report across the sample period. The results of these tests, reported in Table 5, demonstrate that the additional tax communications originated from increased disclosures in both the annual report (*t*-statistic 2.29, significant at 5 per cent), and CSR report (*t*-statistic 2.01, significant at 5 per cent). We therefore conclude that there has been a significant increase in corporate tax communications presented in the annual and CSR reports since the introduction of the 2013 Act.

Table 5: Changes to Corporate Tax Communications across the Sample Period

	2012/13 Financial Year	2014/15 Financial Year
Paired samples *t*-tests		
Average tax communication per company	0.5839	0.8012
t-statistic	3.09**	
Average tax communication per company in annual report	0.3727	0.4969
t-statistic	2.29*	
Average tax communication per company in CSR report	0.2112	0.3043
t-statistic	2.01*	

Trimmed sample: 161 companies

Note: *, ** denotes significance at 5% and 1% respectively.

5.3 Research question 2

To determine how corporations have responded to greater public scrutiny about tax and their methods for legitimising their image and identity, our second research question is:

RQ 2: *What impression management techniques and strategies are employed by corporations to influence and align public perceptions of the corporation with accepted societal values about tax?*

To determine the impression management techniques and strategies employed by corporations in their communications about tax, the content of the 155 tax communications, reported earlier in Table 4, were analysed. This analysis involved categorising each communication into one or more of the impression management strategies adapted from Bolino et al (2008): assertive strategies which encompass ingratiation, self-promotion, and exemplification techniques; and defensive strategies which encompass excuse and justification techniques. An example of this categorisation is provided below in Table 6.

Table 6: Categorisation of Tax Communications

Raw Data	Impression Management Technique	Impression Management Strategy
'The effective tax rate of 29.4% was higher than 28.0% for FY14 primarily due to a reduction in adjustments relating to prior years.' (AGL, 2015 Annual Report)	Justification (Accepting responsibility for negative implications but provide reasons there are external causes for actions)	Defensive

The results of these analyses are presented in Table 7 for all tax communications and separately, for tax communications by report type. The results presented in Panel A are based on impression management techniques, whilst the results presented in Panel B are based on impression management strategies. The reason for this format is to highlight the specific techniques or strategies that are prevalent in certain types of corporate reporting.

Table 7: Impression Management Techniques and Strategies in Tax Communications

Impression Management Technique or Strategy	Tax communications in Annual report		Tax communications in CSR report		All tax communications	
	Number	%	Number	%	Number	%
Panel A: Impression management techniques						
Ingratiation	15	10.71%	11	13.25%	26	11.66%
Self-Promotion	23	16.43%	33	39.76%	56	25.11%
Exemplification	3	2.14%	33	39.76%	36	16.14%
Excuses	22	15.71%	2	2.41%	24	10.76%
Justifications	77	55.00%	4	4.82%	81	36.32%
Panel B: Impression management strategy						
Assertive	41	29.29%	77	92.77%	118	52.91%
Defensive	99	70.71%	6	7.23%	105	47.09%

Sample: 155 tax communications

As shown in Table 7, the dominant impression management techniques employed by corporations are justifications (36.32 per cent) and self-promotion (25.11 per cent). When these techniques are differentiated based on report type, justifications (55.00 per cent) are shown to be dominant in the annual report, whilst self-promotion (39.76 per cent) and exemplification (39.76 per cent) are shown to be dominant in the CSR report. As a consequence, the impression management strategies adopted by each report type are distinct; a defensive strategy in the annual report (70.71 per cent) and an assertive strategy in the CSR report (92.77 per cent). Collectively however, both assertive (52.91 per cent) and defensive strategies (47.09 per cent) are relatively evenly represented.

These results suggest that corporations strategically use both assertive and defensive impression management techniques to influence and align their public perception with accepted societal values about tax. The tax communications provided in annual reports are reactive, used to protect corporate legitimacy by justifying their practices (van Halderen et al., 2013), whilst tax communications provided in the CSR report are proactive, used to boost corporate accomplishments and achievements and to identify their contribution to the public good.

Further analysis was then conducted via paired samples *t* tests to determine whether the additional tax communications reported in section 5.2 above were associated with a specific impression management technique and/or strategy. The results of this analysis are reported in Table 8.

Table 8: Changes in Impression Management Techniques and Strategies across the Sample Period

Impression Management Technique or Strategy	Tax communications in Annual report			Tax communications in CSR report			All tax communications		
	2012/13	2014/15	t-stat	2012/13	2014/15	t-stat	2012/13	2014/15	t-stat
Panel A: Impression management techniques									
Ingratiation	6	9	-1.13	4	7	-1.00	10	16	-1.61
Self-Promotion	10	13	-0.77	12	21	-2.77**	22	34	-2.39**
Exemplification	1	2	-0.58	15	18	-0.83	16	20	-1.07
Excuses	11	11	0.00	1	1	0.00	12	12	0.00
Justifications	32	45	-2.29*	2	2	0.00	34	47	-2.16*
Panel B: Impression management strategy									
Assertive	17	24	-1.30	31	46	-2.21*	48	70	-2.68**
Defensive	43	56	-1.76*	3	3	0.00	46	59	-1.70*

Sample: 155 tax communications

Note: *, ** denotes significance at 5% and 1% respectively.

These results show a statistically significant increase (*t*-statistic 2.29, significant at 5 per cent) in the number of tax communications that employ a defensive (justification) impression management strategy (technique) in the annual report; and a statistically significant increase (*t*-statistic 2.77, significant at 1 per cent) in the number of tax communications that employ an assertive (self-promotion) impression management strategy (technique) in the CSR report. This suggests that corporations, in response to legislated transparency in the corporate tax system, have increased the volume of their tax communications in order to legitimise their tax practices and promote their alignment with accepted societal values about tax.

5.4 Research question 3

To determine whether tax has become a fourth dimension in CSR reporting, moving from a *back stage* function to the *front stage* alongside societal, environmental, and corporate governance concerns, our third research question is:

RQ 3: *Is there a relationship between the level of corporate tax communications and the level of CSR?*

Applying Goffman's dramaturgical framework to corporate communications, we hypothesise that a positive relationship exists between the level of tax communications and the level of CSR. That is, corporations which use CSR reports as a performance piece to communicate their desired self-image to their audience to allay social, environmental and corporate governance concerns, now synonymously disclose information about their tax position.

To test this hypothesis the following ordinary least squares (OLS) regression model was employed:

$$Y_{\text{Tax communication}}^{FY} = \alpha + \beta_{\text{CSR performance score}}^{FY} + \varepsilon \qquad (1)$$

where $Y_{\text{Tax communication}}^{FY}$ represents the number of tax communications and $\beta_{\text{CSR performance score}}^{FY}$ represents the equally-weighted composite CSR score of each of the constituents of the S&P/ASX 200 (trimmed sample) for the 2012-13 and 2014-15 financial years.

This regression was then re-run substituting the equally weighted composite CSR score for each CSR dimensions score: social, environmental, and corporate governance. This was done to determine whether one dimension, or all, subsumed the influence of tax.

Table 9: Relationship between the Level of Tax Communications and CSR

CSR Performance score	A	$\beta_{\text{CSR performance score}}$
Equally weighted composite score	-0.2003	0.0150
T-statistic	(-1.58)	(7.71)**
Social score	-0.1075	0.0152
T-statistic	(-0.95)	(7.96)**
Environmental score	0.0606	0.0129
T-statistic	-0.59	(7.12)**
Corporate governance score	-0.3097	0.0135
T-statistic	(-1.33)	(4.42)**

Sample: 310 observations

Note: *, ** denotes significance at 5% and 1% respectively.

The regression results reported in Table 9 indicate that there is a significant positive relationship between the level of corporate tax communications and the level of CSR. Specifically, using the equally-weighted composite score as a proxy for the level of CSR, this analysis demonstrates that a 1 unit increase in a corporation's CSR score will lead to a 1.50 per cent increase in the number of tax communications disclosed by the company. This relationship is significant at the 1 per cent level and persists irrespective of the proxy used to measure the level of CSR, which suggests that tax is all-pervasive and now situated on the *front stage*.

5.5 Summary of case study findings

Consistent with Goffman's impression management theory (1959), whereby individuals, or in this case corporations, act strategically to influence an *audience's* perception of them, legislated transparency in the corporate tax system has significantly increased the volume of corporate tax communications. When the sample was partitioned by report type, both annual and CSR reports were shown to contain a significant increase in the number of tax communications since the introduction of the *Tax Laws Amendment (2013 Measures No. 2) Act 2013*. This result, when analysed using an impression management framework, was found to arise from both defensive and assertive impression management strategies respectively.

Further analysis of the impression management strategies employed by corporations in their tax communications shows, in aggregate, that assertive and defensive impression management strategies are equally represented. However, when these tax communications or *performances* are partitioned by impression management techniques and report type, corporations are shown to predominantly use justifications, a defensive impression management technique, when communicating about tax in the annual report and self-promotion and exemplification, both assertive impression management techniques, when communicating about tax in the CSR report. It is also demonstrated that corporations have been both reactionary and proactive, with the number of tax communications that employ a defensive and assertive impression management strategy respectively, significantly increasing. This suggests that corporations are using impression management strategies to influence (Elsbach et al., 1998) and control (Spear & Roper, 2013) the *audiences'* view of the corporation in an attempt to legitimise and promote their tax practices (van Halderen et al., 2013).

Finally, we report a significant positive relationship between the level of corporate tax communications and the level of CSR. This suggests that tax has become a fourth dimension in CSR reporting, moving from a *back stage* function to the *front stage*.

6. CONCLUSION

Consistent with the OECD/G20 BEPS program, this article considered certain legal activities to constitute aggressive tax planning strategies because they were devoid of ethical considerations. We then argued that aggressive tax planning can be reduced through mandatory tax disclosures imposed not on the taxpayers themselves, but on the revenue authorities. It was hypothesised that these primary tax disclosures by a revenue authority, and the resulting corporate taxpayer response, are likely to increase public confidence in the integrity of rules, systems and institutions.

To test taxpayer reaction to mandatory disclosure requirements by a revenue authority, this study aimed to find out how corporations responded to the *Tax Laws Amendment (2013 Measures No. 2) Act 2013*. This change in the Australian tax landscape, including tax reforms and increased corporate tax transparency, reflected an increased focus on corporate tax contributions and how they impact societal functions. The study found that corporations have responded by increasing their communications about tax to the *audience*, with the use of control and legitimisation strategies to project a desired corporate image and identity. It also found that corporations, which provide CSR *performances*, were complementing this with tax disclosures to address concerns about their moral and ethical standing. Consequently, this study shows that tax is now on the *front stage*, in accordance with Goffman's (1959) dramaturgical theory, for *audience* review.

The publication, *Report of Entity Tax Information by the ATO* (Australian Tax Office, 2016), allows *audiences* to compare what corporations say and what they do, via an external impartial marker. The results support the objectives of the Australian Government in the implementation of their transparency legislation, which was to provoke public debate on corporate tax policy (Bradbury, 2013). Further, this study demonstrated that the specific objectives of providing more information to inform public debate, and to enable better public disclosure of tax information, are being achieved. With tax now on the *front stage*, corporations have noted that they need to increase communications about tax to the Australian public in an effort to ensure their tax operations are seen as legitimate.

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8. APPENDIX: FULL LIST OF COMPANIES IN SAMPLE

Company	RIC	GICS Sector
Abacus Property Group Stapled	ABP	Real Estate
Acrux Limited	ACR	Pharmaceuticals, Biotechnology & Life Sciences
Adelaide Brighton Ltd.	ABC	Materials
AGL Energy Limited	AGL	Utilities
Als Limited	ALQ	Industrials
Alumina Limited	AWC	Materials
Amcor Limited	AMC	Materials
AMP Limited	AMP	Financials
Ansell Limited	ANN	Health Care
APA Group Stapled	APA	Utilities
Ardent Leisure Group Stapled	AAD	Consumer Discretionary
Aristocrat Leisure Limited	ALL	Consumer Discretionary
Arrium	ARI	Materials
ASX Limited	ASX	Financials
Atlas Iron Limited	AGO	Materials
Aurizon Holdings Limited	AZJ	Industrials
Ausnet Services Limited	AST	Utilities
Australia And New Zealand Banking Group Limited	ANZ	Financials
Australian Worldwide Exploration	AWE	Energy
Automotive Holdings Group Limited	AHG	Consumer Discretionary
Bank of Queensland Limited	BOQ	Financials
Beach Energy Limited	BPT	Energy
Beadell Resources	BDR	Materials
Bendigo And Adelaide Bank Limited	BEN	Financials
BHP Billiton Limited	BHP	Materials
BlueScope Steel Limited	BSL	Materials
Boral Limited	BLD	Materials
Bradken Limited	BKN	Industrials

Company	RIC	GICS Sector
Brambles Limited	BXB	Industrials
Breville Group Limited	BRG	Consumer Discretionary
Buru Energy Limited	BRU	Energy
BWP Trust	BWP	Real Estate
Cabcharge Australia Limited	CAB	Industrials
Caltex Australia Limited	CTX	Energy
Cardno Limited	CDD	Industrials
Carsales.com Limited	CAR	Information Technology
Challenger Limited	CGF	Finanicals
Charter Hall Group Forus	CHC	Real Estate
Charter Hall Retail REIT	CQR	Real Estate
CIMIC Group Limited	CIM	Industrials
Cleanaway Waste Management Ltd	CWY	Industrials
Coca-Cola Amatil Limited	CCL	Consumer Staples
Cochlear Limited	COH	Health Care
Commonwealth Bank of Australia	CBA	Financials
Computershare Limited	CPU	Information Technology
Crown Resorts Limited	CWN	Consumer Discretionary
CSL Limited	CSL	HealthCare
CSR Limited	CSR	Materials
Dexus Property Group Stapled	DXS	Real Estate
Domino's Pizza Enterprises Limited	DMP	Consumer Discretionary
Downer EDI Limited	DOW	Industrials
Drillsearch	DLS	Energy
Duet Group Forus	DUE	Utilities
Dulux Group	DLX	Materials
Echo Entertainment Group	EGP	Consumer Discretionary
Evolution Mining Limited	EVN	Materials
Fairfax Media Limited	FXJ	Consumer Discretionary
Federation Centres/Vicinity Centres	VCX	Real Estate
Fletcher Building Limited	FBU	Materials
Flexigroup Limited	FXL	Financials
Flight Centre Travel Group Limited	FLT	Consumer Discretionary
Fortescue Metals Group LTD	FMG	Materials
G.u.d. Holdings Limited	GUD	Consumer Discretionary
G8 EDUCATION LIMITED	GEM	Consumer Discretionary
Goodman Group Stapled	GMG	Real Estate
GPT Group Stapled	GPT	Real Estate
Graincorp Limited	GNC	Consumer Staples
GWA Group Limited	GWA	Industrials

Company	RIC	GICS Sector
Harvey Norman Holdings Limited	HVN	Consumer Discretionary
Henderson Group	HGG	Finanicials
Horizon Oil Limited	HZN	Energy
Iluka Resources Limited	ILU	Materials
Incitec Pivot Limited	IPL	Materials
Independence Group NL	IGO	Materials
Insurance Australia Group Limited	IAG	Financials
Investa Office Fund	IOF	Real Estate
InvoCare Limited	IVC	Consumer Discretionary
Ioof Holdings Limited	IFL	Financials
Iress Limited	IRE	Information Technology
James Hardie Industries Plc	JHX	Materials
JB Hi-fi Limited	JBH	Consumer Discretionary
Karoon Gas Australia Ltd	KAR	Energy
LendLease Group	LLC	Real Estate
Lynas Corporation Limited	LYC	Materials
M2 Group Limited	MTU	Telecommunication Services
Macquarie Atlas Roads Group Stapled	MQA	Industrials
Macquarie Group Limited	MQG	Financials
Magellan Financial Group Limited	MFG	Financials
McMillan Shakespeare Limited	MMS	Industrials
Medusa Mining Ltd	MML	Materials
Mesoblast Limited	MSB	Health Care
Metcash Limited	MTS	Consumer Staples
Mineral Resources Limited	MIN	Industrials
Mirvac Group Stapled	MGR	Real Estate
MMA Offshore Limited	MRM	Industrials
Monadelphous Group Limited	MND	Industrials
Mount Gibson Iron Limited	MGX	Materials
Myer Holdings Limited	MYR	Consumer Discretionary
National Australia Bank Limited	NAB	Financials
Navitas Limited	NVT	Consumer Discretionary
Newcrest Mining Limited	NCM	Materials
News Corp	FOX	Consumer Discretionary
Northern Star Resources Ltd	NST	Materials
NRW Holdings Limited	NWH	Industrials
Nufarm Limited	NUF	Materials
Oil Search Limited	OSH	Energy
Orica Limited	ORI	Materials
Origin Energy Limited	ORG	Energy

Company	RIC	GICS Sector
OZ Minerals Limited	OZL	Materials
Pacific Brands Group	PBG	Consumer Discretionary
Paladin Energy Ltd	PDN	Energy
Perpetual Limited	PPT	Financials
Platinum Asset Management Limited	PTM	Financials
Premier Investments Limited	PMV	Consumer Discretionary
Primary Health Care Limited	PRY	Health Care
Qantas Airways Limited	QAN	Industrials
QBE Insurance Group Limited	QBE	Financials
Qube Holdings Limited	QUB	Industrials
Ramsay Health Care Limited	RHC	Health Care
REA Group Ltd	REA	Consumer Discretionary
Regis Resources Limited	RRL	Materials
ResMed Inc.	RMD	Health Care
Resolute Mining Limited	RSG	Materials
RIO Tinto Limited	RIO	Materials
SAI Global Limited	SAI	Industrials
Sandfire Resources NL	SFR	Materials
Santos Limited	STO	Energy
Seek Limited	SEK	Industrials
Senex Energy Limited	SXY	Energy
Seven Group Holdings Limited	SVW	Industrials
Seven West Media Limited	SWM	Consumer Discretionary
Shopping Centres Australasia Property Group Stapled	SCP	Real Estate
Sigma Pharmaceuticals Limited	SIP	Health Care
Sims Metal Management Limited	SGM	Materials
Sirtex Medical Limited	SRX	Health Care
Sonic Healthcare Limited	SHL	Health Care
Southern Cross Media Group Limited	SXL	Consumer Discretionary
Spark Infrastructure Group	SKI	Utilities
Spark New Zealand Limited NZ	SPK	Telecommunication Services
Stockland Stapled	SGP	Real Estate
Suncorp Group Limited	SUN	Financials
Super Retail Group Limited	SUL	Consumer Discretionary
Sydney Airport	SYD	Industrials
Tabcorp Holdings Limited	TAH	Consumer Discretionary
Tatts Group Limited	TTS	Consumer Discretionary
Telstra Corporation Limited	TLS	Telecommunication Services
Ten Network Holdings	TEN	Consumer Discretionary

Company	RIC	GICS Sector
The Reject Shop	TRS	Consumer Discretionary
TPG Telecom Limited	TPM	Telecommunication Services
Trade Me Group Limited NZ	TME	Consumer Discretionary
Transfield	BRS	Commercial Services & Supplies
Transurban Group Stapled	TCL	Industrials
Treasury Wine Estates Limited	TWE	Consumer Staples
United Group	UGL	Consumer Discretionary
Wesfarmers Limited	WES	Consumer Staples
Western Areas Limited	WSA	Materials
Westpac Banking Corporation	WBC	Financials
Whitehaven Coal Limited	WHC	Energy
Woodside Petroleum Limited	WPL	Energy
Woolworths Limited	WOW	Consumer Staples
WorleyParsons Limited	WOR	Energy