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Macquarie accused of tax 'trickery' by Danish pension funds

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Macquarie Group says it is in "long-running" discussions with Danish pension fund operators who have cut off future co-operation over Macquarie's involvement in a dividend-stripping scheme under criminal investigation by German authorities.

Danish life insurer and pension fund operator PFA, which controls about $US90 billion ($128bn), yesterday joined the country's biggest pension outfit, the $US120bn ATP, in freezing new investments with Macquarie until its role in the so-called "cum-ex" scandal is resolved.

The moves come amid increasing pressure from Australian investors for companies to reveal more about their tax affairs, with the Australian Council of Superannuation Investors, which represents funds with about $2.2 trillion in assets, last week writing to Treasury to demand additional disclosure.

As part of their criminal investigation, prosecutors in Cologne want to speak to Macquarie executives, including chief executive Shemara Wikramanayake and her predecessor Nicholas Moore.

Unusually, Macquarie's European tax trauma relates not to its own affairs but its role in lending money to investors who participated in a dividend scheme in 2011.

The transactions being attacked by prosecutors enabled two sets of investors to claim a tax deduction for one dividend payment and are estimated to have denied European governments up to €55bn ($88bn) in revenue.

"Before we see a settlement on this and a stronger commitment from them on a new way of conducting business, we cannot do new business," PFA chief executive Allan Polack told Bloomberg.

“It has not been totally settled yet. So we have to come up with what Macquarie will do going forward,” he said.

“But, right now, they are on standby. That’s for sure.”

Macquarie is in business with PFA and ATC as co-investors in Danish phone company TDC.

A Macquarie spokeswoman said it would “continue to work closely” with the two funds on a fibre rollout.

“We also have a long-running, constructive dialogue on the issue of historical equity dividend trading activity,” she said.

Jason Ward, principal analyst at the union-backed Centre for International Corporate Tax Accountability and Research, said the funds were “very likely to abandon Macquarie” and urged Australian investors to look at their deals with Macquarie “and fully consider the risks”.

“Macquarie earned the title of ‘the Vampire Kangaroo’ because it aggressively avoided taxes and cut services to maximise profits when it controlled the UK’s largest water utility,” he said.

“Macquarie has paved the way for other global investors to pursue aggressive tax avoidance strategies on privatised assets — an increasingly risky proposition for long-term investors.”

ACSI last week wrote to Treasury’s Board of Taxation, which is reviewing tax transparency rules, to urge “greater public disclosure of tax information by businesses”.

“In a global economic landscape dominated by economic slowdowns and growing inequality, the issue of adopting aggressive tax-planning strategies has become a key focus area for governments, international regulators and civil society,” chief executive Louise Davidson said in a letter sent on Monday.

“An aggressive approach to tax planning is a concern for long-term investors as it has the potential to create earnings risks and lead to governance problems and damage to a company’s reputation, and cause macroeconomic distortions.”

ACSI has also recently supported tougher tax disclosure rules proposed by standards-setting body the Global Reporting Initiative.