

Tax Transparency and Significant Global Entities

What's the background to tax transparency?

Tax transparency gained prominence due to media interest in what taxes companies are actually paying in Australia, who is paying those taxes and whether local companies are paying less or more than overseas companies. There was particular interest in foreign companies who've got small entities within Australia and whether they pay the right amount of tax. In response, the Board of Taxation came up with the Tax Transparency Code, which requires additional information about the taxes companies actually pay. The accounting standards board also came up with draft guidance to help companies do those disclosures. The result is that companies now need to provide more detail on a number of the items already on their financial reports, particularly around the company's effective tax rate. While some of the tax transparency code requirements are mandatory, others are voluntary. We encourage companies to use the opportunity to deliver their own message to stakeholders in their own way.

What about significant global entities?

Significant global entities (SGE) are entities that are part of a global group with revenue of more than \$1 billion. The definition of SGE was expanded from 1 July 2018, resulting in more companies being subject to additional requirements such as country-by-country reporting, lodgement of general purpose financial statements (GPFS) to the ATO and increased penalties. Companies will be affected by the expanded definition of SGE if they are a subsidiary of a privately held company, partnership or trust where the global parent entity is not currently required to prepare consolidated financial statements. The change will also affect investment entities, and smaller entities in foreign groups. Directors should understand if their entity is part of a group with revenue over \$1bn and thus would need to comply with the additional tax reporting requirements of the multinational anti-avoidance law, and the requirements to provide GPFS to the ATO along with their tax returns.

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