



## Large business

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- <https://www.ato.gov.au/Business/Large-business/>
- Last modified: 25 Nov 2020
- QC 21409

We define large businesses as those entities that are part of an economic group with combined turnover greater than \$250 million. This includes public, private and foreign-owned companies, partnerships, trusts and super funds.

We provide information, initiatives and services tailored to the needs of large business.

Find out about:

- [Compliance and governance](#)
- [Information and services](#)
- [Justified Trust](#)
- [Top 100 justified trust program](#)
- [Top 100 GST assurance program](#)
- [Top 100 population](#)
- [Top 1,000 combined assurance program](#)
- [Top 1,000 GST assurance program](#)
- [Top 1,000 Tax Performance Program](#)
- [Top 1,000 Next Actions Program](#)
- [Objections and amendments](#)
- [Corporate tax transparency](#)
- [Tax and Corporate Australia](#)

See also:

We are committed to working with our market to improve the client experience and shape our future tax and super systems. To find out how we're transforming the experience of the tax and super systems for public and private groups and international entities, see [Building confidence](#).

## Compliance and governance

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- <https://www.ato.gov.au/Business/Large-business/Compliance-and-governance/>
- Last modified: 12 Dec 2022
- QC 48012

Work out the compliance and governance requirements for large businesses.

#### [Annual compliance arrangement \(ACA\)](#)

How we use this administrative arrangement to manage our compliance relationship with you in an open and transparent environment.

#### [Reportable tax position schedule](#)

Work out if your entity meets the criteria to lodge a reportable tax position (RTP) schedule with your company income tax return.

#### [Reviewing tax governance for large public and multinational businesses](#)

How we review and rate tax governance to assist large public and multinational businesses.

#### [Entities with a substituted accounting period](#)

Work out if you can apply for a substituted account period (SAP), how to lodge a return and what labels have changed.

## Annual compliance arrangement (ACA)

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- <https://www.ato.gov.au/Business/Large-business/Compliance-and-governance/Annual-compliance-arrangement/>
- Last modified: 08 Nov 2018
- QC 48016

The Annual compliance arrangement (ACA) is an administrative arrangement developed to manage the compliance relationship with you in an open and transparent environment.

Entering into an ACA with us helps to identify tax issues early to avoid costly audits and tax disputes.

As an administrative arrangement, the terms of an ACA will not override the application of the law and the policies administered under those laws.

We encourage our ACA clients to enter into a whole-of-tax ACA arrangement, for example, income tax, GST, excise, PRRT and FBT, as required.

If a whole-of-tax ACA is impractical for our ACA clients, we will discuss ways in which a whole or multi-tax ACA could be practically considered.

See also:

- [Annual compliance arrangements – what you need to know](#)

## Reportable tax position schedule

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- <https://www.ato.gov.au/Business/Large-business/Compliance-and-governance/Reportable-tax-positions/>
- Last modified: 28 Jun 2021
- QC 48014

Reportable tax positions may need to be disclosed by large businesses.

On this page

- [Reportable tax position schedule](#)
- [RTP lodgment requirements expanded to large private companies](#)

## Reportable tax position schedule

The reportable tax position (RTP) schedule is a schedule to the company income tax return.

You are required to lodge the schedule if your entity meets the criteria listed in the RTP schedule instructions for the relevant year, even if your entity has no disclosures to make.

The positions that are reportable tax positions have changed over income years. When completing your company's tax return, refer to the *Reportable tax position schedule instructions* for the relevant income year:

- [Reportable tax position schedule instructions 2023](#)
- [Reportable tax position schedule instructions 2022](#)

We use schedule disclosures to:

- tailor our engagement and work with taxpayers to resolve concerns and provide assurance over complex high-risk arrangements
- improve our understanding of the risk profile and corporate governance of taxpayers and how we engage with them
- identify where we need to provide further clarification or certainty on the correct tax treatment of complex high-risk arrangements and transactions
- better understand tax risks across the large business population.

For assistance with your entity's RTP lodgment obligations, email [ReportableTaxPosition@ato.gov.au](mailto:ReportableTaxPosition@ato.gov.au)

## RTP lodgment requirements for large private companies

For income tax years starting on or after 1 July 2020, all companies that meet the criteria are required to lodge an RTP schedule.

For the 2020–21 income year, we notified [large private companies](#) if they were required to lodge the RTP schedule. If your large private company was not sent a notification, it is not required to lodge a 2021 RTP schedule.

From the 2021–22 income year onwards, private companies will need to self-assess against the lodgment criteria in the RTP schedule instructions to determine if they are required to lodge. Public and foreign-owned companies (including foreign-owned private companies) will still need to self-assess against the lodgment criteria in the RTP schedule instructions to determine if they are required to lodge.

## RTP schedule expansion to large private companies

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- <https://www.ato.gov.au/Business/Large-business/Compliance-and-governance/Reportable-tax-positions/RTP-schedule-expansion-to-large-private-companies/>
- Last modified: 28 Jun 2021
- QC 63131

This information will assist you in meeting your obligations to lodge a Reportable tax position (RTP) schedule, including your disclosure obligations.

For income years starting on or after 1 July 2020, all companies that meet certain criteria are required to lodge an RTP schedule.

For the first year, large private companies will only need to lodge the RTP schedule if we have notified them of the requirement to do so. The notification letters were issued in July and September 2020.

Public and foreign owned companies (including foreign owned private companies) will still need to self-assess against the lodgment criteria in the RTP schedule instructions to determine if they are required to lodge.

Private companies will be required to self-assess their requirement to lodge the RTP schedule for years beginning on or after 1 July 2021.

If you have questions or require further information, email us at [ReportableTaxPosition@ato.gov.au](mailto:ReportableTaxPosition@ato.gov.au).

Find out about:

- [Lodgment requirements](#)

- [Who needs to complete the RTP schedule](#)
- [RTP disclosures](#)

## Lodgment requirements

Private companies are required to lodge the RTP schedule for their:

- 2020–21 income year if we have sent them a notification
- 2021–22 and later income years if they meet the RTP lodgment criteria

### 2020–21 income year

You need to lodge an RTP schedule for the 2020–21 income year if we have sent you a notification of the requirement to lodge. If you have an early balancing [substituted accounting period](#), your first RTP schedule will be for the 2021–22 year. We sent notifications to private companies that have total business income of either:

- \$250 million or more
- \$25 million or more, and are a part of a private economic group with total business income of \$250 million or more.

Total business income is calculated with reference to your 2019 company tax return and 2019 tax returns of other entities in your economic group. If your private company was sent a notification you will be required to lodge an RTP schedule for the 2020–21 income year even if your company's income (or its group income) declined in the 2019–20 income year.

If your private company was not sent a notification, it is not required to lodge a 2021 RTP schedule.

### 2021–22 and later income years

You need to lodge an RTP schedule for the 2021–22 income years if you meet the RTP schedule lodgment criteria. This is the same for all types of companies, whether private, public or multinational.

Lodge the RTP schedule if you are:

- lodging a company tax return for the entire year (12 months or more), and
- have total business income of either:
  - \$250 million or more, or
  - \$25 million or more, and is a part of an economic group with total business income of \$250 million or more.

During the year, we will send a letter to selected private companies, encouraging them to consider RTP schedule requirements for the 2021–22 year. This letter is for education and transparency purposes only. A company that receives a prompt letter is not required to lodge an RTP schedule in 2021–22 if they do not meet the RTP schedule lodgment criteria. Similarly, a company that doesn't receive a prompt letter will still need to self-assess their requirement to lodge a 2021–22 RTP schedule and will be required to lodge an RTP schedule for 2021–22 if they meet

the lodgement criteria.

### Substituted accounting period

Large private companies with an early balancing substituted accounting period (SAP) starting before 1 July, will:

- not be required to lodge an RTP schedule for 2020–21
- be required to lodge an RTP schedule for 2021–22 if they are notified
- be required to lodge an RTP schedule for 2022–23 and subsequent years if they meet the lodgment criteria.

Large private companies with a late balancing SAP starting after 1 July, will be required to lodge an RTP schedule for:

- 2020–21 if they are notified
- 2021–22 and subsequent years if they meet the lodgment criteria.

### Penalties

The RTP schedule is part of the company tax return and is required to be lodged by the due date of your company's tax return.

Administrative penalties may apply if you:

- make a false or misleading statement; this includes omitting information such as not disclosing a reportable tax position
- fail to lodge on time.

### Non-company entities

Entities that are not companies, but who are required to lodge company tax returns, don't need to lodge an RTP schedule. For example, a corporate limited partnership is not required to lodge an RTP schedule.

## Who needs to complete the RTP schedule

This information will help you understand how to apply the RTP schedule lodgment criteria, and how we determined who was notified for the 2020–21 year. It explains how to apply the definitions of total business income and economic group.

The [RTP schedule instructions 2021](#) cover the lodgment criteria definitions and provide examples. .

Find out about:

- [Total business income](#)
- [Economic group](#)

### Total business income

Total business income is the amount reported at the Total income label of the

company tax return. For example, in the 2020 company tax return, total income is reported at label 6S.

The total business income of an economic group is the sum of all income labels in the tax returns of every group member, including trusts and partnerships but excluding individuals.

There is no total income label on the trust and partnership tax returns, so this needs to be added up manually for all income labels.

All Australian income of group members (other than individuals) is included in the calculation. Foreign income of group members is only included where the entity generating the income is an Australian resident entity.

Where an individual holds the ownership interest that connects entities into one economic group, the income on their individual tax return is excluded from group total business income calculations, for the purposes of determining the RTP schedule lodgment obligation of the economic group.

## **Economic group**

An economic group includes all entities (companies, trusts and partnerships, etc) that lodge a tax return under a direct or indirect Australian or foreign ultimate holding company or other majority controlling interest.

This includes all entities under a single ultimate holding company or under the ownership of a single individual, trust or partnership.

## **Companies with equal ownership**

Where a company is owned by a partnership with two equal partners, other entities owned by the partners do not form part of that company's economic group. In this case, the partnership is the head entity in the economic group.

Other entities owned by the partnership (jointly owned by the partners) form part of your company's group, but entities owned by the partners outside the partnership do not.

## **Trusts**

Group members need to hold a majority controlling interest in a trust for a trust to be included in your economic group. Generally, this would require your company or a group member to own over 50% of units in a trust.

Companies that are owned by a trust are included in that trust's group.

## **Superannuation funds**

A super fund is only included in an economic group where one individual is entitled to over 50% of the assets in the fund.

The trustee of a super fund provides services to the super fund; it does not own the fund. Control and group membership of the trustee of a super fund is based on the

shareholding in the trustee entity.

## RTP disclosures

Information about positions to be disclosed in the RTP schedule.

### Category A and B reportable tax positions

To work out what positions must be disclosed as Category A and B reportable tax positions, see [section B of the 2021 RTP schedule instructions](#).

### Category B – Uncertainty in your entity's financial statements

Private companies prepare less comprehensive financial statements than public and foreign owned companies and may not consider or report tax uncertainty in their financial statements.

If your financial statements meet the requirements for private companies, you only need to consider what is in the financial statements to determine whether it has a Category B reportable tax position. A position not covered in the financial statements may be a Category A reportable tax position and need to be disclosed.

### Category C reportable tax positions

Category C is a list of questions asking your company whether it had a particular arrangement or transaction in place at any time during the income year. For 2020–21, Category C questions are found in the [section C of the 2021 RTP schedule instructions](#).

## Findings report RTP – Public and multinational businesses

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- <https://www.ato.gov.au/Business/Large-business/Compliance-and-governance/Reportable-tax-positions/Findings-report-Reportable-tax-position-schedule-Category-C-disclosures/>
- Last modified: 13 Oct 2022
- QC 64611

What we've learned from Reportable tax position (RTP) schedule Category C disclosures made in the 2020–21 income year.

On this page

- [Reportable tax position schedule](#)
- [Role of the RTP schedule in our large public and multinational business compliance program](#)



- [The role of the RTP schedule in tax risk governance](#)
- [Who needs to lodge an RTP schedule](#)
- [Category C of the RTP schedule](#)
- [PCG related disclosures](#)
- [Disclosures on arrangements subject to taxpayer alerts](#)
- [Other questions](#)

## Reportable tax position schedule

Companies are required to provide a range of information and disclosures to us each year. The base level of information they provide is contained in the company tax return.

There are several schedules to the return, providing more detail on specific aspects of company tax, such as the International dealings schedule. Certain significant global entities are also required to provide information through country-by-country (CBC) reports and general-purpose financial statements.

The Reportable tax position (RTP) schedule:

- was introduced as a schedule to the company tax return in 2011
- gathers information on uncertain tax positions from the largest public and multinational companies
- was later expanded to include disclosures of arrangements considered to pose a systemic risk to the corporate tax base – this often involves questions related to tax avoidance or profit shifting, or both.

The RTP schedule has 3 categories:

- Category A – requiring disclosures of material positions that are either
  - about as likely to be correct as incorrect, even if they are reasonably arguable
  - less likely to be correct than incorrect.
- Category B – requiring disclosures of material tax-related provisions, current tax liabilities or contingent liabilities recognised or disclosed in accordance with accounting principles in financial statements.
- Category C – requiring disclosures of
  - specific arrangements of concern
  - self-assessed risk ratings for arrangements covered by our practical compliance guidelines (PCGs).

In this report, we provide the aggregated disclosures made by companies for the 2017–18 to 2020–21 income years under Category C of the schedule. These disclosures reflect most disclosures made by companies.

The data provides insights to types of arrangements large companies are entering. The range of risk levels can vary across the lodging population as self-assessed by taxpayers. We consider the level of risk as part of our compliance program and generally this corresponds with our assessment of the disclosed arrangements.

This is the third year of publishing this report and we have included high-level observations on trends over 4 years of data for the 2017–18 to 2020–21 income years, where practicable. Generally, there has been a significant increase in taxpayers making disclosures and an upward trend in low-risk disclosures.

The data shows that high-risk or arrangements of concern aren't prevalent among large public and multinational businesses. This finding is consistent with our view that most large businesses do the right thing and are paying the right amount of tax. It is also reflected in our estimate of the [large corporate groups income tax gap](#).

For 2018–19, we estimate a gross gap of 8.3%, which is the gap prior to considering the impact of our engagement. We estimate a net gap of 4.3%. This reflects the final amount of income tax uncollected after impacts of our action.

While the data from RTP schedule disclosures and the tax gap estimates indicate high levels of voluntary compliance, we still see room for improvement. We will continue our scrutiny of the large corporate groups population to ensure their continued compliance. We will also deal appropriately with the small minority who choose to do the wrong thing.

For more information on how we're improving the system for those who want to comply, and taking firm action against those who choose not to, see [Tax and Corporate Australia](#).

## Role of the RTP schedule in our large public and multinational business compliance program

Under the Tax Avoidance Taskforce, we continually monitor and review the tax performance of Australia's largest businesses. We focus our efforts on the top 1,100 public and multinational businesses, as collectively they contributed more than 60% of the total corporate tax reported in 2020–21.

The RTP schedule plays an important role in our compliance program. It aids both detection and prevention of the proliferation of high-risk tax arrangements and tax avoidance schemes. We review all disclosures made and, where required, undertake more detailed investigations to understand and resolve any compliance risks.

We use disclosures to better understand the prevalence of new and emerging issues and key tax risks across the large business population. This enables us to understand and assess the impact of our risk, advice and guidance, and compliance programs. We then adjust these, where necessary, based on the insights we have gained.

## The role of the RTP schedule in tax risk governance

The RTP schedule can play an important role in the tax risk governance framework of large companies. It is a useful tool for tax functions, risk committees, chief financial officers (CFOs) and boards to understand the tax risk profile of their organisation across key system risks.

RTP schedule disclosures can highlight potential areas of dispute with us. Conversely, they may provide a board with the confidence we are unlikely to undertake an intensive review of their arrangements. Where RTP disclosures show a high-risk rating for an arrangement, or an arrangement having the same or similar characteristics to those within a taxpayer alert, we encourage companies to review and amend these arrangements to reduce their level of tax risk. This will improve their own and our confidence in those tax positions.

Our report will allow large companies to understand their risk profile across key system risks relative to that of their peers. This provides an important sense check to organisational thinking as to the relativity of their tax risk profile.

## Who needs to lodge an RTP schedule

RTP schedules are lodged at the same time as the company tax return. Taxpayers who meet the lodgment criteria are required to lodge a schedule even if they have no reportable tax positions to disclose. Administrative penalties may apply if a taxpayer fails to lodge a schedule when they are required to do so. We monitor the lodgment of RTP schedules and follow up taxpayers that don't lodge as part of our non-lodgment program.

Companies are required to self-assess against the lodgment criteria in the instructions to determine their obligation to lodge an RTP schedule. The definition of economic group and the threshold total business income of \$25 million means some companies outside our large corporate groups population have an obligation to lodge the schedule.

In 2021, the RTP schedule was expanded to private companies. Private companies that were notified were required to lodge. From 2021–22, all companies that meet the threshold will be required to lodge.

This report only includes Category C disclosures for public and multinational businesses. Private companies are not included in the numbers or analysis.

## Category C of the RTP schedule

Questions in Category C of the RTP schedule are typically linked to [ATO public advice and guidance](#) (PAG) products, such as:

- taxpayer alerts (TAs)
- PCGs.

Together these products cover the key systemic risks in relation to large public and multinational businesses. As such, the aggregate data provides insights about the prevalence of key tax risks in the population.

This report provides aggregated data on 2017–18 to 2020–21 RTP schedule disclosures for Category C, as at 30 June 2022. Further lodgments of RTP schedules after this date will alter taxpayer and disclosure numbers.

There has been a greater than 170% increase in the number of schedules lodged

over the 3 years between 2018–19 and 2020–21. This reflects the progressive expansion of the lodgment requirement from our Top 100 population to all entities that met the total business income threshold and ownership criteria. The non-lodgment rate has remained stable over the same period. Companies who lodge their tax return and meet the schedule lodgment criteria but fail to lodge their schedule are subject to our non-lodgment program.

There are generally no materiality thresholds on Category C questions. Taxpayers who meet the lodgment criteria must disclose arrangements irrespective of the impact on their overall tax outcomes.

## Questions

Nearly two-thirds of Category C questions that applied in the 2017–18 to 2020–21 income years related to arrangements described in taxpayer alerts. A quarter of the questions sought the self-assessed risk rating from applying the criteria in PCGs covering a range of arrangements.

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2020–21 Category C questions and the type of PAG product they refer to

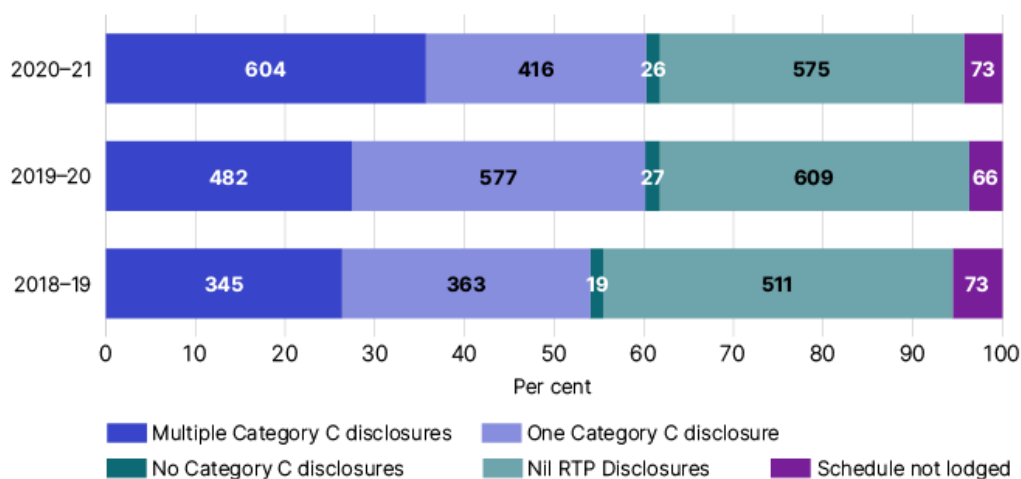
Question number	PAG product
7, 9, 14, 22–24, 27 and 37	PCG
2, 3, 6–8, 10–13, 17, 18, 20, 25, 26, 32–36	Taxpayer alert
1	Taxation determination
16, 19, 21, 38	None

## Notes

- Questions 28–31 have not been included as they relate to private company arrangements. All disclosures will be monitored however, the risks are not part of the compliance program for public and multinational businesses.

## Disclosures

Lodgments by Category C disclosures, 2018–19 to 2020–21



## Notes

- 2017–18 data has been omitted from the graphic. The population differs from that of 2018–19 to 2020–21, as a staggered approach to expansion of the population was adopted to take account of substituted accounting periods.
- Nil RTP disclosures are taxpayers that have lodged an RTP schedule but do not have any arrangements to disclose.
- Schedules not lodged are based on all public and multinational taxpayers that meet the RTP criteria to lodge.

There is a high level of lodgment compliance and increase in disclosures over the past 3 years due to improvements in processes, increase in questions and changes made to the schedule over the period.

Taxpayers are only required to provide a response to a question under Category C if they have an arrangement covered by the question. Therefore, we don't expect every schedule lodged to contain a response to every Category C question. For example, not every taxpayer required to lodge the schedule engages in registered research and development (R&D) activities; those who don't will not make any disclosures under question 13.

For some taxpayers only one question will relate to an arrangement they have; therefore, they will only make one disclosure. Other taxpayers may have multiple arrangements to disclose, or a question may ask them to make multiple disclosures. For example, question 9 on offshore hub arrangements requires each hub arrangement to be disclosed.

Typically, PCGs provide a range of risk ratings:

- arrangement reviewed or concluded – white zone
- low – green or blue zones
- moderate – yellow or amber zones
- high – red zone.

We tailor our compliance approach to the risk rating disclosed. For example, our activity for low-risk disclosures is limited to confirming the arrangement is within the

low-risk zone and the methodology in the PCG has been correctly applied. We apply more intensive scrutiny for high-risk disclosures to determine if they comply with the relevant legislative provisions. If we can't gain this assurance at the review stage, we may undertake an audit or more intensive investigation through our Top 1,000 Next Actions or audit programs.

We review disclosures on taxpayer alert related questions as part of our assurance activities. Where required, we address remaining concerns as part of our audit or next actions programs. Disclosures are required where a taxpayer's arrangement is similar to that described in a taxpayer alert whether or not it includes the risk described. This means that not all disclosures on taxpayer alert questions will give rise to a compliance concern or require intensive scrutiny by us.

We monitor and determine if disclosures in the RTP schedule are incomplete or inaccurate through our assurance programs and analysis of other data sources, for example CBC reports. We have full coverage of the most systemically important corporate groups through our Top 100 program and Top 1,000 tax performance program. This allows us to check the accuracy of disclosures. Penalties may apply if taxpayers do not make full and true disclosures under the RTP schedule.

We continually monitor taxpayers in the Top 100 population and assess disclosures on an annual basis. Our high coverage levels through our assurance activities mean we will ordinarily already be aware of arrangements before disclosures are made.

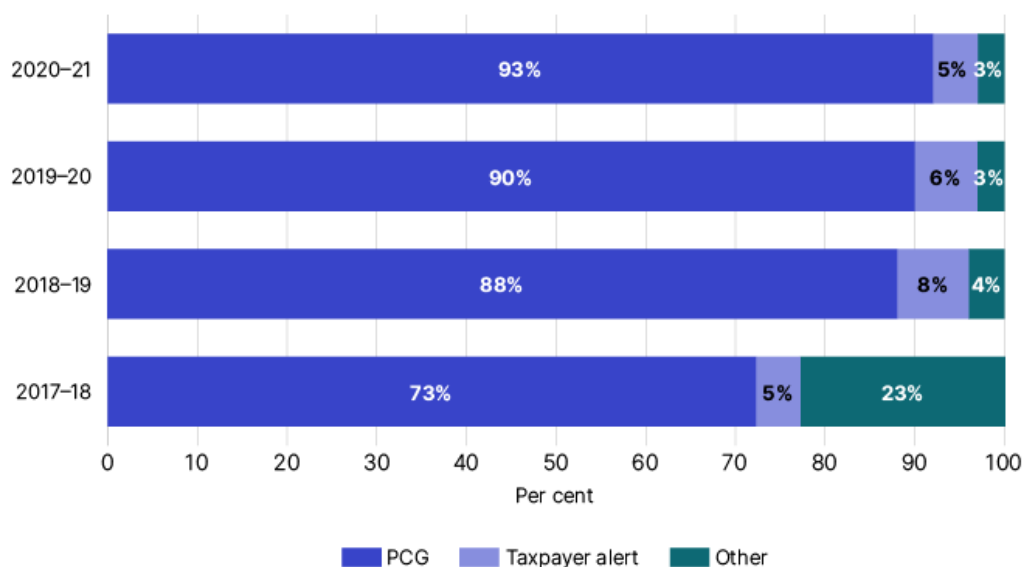
Disclosures enable us to understand and assess changes in tax positions and arrangements, including new arrangements taxpayers are entering, and to prioritise our assurance activities. Importantly, taxpayers who have achieved justified trust (high assurance) will have a less intensive engagement approach during the monitoring and maintenance period enabling us to effectively monitor changes in arrangements supported by disclosures in the schedule and adjust our action accordingly.

We review the Top 1,000 taxpayers on a 4-year cycle. This means not all arrangements related to RTP schedule disclosures made for the 2020–21 year have been assured by us yet. We review all disclosures to monitor the performance and assess and prioritise our engagement with this population. Where we identify new high-risk arrangements or arrangements of concern, we prioritise the taxpayer for review. RTP disclosures will also inform how we conduct the assurance review. For example, a taxpayer who has self-assessed in the green zone, will be reviewed on whether the PCG has been correctly applied to obtain confidence of the tax outcome. This is typically a less resource intensive process.

For taxpayers in the medium and emerging populations, we take a risk-based approach to allocating compliance resources. This means we review the highest risk arrangements where these are material. Given the lack of materiality thresholds for most Category C disclosures, we may not apply compliance resources to review in detail every high-risk arrangement disclosed. Instead, we will concentrate our efforts on arrangements that have a material impact on the taxpayer's tax outcomes.

## Disclosures by public advice and guidance product

## Proportion of disclosures by public advice and guidance product, 2017–18 to 2020–21

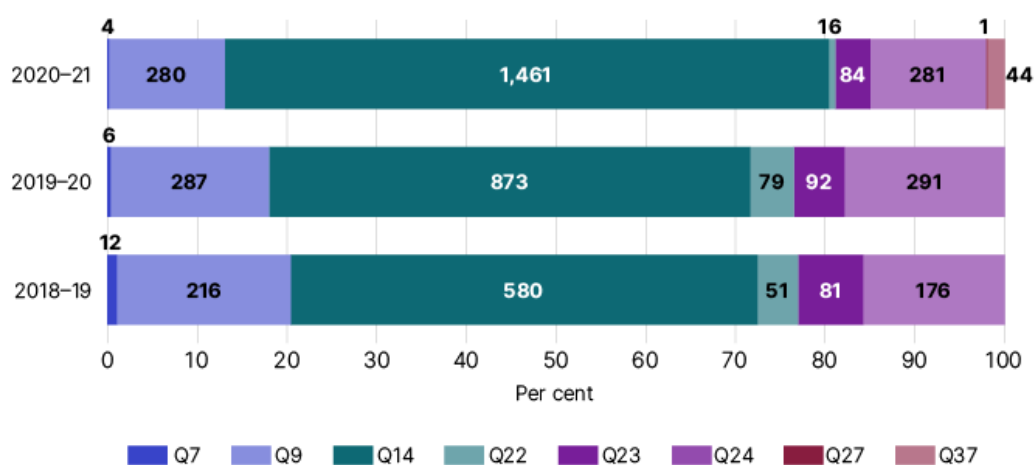


### Note

- Where a PCG related question instructs the taxpayer to make only one disclosure of the highest risk rating and the taxpayer has made more than one disclosure, they have been counted only once.

Most Category C questions ask taxpayers to disclose whether they have arrangements covered by specific ATO public advice and guidance products. Most questions refer to taxpayer alerts, however the majority of disclosures relate to PCGs. PCG disclosures are higher as they relate to more common arrangements, for example related party finance arrangements irrespective of the risk level.

## Disclosures by PCG related questions, 2018–19 to 2020–21



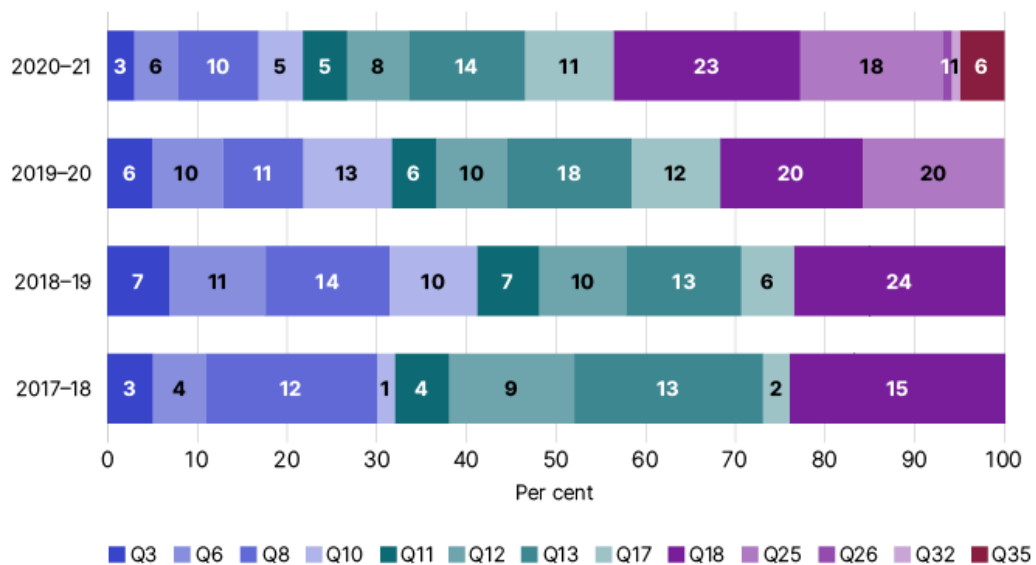
### Note

- 2017–18 data has been omitted from the graphic given not all PCGs were released before lodgments were due.

#### 2020–21 Category C, PCG related questions

Question number	PCG topic
7	Mobile offshore drilling units
9	Offshore hubs
14 and 23	Related party financing arrangements
22	Hybrid arrangements
24	Inbound supply chains
27 and 37	Non-ADI arm's length debt test

#### Disclosures by taxpayer alert related questions, 2017–18 to 2020–21



#### Note

- Only questions included in the 2020–21 schedule have been included in the graphic.

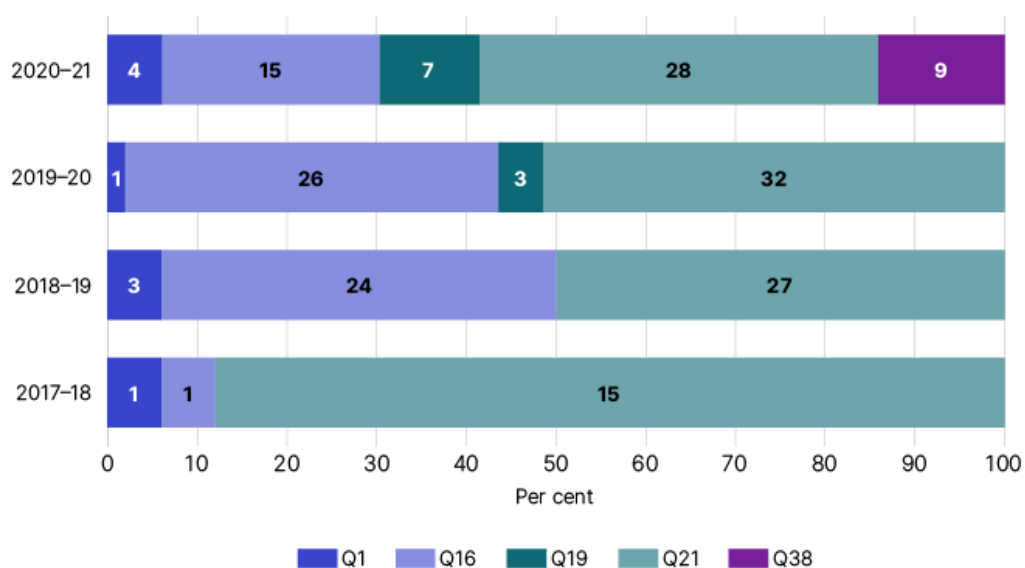
#### 2020–21 Category C, Taxpayer alert related questions

Question number	TA topic
3	Bifurcated procurement hubs



6, 11, 17 and 18	Related party finance
7	Lease-in-lease-out arrangements
8	Offshore permanent establishments
10	Thin capitalisation
12	Business fragmentation
13	Research and development
25	Intangible migration
26	Multiple entry consolidated groups
32	DEMPE of intangible assets (new question)
33	Related party finance (new question)
34	Interest withholdings tax (new question)
35	Multiple entry consolidated groups (new question)
36	Derivatives (new question)

#### Disclosures on other questions, 2017–18 to 2020–21



#### 2020–21 Category C, other questions

Question	
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number	Topic
1	25–90 deductions
16	Consolidation churning rules
19	Settlements
21	Unamended mistakes or omissions
38	High-risk arrangements in relation to a PCG released since the 2020–21 Instructions were published (new question)

## PCG related disclosures

- [Self-assessing risks related to arrangements](#)
- [Non-resident owned MODUs: Question 7 disclosures](#)
- [Offshore hubs: Question 9 disclosures](#)
- [Related party finance: Questions 14 and 23 disclosures](#)
- [Hybrid arrangements: Question 22 and Question 27 disclosures](#)
- [Inbound distribution arrangements: Question 24 disclosures](#)
- [Non-ADI arm's length debt test: Question 37 disclosures](#)

### Self-assessing risks related to arrangements

PCGs provide a framework for corporate taxpayers and their boards to self-assess the risk associated with their arrangements and understand our likely compliance response. Self-assessment is voluntary, but we consider it best practice for corporate taxpayers to include self-assessment under PCGs as part of their standard tax governance processes.

If a taxpayer hasn't undertaken the self-assessment, they must disclose a high-risk rating in the schedule or tell us they haven't applied the PCG. This alerts us to examine the arrangement more closely to obtain confidence about the tax outcome.

Taxpayers must disclose their self-assessed risk rating in the corresponding Category C question. In some cases, they may be required to disclose multiple arrangements, such as question 9 on hub arrangements. For these reasons, the greatest number of disclosures are against PCG linked questions.

A number of PCGs don't include materiality thresholds and aim to identify the highest risk arrangement, where the taxpayer has multiple arrangements. The schedule also doesn't apply any materiality threshold on Category C questions.

We do consider the spread of risk ratings disclosed to understand relative risk levels. To understand the risk we use a variety of data sources including the disclosures received. This supports a true understanding of the relative risk of an arrangement in the population compared to other arrangements and over time.

### Non-resident owned MODUs: Question 7 disclosures

## Disclosures on question 7, 2019–20 and 2020–21

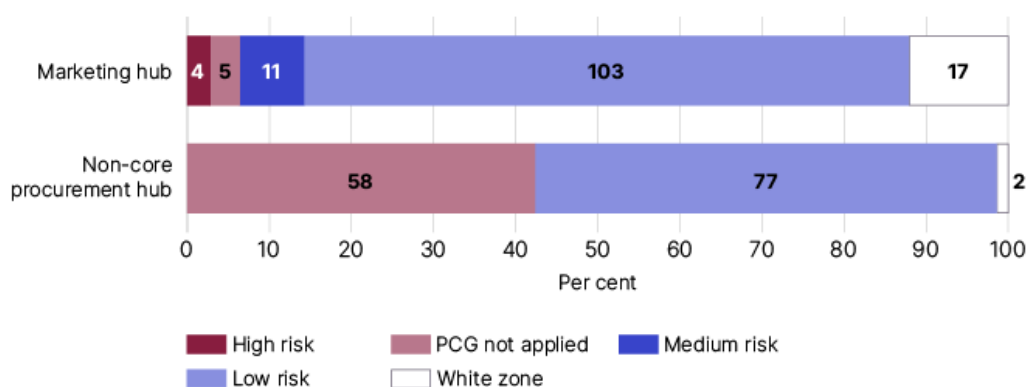
Disclosure	No MODUs	Medium risk	High risk	Total
2019–20	2	0	1	3
2020–21	1	2	1	4

Practical Compliance Guideline [PCG 2020/1](#) sets out the transfer pricing risks for projects involving the use in Australian waters of non-resident owned mobile offshore drilling units (MODUs). These MODUs include drill-ships, drilling rigs, pipe-laying vessels and heavy-lift vessels. The risk framework in [PCG 2020/1](#) enables taxpayers to self-assess the transfer pricing risks for these arrangements.

Question 7 was updated for the 2019–20 income year to ask taxpayers for their self-assessed risk rating under PCG 2020/1. In 2020–21, the one taxpayer who disclosed a high-risk arrangement indicated market conditions had led to a fall in their operating margin. The disclosed arrangement will be reviewed as part of a planned assurance review under our Top 1,000 assurance program.

## Offshore hubs: Question 9 disclosures

### Disclosures on question 9, 2020–21



## Notes

- PCG 2017/1 asks taxpayers to make a disclosure for each hub arrangement they have in place.
- In 2020-21, arrangements that did not apply the risk methodology or calculate the tax impact were separated from the high-risk category. Disclosures categorised as PCG not applied remain a high-risk focus.

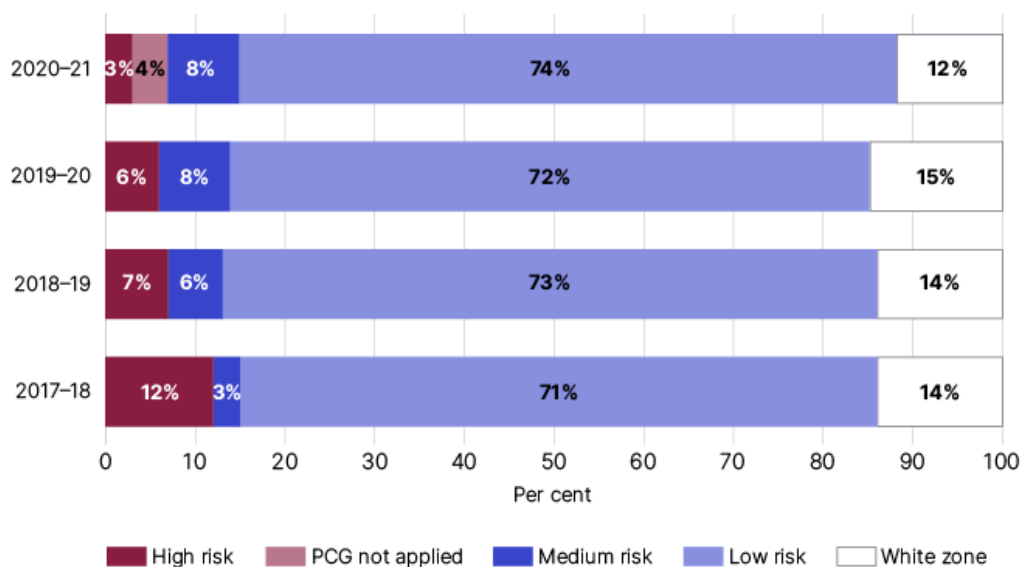
Practical Compliance Guideline [PCG 2017/1](#) provides guidance on transfer pricing issues related to centralised operating models involving procurement, marketing, sales, and distribution functions. We are concerned with the mispricing of services and functions relating to the sales and marketing of goods and commodities

provided by international related parties, and also the risk of inappropriate structuring of marketing hubs. We monitor offshore procurement hubs that supply 'indirect' or 'non-core' goods or services (non-core product) to an Australian entity.

Ninety-eight taxpayers disclosed 140 marketing hub arrangements and 71 taxpayers disclosed they have 137 non-core procurement hub arrangements. We continue to have full coverage of arrangements of Top 100 taxpayers, who are responsible for most Australian exports sold through marketing hub arrangements. A small number of arrangements are subject to ongoing compliance action.

The top 3 commodities sold via offshore marketing hubs are iron ore, coal and liquified natural gas (LNG). Only a very small portion of all exports sold via offshore marketing hubs are for commodities not produced by the energy and resources sector.

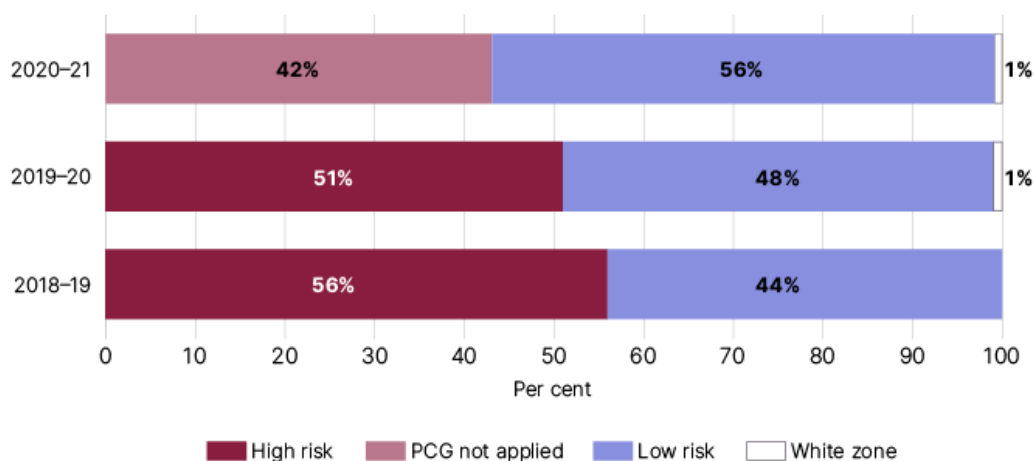
Comparison of risk zone disclosures on marketing hubs in question 9, 2017–18 to 2020–21



Care should be exercised in comparing the risk zones across years as the number of taxpayers making a disclosure nearly tripled in 2018–19 and disclosures doubled due to changes in who was required to lodge. While taxpayer and disclosure numbers remained relatively stable between 2018–19 and 2020–21, the population changed by nearly 30 percent in 2019–20 and a further 14 percent in 2020–21. This means that any comparison across the years is not a comparison of the same arrangements or taxpayers.

Between 2017–18 and 2020–21 the proportion of self-assessed risk ratings has remained relatively stable for the low risk and white zones. While medium risk disclosures increased nearly threefold, high risk and PCG not applied disclosures halved.

Comparison of risk zone disclosures on non-core procurement hubs in question 9, 2018–19 to 2020–21



Question 9 was extended to include non-core procurement hub arrangements in the 2018–19 schedule, resulting in a 75% increase in disclosures and a doubling of taxpayers making disclosures.

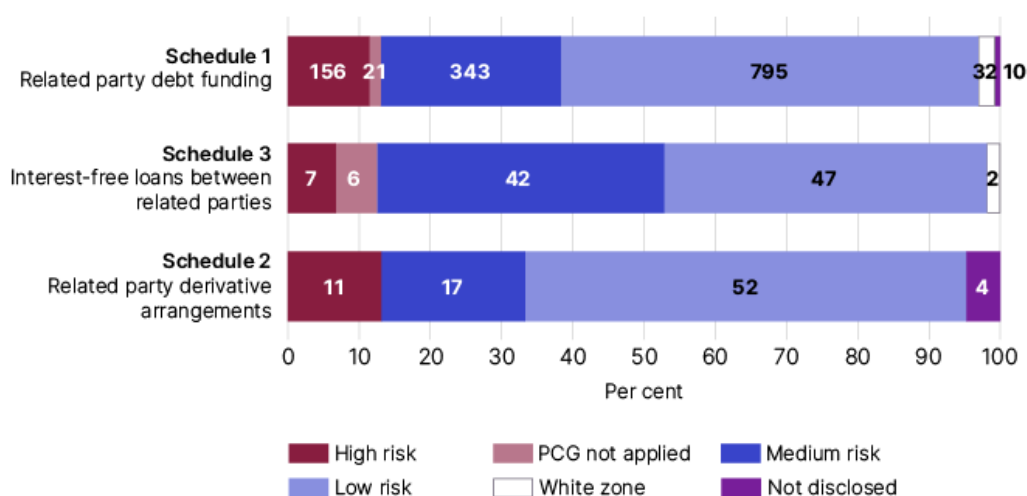
The large number of high-risk disclosures in 2018–19 and 2019–20 was due to one taxpayer that is part of a Top 100 corporate group that disclosed over 25 non-core procurement hubs. The taxpayer has indicated:

- they haven't applied the PCG 2017/1, and
- in 2020–21 the previously high-risk disclosures were made under the new PCG was not applied category – where a taxpayer does not apply risk methodology or calculate tax impact.

Where a taxpayer does not apply the PCG we treat this as high risk.

## Related party finance: Questions 14 and 23 disclosures

Disclosures on questions 14 and 23, 2020–21



Notes

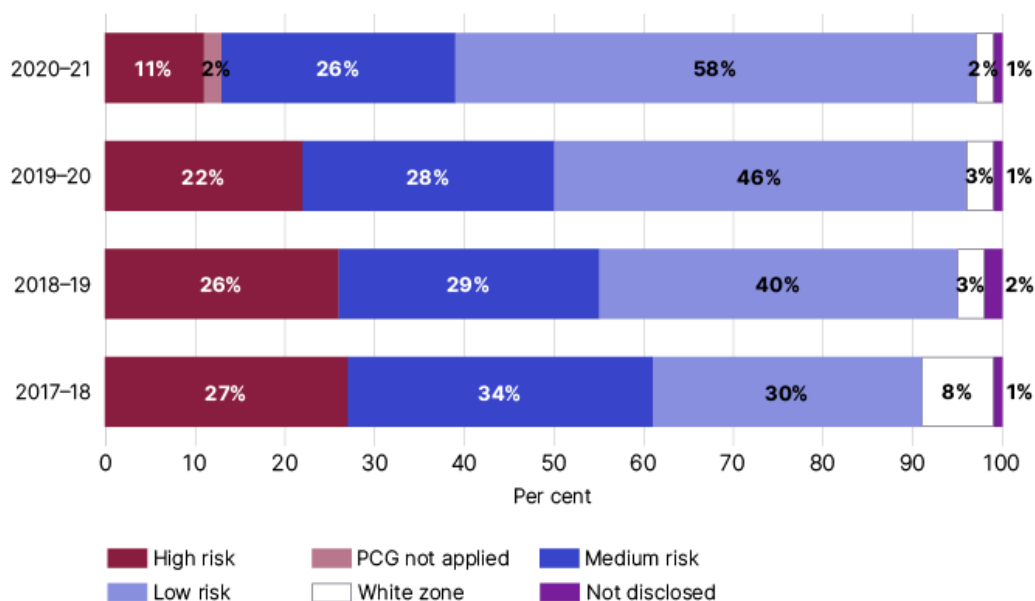
- Not disclosed are disclosures by taxpayers who included the question number but didn't include the subcategory number on their schedule.
- In 2020–21, an additional category for question 14 was added where Schedule 1 and 3 of [PCG 2017/4](#) were not applied; these are included under PCG not applied category. In prior years, these disclosures were included with high-risk arrangements. Where a taxpayer does not apply the PCG we treat this as high risk.

Practical Compliance Guideline [PCG 2017/4](#) allows taxpayers to self-assess the tax risk of their cross-border related party financing arrangements. Schedule 1 sets out the risk assessment framework to determine the risk rating of cross-border related party debt. We expect the pricing of related party debt to align with the commercial incentive of achieving the lowest possible 'all in' cost to the borrower. Schedule 2 is used to determine the risk rating of related party derivative arrangements. Schedule 3 is related to outbound interest-free loans between related parties. It outlines the factors under which the risk score assigned to outbound interest-free loans made between related parties may be modified for the purposes of Schedule 1.

Given the prevalence and significant tax outcomes involved, we actively investigate these arrangements. We continue to undertake assurance activities on arrangements disclosed in the red and amber zones by Top 100 and 1,000 taxpayers. We have strategies in place to address high-risk arrangements where the loan amounts are less significant, including where the disclosures come from taxpayers in the medium and emerging population segment.

The review of related party financing arrangements is an inherent element of the assurance work we undertake. This involves reviewing the application of [PCG 2017/4](#) against the taxpayer's relevant loan agreements and transfer pricing documentation.

Comparison of risk zone disclosures on related party financing arm's length conditions in question 14, 2017–18 to 2020–21



## Notes

- Not disclosed are disclosures by taxpayers who included the question number but didn't include the subcategory number on their schedule.
- Prior to 2019–20, taxpayers were only required to disclose their highest-risk arrangement; if taxpayers disclosed multiple arrangements, we only included the highest rated disclosure.
- An additional subcategory was added in 2020–21 for PCG not applied, where Schedule 1 and 3 of [PCG 2017/4](#) have not been applied. In prior years, these were included with high-risk arrangements. Where a taxpayer does not apply the PCG we treat this as high risk.

Question 14 now requires taxpayers to report their self-assessed risk zone for their 3 most material arrangements, and their highest-risk arrangement if that was not one of their 3 most material arrangements.

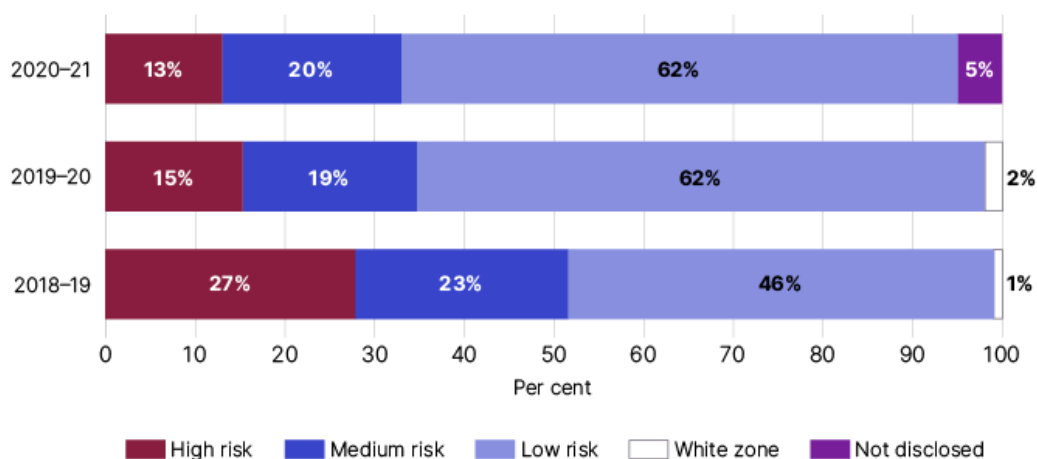
As expected, the number of disclosures increased in 2020–21 by over 60 percent, given the change in reporting requirements. At a broad level, the proportion of low-risk disclosures increased, which indicates a positive trend. The number of taxpayers that reported as high-risk zone and PCG not applied decreased slightly compared to the previous year.

In 2020–21, Schedule 3 modified the self-assessment of out bound interest free loans under Schedule 1 of [PCG 2017/4](#) and introduced parallel set of risk zone categories. To aid the historical comparison the sets of risk zones have been combined.

Care should be exercised in comparing the risk zones across years as there has been a nearly fourfold increase in the number of taxpayers making a disclosure at question 14 over the 3 years. Sixty-five percent of the population has remained constant over that period. This means the majority of arrangements in each year are different to those in other years.

The decrease in high-risk arrangements in 2020–21 was also due to the additional category for Schedule 1 and 3, PCG not applied as well as the change in reporting requirements which lead to an increased number of disclosures and a smaller proportion of high-risk arrangements.

Comparison of risk zone disclosures on related party financing derivatives in question 23, 2018–19 to 2020–21



## Note

- Not disclosed are disclosures by taxpayers who included the question number but didn't include the subcategory number on their schedule. In 2019–20, some taxpayers disclosed multiple arrangements, only the highest rated disclosure has been counted, as the instructions for question 23 ask for only the highest rated arrangement to be disclosed.

In 2020–21, reporting requirements for question 23 changed and taxpayers are required to report their self-assessed risk zone for their 3 most material arrangements, and their highest-risk arrangement if that was not one of their 3 most material arrangements.

The number of disclosures received for question 23 decreased by 10% in 2020-21. The number of high-risk arrangements also decreased, indicating a positive behavioural shift for taxpayers entering into related party derivative arrangements. All high-risk arrangements have either been reviewed or are under review as part of our compliance and assurance program.

Caution should be exercised in comparing risk zones over the 2 years as only two-thirds of the population have remained the same. The same issues of differences in the population and the arrangements disclosed apply for question 23 as for question 14.

At a broad level, the increase in the proportion of low-risk disclosures indicates a positive shift in taxpayers entering into fewer arrangements with high-risk indicators. As with question 14, the data from the schedule doesn't allow for any conclusions on which high risk indicators are no longer present in derivative arrangements being entered into.

## Hybrid arrangements: Question 22 and Question 27 disclosures

Disclosures on question 22, 2019–20 and 2020-21

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Disclosure	Low risk	Not low risk	Total
2019–20	75	4	79
2020–21	16	-	16

The hybrid mismatch rules outlined in question 22 as set out in Practical Compliance Guideline [PCG 2018/7](#) are intended to deter the use of hybrid mismatch arrangements that result in double non-taxation outcomes by exploiting differences in the tax treatment of an entity or financial instrument under the income tax laws of 2 or more countries. The objective of the imported hybrid mismatch rule under question 27 is to maintain the integrity of the other hybrid mismatch rules by removing any incentive for multinational groups to enter into hybrid mismatch arrangements.

[PCG 2018/7](#) has been designed to assist taxpayers to restructure into compliant replacement arrangements. These arrangements eliminate double non-taxation outcomes, consistent with the underlying objective of the hybrid mismatch rules.

We use data available from schedule disclosures and other information sources, such as question 49 on the International dealings schedule, to identify and monitor hybrid restructures undertaken and arrangements maintained by taxpayers. Our focus is on ensuring compliance with the hybrid mismatch rules through ongoing engagement.

Data from the RTP schedule disclosures is showing variances in restructure arrangements. These variances are to be expected and reflect differences in the hybrid element, instruments versus entities, and the jurisdiction involved.

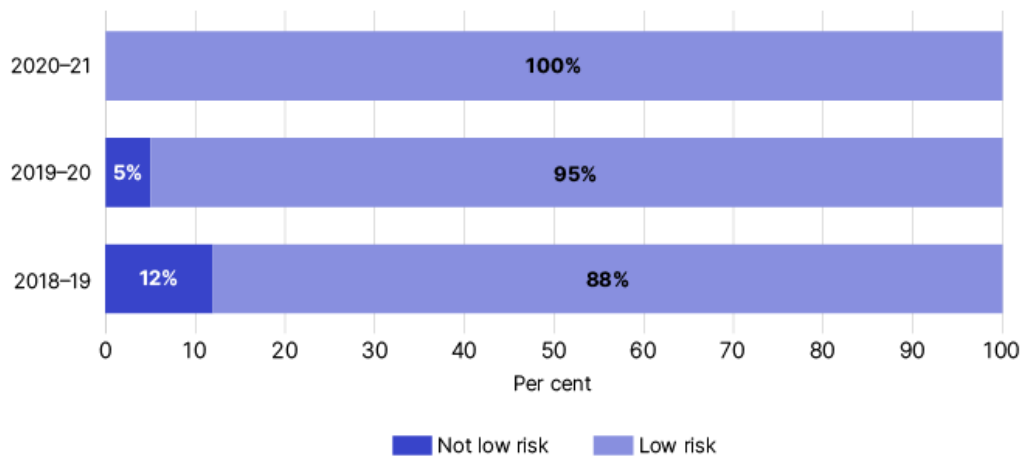
A self-assessed rating of not low risk doesn't mean the arrangement is high risk. If the arrangement hasn't been reviewed by us before and other information indicates it may be of high risk, we engage with the taxpayer to gain assurance the arrangement is compliant.

Question 27 was new to the RTP schedule in 2020–21 and relates to payments made under structured arrangements which gave rise to imported hybrid mismatches.

Law Companion Ruling [LCR 2019/3](#) provides the Commissioner's view of the law in relation to the phrase 'structured arrangement', and Practical Compliance Guideline [PCG 2019/6](#) helps taxpayers assess whether a payment giving rise to a hybrid mismatch is made under a 'structured arrangement'.

We use the data available from the RTP schedule disclosures and other information sources, such as question 47 on the International dealing schedule to identify and monitor imported hybrid mismatch arrangements. Our focus is on ensuring compliance with hybrid mismatch rules through ongoing engagement.

Comparison of risk zone disclosures on hybrid arrangements in question 22, 2018–19 to 2019–20



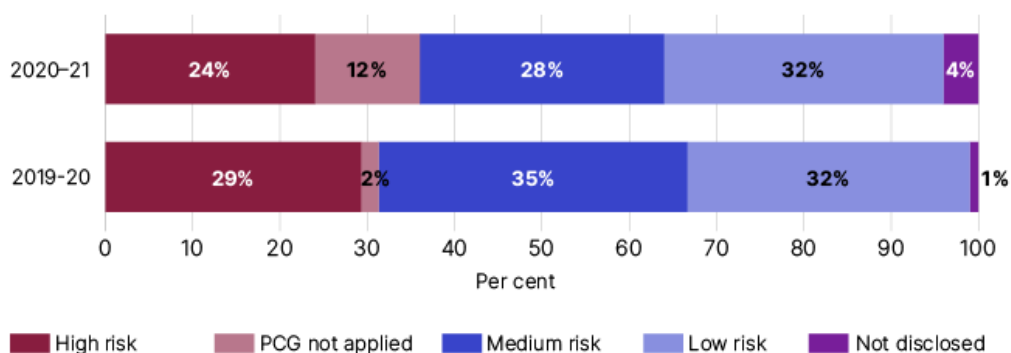
The number of question 22 disclosures decreased by 80 percent in 2020–21. This was expected due to the implementation of the hybrid mismatch rules, and the RTP schedule was updated in 2020–21 to no longer require disclosures for restructures that occurred in prior income years. All disclosures in 2020–21 have been rated as low risk.

Question 27 had one arrangement in 2020–21 which does not reflect the anticipated number of expected disclosures. While the international dealing schedule data has identified several imported hybrid mismatch arrangements, we are concerned that the limited number of disclosures at question 27 is due to taxpayers taking incorrect positions that payments are giving rise to imported hybrid mismatches were made under non-structured arrangements as opposed to structured arrangements. We are investigating this further through our assurance and review activities.

We will continue to use information available and ongoing engagement and assurance activities to detect and address non-disclosure under question 27.

### Inbound distribution arrangements: Question 24 disclosures

Comparison of risk zone disclosures on inbound distribution arrangements in question 24, 2019–20 and 2020–21



Notes

- Not disclosed are disclosures by taxpayers who included the question number but didn't include a valid sub-category on their schedule.
- PCG not applied refers to taxpayers who choose not to follow the PCG or taxpayers who fall within any of the following:
  - entities that have adopted the distributor simplified transfer pricing record keeping option in [PCG 2017/2](#)
  - paragraph 49 of PCG 2019/1
  - where an entity has an inbound distribution arrangement but an EBIT margin is unable to be determined and the taxpayer has not applied [PCG 2019/1](#).
- PCG 2019/1 doesn't provide for an equivalent white zone similar to other PCGs covered in this report.

Practical Compliance Guideline [PCG 2019/1](#) provides a framework for taxpayers to assess the transfer pricing risk of their inbound distribution arrangements. Our focus for [PCG 2019/1](#) is on transfer pricing outcomes associated with the activities of inbound distributors including the distribution of goods purchased from related foreign entities for resale, and the distribution of digital products or services where the intellectual property in those products or services is owned by related foreign entities.

We review the reasonableness of these disclosures as part of our Justified Trust program. Under this program we review the top 1,100 public groups and multinationals in Australia including many in-bound distributors. We use our data and analytics capabilities to assess the reasonableness of disclosures of distributors outside this population who are required to complete the RTP schedule. We employ a range of approaches to detect and address any incorrect disclosure or non-disclosure.

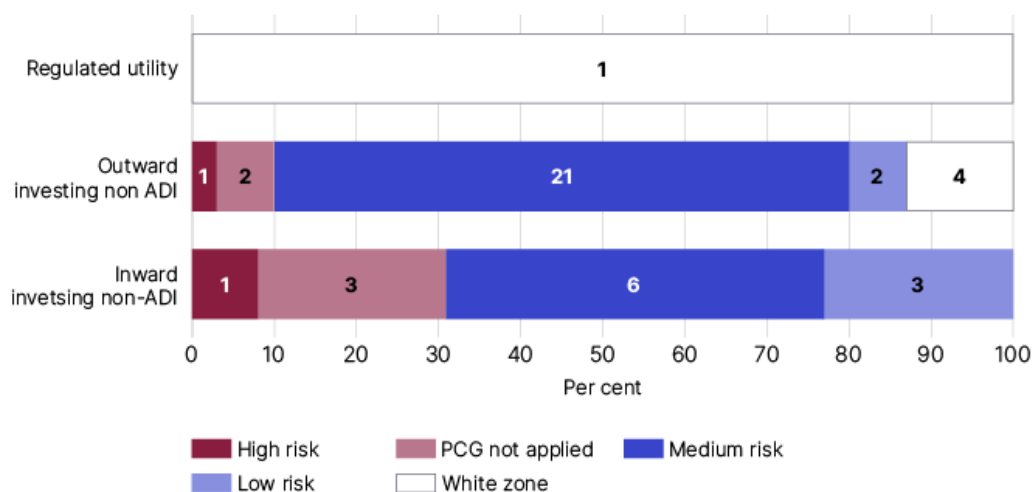
The level of high-risk disclosures decreased in 2020–21, however care needs to be taken when considering these figures due to changing reporting requirements for this question which makes it difficult to compare across years. Most taxpayers who disclosed an inbound distribution arrangement fall within our Top 100 or 1,000 programs. Therefore, the tax outcomes of their arrangements are reviewed and assured under these programs.

We engage with taxpayers with inbound distribution arrangements that are in our medium and emerging population. This engagement has resulted in further investigation or required lodgment of the RTP schedule and question 24 disclosures.

There was minimal change in the number of disclosures at question 24. Although there was a change in risk zones across the 2 years, it is difficult to compare these as the question sub-categories have changed. Different options for not applying the PCG were introduced in 2019–20 and are reported as PCG not applied. For these reasons, there isn't comparable data across the 3 years.

## Non-ADI arm's length debt test: Question 37 disclosures

Comparison of risk zone disclosures for question 37, 2020–21



Practical Compliance Guideline [PCG 2020/7](#) sets out our compliance approach in respect to the arm's length debt test. The arm's length debt test sets out the requirements to determine a notional amount of debt capital that would reasonably be expected in the hands of the borrower. This approach often relied upon where a taxpayer is unable to rely on the safe harbour debt test to supports its maximum allowable debt amount.

The guidance provides a 'best practice' approach to undertaking the test and assessment framework against which taxpayers may self-assess. It also provides a differentiated risk assessment framework against which taxpayers may self-assess their perceived level of risk.

Disclosures made under question 37 provide meaningful insights into the population of taxpayers relying on arm's length debt test. The subcategories provide further understanding of the risk profile of taxpayers.

Question 37 received 44 disclosures in 2020–21. Sixty percent of disclosures in 2020–21 are rated as medium, implying that the majority of taxpayers have applied [PCG 2020/7](#) and followed 'best practice' approach to undertaking the arm's length debt test. Most medium risk arrangements are or have been subject to a review or fall within our Top 100 or 1,000 programs.

There were 2 disclosures rated as high, both of which are subject to compliance activity. We have reviewed the 5 disclosures that have not applied the PCG, with some taxpayers referred to our compliance program for further action. The engagement will encourage optimal participation through ongoing monitoring of reporting obligations.

## Disclosures on arrangements subject to taxpayer alerts

- [Taxpayer alerts](#)
- [Funding special dividends or buybacks: Question 2 disclosures](#)
- [Bifurcated procurement hubs: Question 3 disclosures](#)
- [Lease-in lease-out arrangements: Question 7 disclosures](#)
- [Offshore permanent establishments: Question 8 disclosures](#)

- [Thin capitalisation: Question 10 disclosures](#)
- [Related party finance: Questions 6, 11, 17, 18 and 33 disclosures](#)
- [Business fragmentation: Question 12 disclosures](#)
- [R&D: Question 13 disclosures](#)
- [Securities lending: Question 20 disclosures](#)
- [Intangibles migration: Question 25 disclosures](#)
- [MEC group and CGT asset sold: Question 26 disclosures](#)
- [Activities connected with DEMPE of intangible assets: Question 32 disclosures](#)
- [Interposed entities to avoid withholding: Question 34 disclosures](#)
- [MEC groups: Question 35 disclosures](#)
- [Derivative instruments: Question 36 disclosures](#)

## Taxpayer alerts

We issue taxpayer alerts to warn taxpayers of our concerns about new or emerging arrangements we consider might pose a high risk, such as tax avoidance arrangements. Our aim is to share our concerns early to help taxpayers make informed decisions about their tax affairs.

Our experience shows most large corporate taxpayers don't wilfully take on tax risk. Taxpayers will often engage with us to gain certainty on arrangements we've indicated we have concerns with. They may apply for a ruling or advance pricing arrangement or simply not enter into these arrangements, preventing proliferation.

Taxpayer alerts are intended as an advance warning system. The low number of disclosures against Category C questions referring to taxpayer alerts is, therefore, unsurprising. This is a healthy sign most large company taxpayers are choosing to not enter or have exited arrangements of the nature described in the alerts. We use information obtained through our assurance programs and other data sources, for example CBC reporting, to identify any non-disclosure risk.

Taxpayer alerts will often apply more broadly than to just the large company population required to lodge the RTP schedule. Disclosures on the RTP schedule help us to understand the proliferation of arrangements described in taxpayer alerts in the lodging population. They also help to identify variations of the arrangements and if these too pose a risk.

We retain RTP schedule questions on taxpayer alerts for a period after we have reviewed all existing arrangements (disclosed and identified through other data sources). We do this to ensure no new taxpayers are entering into the arrangement or variation of the arrangement. We are also mindful that withdrawing a question too early may signal acceptance of the arrangement or variants of it to taxpayers, possibly leading to new high-risk arrangements proliferating.

## Funding special dividends or buybacks: Question 2 disclosures

There were no disclosures at question 2 in 2020–21. Question 2 relates to equity raising to fund special dividend or share buyback arrangements. We are concerned that these arrangements are being used by companies for the purpose of releasing franking credits or streaming dividends to shareholders funded by raising capital. This may result in the release of franking credits that may otherwise have been

retained by the company.

We have continued to monitor the risk associated with arrangements described in Taxpayer Alert [TA 2015/2](#). Our risk identification processes, and assurance programs have confirmed these arrangements are no longer prevalent in the large public and multinational business population. This gives us confidence we don't have a non-disclosure risk.

### **Bifurcated procurement hubs: Question 3 disclosures**

Question 3 relates to procurement hub arrangements described in Taxpayer Alert [TA 2015/5](#). TA2015/5 addresses the risk of Australian resident multinational entities entering offshore procurement structures where there is a bifurcation of the procurement function between 2 separate offshore entities. The risk is that such structures are being used by multinational entities for the purpose of minimising tainted income under controlled foreign company rules.

There were 3 disclosures at question 3 in 2019–20. The number of disclosures halved in 2020–21 and all taxpayers who have disclosed arrangements at question 3 also disclosed arrangements in 2019–20. The stable number of disclosures indicates a positive shift in behaviour and that the risk is not proliferating.

The application of Taxpayer Alert [TA 2015/5](#) is considered as part of our compliance and assurance program, where we have identified non-disclosure we review those taxpayers.

Our risk and assurance programs give us confidence these arrangements are no longer prevalent in the population.

### **Lease-in lease-out arrangements: Question 7 disclosures**

Taxpayer Alert [TA 2016/4](#) relates to arrangements involving cross-border leasing of mobile assets. We are concerned about multinational entities with arrangements that involve a related legal entity interposed to lease an asset from a foreign owner to an Australian operator to gain favourable tax treaty treatment. We are also concerned about whether the amount brought to tax is consistent with the contribution made by the Australian operations, including the use of the mobile asset, and whether this meets the arm's length requirements of the transfer pricing provisions of our tax laws.

There were 4 disclosures at question 7 in 2020–21. The arrangements are reviewed under our Top 1,000 assurance program.

### **Offshore permanent establishments: Question 8 disclosures**

Question 8 relates to arrangements involving tax consolidated groups with offshore permanent establishments, as described in Taxpayer Alert [TA 2016/7](#). We had been concerned about Australian tax consolidated groups with offshore permanent establishments that have entered into intra-group transactions with no substantive contribution from Australia to the business carried on or through the offshore

permanent establishments.

There were 10 disclosures at question 8 in 2020–21. Most of the arrangements disclosed don't demonstrate the non-compliance element in Taxpayer Alert [TA 2016/7](#). In these cases, the taxpayer has returned the appropriate income in their Australian tax return.

We have seen changes in taxpayer behaviour since Taxpayer Alert [TA 2016/7](#) was released and the hybrid mismatch rules were implemented. Some taxpayers are recognising more offshore branch income as assessable in Australia. Others have wound up their outbound permanent establishment or restructured into compliant structures. Our risk and assurance programs give us confidence these arrangements are no longer prevalent in the population, therefore question 8 has been removed from the 2021–22 year and [TA 2016/7](#) has been archived.

### Thin capitalisation: Question 10 disclosures

There were 5 disclosures at question 10 in 2020–21, a reduction of 8 from 2019–20.

Question 10 deals with the exclusion of amounts treated as equity for accounting purposes from thin capitalisation debt calculations as described in [TA 2016/9](#). Our interest is in those entities that reduce their tax liabilities by using excess amounts of debt capital to finance their Australian operations. We have released Tax Determination [TD 2020/2](#) setting out our view of the operation of the law to these arrangements.

We have reviewed most of these arrangements and in the majority of cases taxpayers have been found to be compliant with TD 2020/2. The reduction in disclosures from the previous year indicates that [TA 2016/9](#) and [TD 2020/2](#) are assisting in achieving broad compliance. The remaining arrangements are reviewed under our Top 1,000 assurance program.

### Related party finance: Questions 6, 11, 17, 18, 33 disclosures

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Disclosures on questions related to financing arrangements, 2020–21

Question	Topic	Taxpayer alert	Disclosures
6	Financing – CCIRS	<a href="#">TA 2016/3</a>	6
11	Financing – round robin arrangements	<a href="#">TA 2016/10</a>	5
17	Financing – WHT	<a href="#">TA 2018/4</a>	11
18	Financing – debt deductions and NANE	<a href="#">TA 2009/9</a>	23



33	Mischaracterisation arrangements connected with foreign investment	<a href="#">TA 2020/2</a>	0
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Risks associated with related party financing arrangements continue to be a key focus for us. We use the disclosures under questions 6, 11, 17, 18 and 33 together with data from the International dealings schedule and CBC reports to identify and assess these risks.

Taxpayer Alert TA 2016/3 considers arrangements involving related party foreign currency denominated finance with related party cross currency interest rate swaps. Our main concerns are arrangements which have implemented financing in an excessively complex manner designed to increase the cost of corporate borrowings by Australian companies from their overseas related parties to avoid interest withholding taxes.

The number of disclosures at question 6 decreased from 10 to 6 in 2020–21. We have reviewed, or are reviewing, 5 of the arrangements disclosed and we are planning to review the remaining arrangement.

Question 6 has been removed from the 2021–22 RTP schedule as the arrangements fall within Schedule 2 of [PCG 2017/4](#) and the risk rating under that schedule is required to be disclosed at question 23.

Taxpayer Alert TA 2016/10 under question 11 addresses cross-border round robin financing arrangements. The concern with these arrangements is that they involve funding of an overseas entity or operations by an Australian entity, where the funds are subsequently provided back to the Australian entity, or its Australian associate, in a manner which purportedly generates Australian tax deductions while not generating corresponding Australian assessable income.

There were 5 disclosures at question 11, all of which have been reviewed as part of our compliance program. The number of disclosures has decreased by 33%.

Taxpayer Alert TA 2018/4 relates to cross-border arrangements where income tax deductions are claimed in Australia on an accruals basis, but withholding tax is not paid when deductions are claimed. We are concerned with tax-driven structuring, claiming a deduction where a payment is not expected to take place and tax issues that arise from how the transaction is affected.

One taxpayer disclosed arrangements at question 17 even though they have remitted withholding tax. We aren't concerned with arrangements where withholding tax has been remitted and there is evidence commercial non-tax factors drove the deferral of the entitlement to interest. Other disclosures have been reviewed or are being reviewed as part of our compliance program.

Taxpayer alert TA 2009/9 under question 18 concerns cross-border financing arrangements which seek to generate debt deductions in Australia via arrangements with little or no commercial or economic purpose and that appear to be driven by the tax benefits.



Many of the disclosures at question 18 were made by taxpayers because they have claimed a deduction under section 25–90. Absent the other features outlined in [TA 2009/9](#) these disclosed arrangements don't pose a compliance risk. Arrangements disclosed under question 18 should also report deductions under the International dealing schedule 25B. We will engage with 2 of the taxpayers that did not disclose an amount in the International dealings schedule. The remaining disclosures will be reviewed under our Top 100 and Top 1,000 assurance program.

Question 33 was added to the schedule in 2020–21 and relates to mischaracterised arrangements and schemes connected with foreign investment into Australian entities as outlined in [TA 2020/2](#). As expected, there were no disclosures made for question 33, this risk remains part of our assurance program.

### **Business fragmentation: Question 12 disclosures**

Question 12 relates to arrangements involving the fragmentation of integrated trading businesses in order to re-characterise trading income to passive income to achieve a more favourable tax outcome. This is described in Taxpayer Alert [TA 2017/1](#), our concerns arise with arrangements which attempt to fragment integrated trading businesses in order to re-characterise trading income into more favourable passive income.

We combine the information obtained from disclosures at question 12 with data from transitional election forms to risk assess stapled groups. Those eligible taxpayers that have lodged a valid transitional election form may be entitled to claim transitional relief and continue to apply the lower 15% withholding rate during the transition period.

There were 8 disclosures at question 12 in 2020–21. We understand that of the taxpayers that have lodged valid transitional election forms, many have not accurately reflected managed investment trust cross staple arrangements income. We are engaging with taxpayers that have interests in staple structures to ensure the application of integrity measures and appropriate pricing of financial arrangements.

### **R&D: Question 13 disclosures**

There were 14 disclosures at question 13 in 2020–21. R&D disclosures relate to claiming tax incentives for ordinary R&D business activities within the industry sectors identified below. Arrangements likely to be reviewed by us and AusIndustry relate to companies that are claiming the R&D expenditure where some or all of the expenditure incurred relates to business activities.

These R&D activities are described in:

- Taxpayer Alert [TA 2017/2](#) (construction activities)
- Taxpayer Alert [TA 2017/3](#) (any business activities)
- Taxpayer Alert [TA 2017/4](#) (agricultural activities)
- Taxpayer Alert [TA 2017/5](#) (software development activities).

Almost half the disclosures for question 13 relate to arrangements outlined in

[TA 2017/5](#). Where appropriate, we refer any concerns identified with eligibility of R&D activities to AusIndustry, who are responsible for this aspect of the R&D Tax Incentive.

All disclosures were from taxpayers in the Top 100 or 1,000 populations. The arrangements disclosed have either been reviewed or will be reviewed through our assurance programs.

### **Securities lending: Question 20 disclosures**

Question 20 relates to arrangements involving securities lending and derivative contracts as described in Taxpayer Alert [TA 2018/1](#). Our focus is on arrangements that are intended to provide imputation benefits to Australian taxpayers who are not the true economic owners of the shares.

There were no disclosures at question 20 in 2020–21. We have continued to monitor and manage the risk associated with arrangements described in Taxpayer Alert [TA 2018/1](#). Our risk identification processes give us confidence we don't have a non-disclosure risk.

We are separately addressing concerns with these types of arrangements entered into by superannuation funds. As these entities don't complete a company tax return, they have no obligation to lodge an RTP schedule. This question has been removed from the 2021/22 RTP schedule as the information is collected through other means.

### **Intangibles migration: Question 25 disclosures**

Question 25 relates to deductions for expenses incurred under an arrangement with offshore parties using intangible assets held by an offshore party, as described in Taxpayer Alert [TA 2018/2](#). Question 25 was added to the RTP schedule in the 2019–20 income year to inform whether intangible assets have been appropriately recognised and Australian royalty obligations have been met.

There were 18 disclosures at question 25 in 2020–21. Many of the disclosures indicated the taxpayer had considered the arm's length principle in determining the appropriate consideration for the use of the intangible assets, but the arrangement wasn't covered by section 284–255 (*Taxation Administration Act 1953*) compliant transfer pricing documentation. Several disclosures indicated that there is engagement with us about the arrangement under an advance pricing arrangement or other review activities.

The remaining disclosures are reviewed as part of our Top 100 and 1,000 assurance programs. We will continue to monitor the risk associated with arrangements described under [TA 2018/2](#) as part of our compliance and assurance program.

### **MEC group and CGT asset sold: Question 26 disclosures**

There was one disclosure at question 26 in 202019–210. Question 26 relates to the sale of a CGT asset to an eligible tier 1 entity in a multiple entry consolidated (MEC)

group, with the entity subsequently sold to a third party. Question 26 was added to the RTP schedule in the 2019–20 income year to inform concerns that taxpayers may be entering into the arrangements described in TA 2019/1 to avoid realising large capital gains on the disposal of CGT assets.

The disclosure at question 26 in 2020–21 is being reviewed as part of our compliance program. We continue to monitor the risk associated with arrangements described in Taxpayer Alert [TA 2019/1](#).

### **Activities connected with DEMPE of intangible assets: Question 32 disclosures**

Question 32 relates to international arrangements that mischaracterise Australian activities connected with the development, enhancement, maintenance, protection or exploitation (DEMPE) of intangible assets as described in Taxpayer Alert [TA 2020/1](#). We are concerned that these arrangements may be non-arm's length or intended to avoid tax, resulting in inappropriate outcomes for Australian tax purposes.

There was one disclosure made in 2020-21. This arrangement is currently being managed as part of our Advance Pricing Agreement Program. We will continue to monitor risks associated with activities set out in Taxpayer alert [TA 2020/1](#) as part of our compliance program.

### **Interposed entities to avoid withholding tax: Question 34 disclosures**

There were no disclosures made under question 34 in 2020/21.

Taxpayer alert [TA 2020/3](#) describes arrangements involving interposed offshore beneficiaries of Australian trusts claiming excessive interest deductions on related party debt while no interest withholding tax is paid due to the interposition of the non-resident related party.

### **MEC groups: Question 35 disclosures**

Taxpayer alert [TA 2020/4](#) outlines our concerns on multiple entry consolidated groups avoiding capital gains tax through the transfer of assets to an eligible tier-1 company prior to divestment. Our focus is on arrangements which appear to be designed to avoid the inclusion of capital gains in the assessable income of Australian resident entities upon the disposal of their assets.

There were 6 disclosures at question 35 in 2020-21. All the disclosures are from taxpayers in the Top 1,000 program. The arrangements disclosed are reviewed as part of our compliance and assurance programs.

### **Derivative instruments: Question 36 disclosures**

This question relates to arrangements where an imputation benefit is claimed by a taxpayer relating to a parcel of Australian shares held (directly or indirectly) where it has offset its economic exposure to those shares, through the use of a derivative instrument as described under Taxpayer alert [TA 2020/5](#).

Our concerns are with arrangements where the taxpayer having no or nominal economic exposure to both the dividend and capital performance associated with additional shares acquired (through entering into derivative instruments) claims the imputation credit / franked dividend associated with those shares. There were no disclosures made under question 36 in 2020-21.

We are monitoring risks associated with [TA 2020/5](#) through our compliance and assurance programs.

## Other questions

Other questions include:

- [S25-90 deductions and NANE income: Question 1 disclosures](#)
- [Consolidation churning: Question 16 disclosures](#)
- [Material changes to settlement positions: Question 19 disclosures](#)
- [Unamended mistakes or omissions: Question 21 disclosures](#)
- [New PCG's published: Question 38 disclosures](#)

### S25-90 deductions and NANE income: Question 1 disclosures

Question 1 relates to deductions claimed under section 25-90 where income earned is non-assessable and non-exempt (NANE).

Disclosures made under question 1 are considered along with taxpayers that disclose under the International dealings schedule question 25B. Of the 4 disclosures made under question 1, 2 did not disclose under the IDS; these will be subject to further engagement.

Question 1 was removed from the 2022 RTP schedule instructions as the information is collected via other means.

### Consolidation churning: Question 16 disclosures

There were 15 disclosures at question 16 in 2020–21. Question 16 relates to application of the consolidation churning rule to arrangements entered into by a multiple entry consolidated group.

Most of the disclosures at question 16 were by taxpayers indicating the churning rule applied to deny certain cost setting rules. All disclosures stating the rules didn't apply were made by Top 100 or Top 1,000 taxpayers. The arrangements have been reviewed under our assurance programs and assessed as no risk or taxpayers have resolved the matter with us through settlement.

### Material changes to settlement positions: Question 19 disclosures

Question 19 relates to breaches or material changes to facts covered by settlement deeds and future compliance arrangements. It is an important feature of our settlements that we achieve behavioural change and secure future tax outcomes. We continue to monitor compliance with these agreements closely.

There were 7 disclosures at question 19 in 2020–21. Each taxpayer who made a disclosure on their RTP schedule had already brought the issues to our attention before their financial year end. We engaged directly with each of them and confirmed all are compliant with the terms of the settlement deeds and agreements or are implementing changes to ensure compliance with the deed.

### **Unamended mistakes or omissions: Question 21 disclosures**

There were 28 disclosures at question 21 in 2020–21. Question 21 relates to any unamended mistakes or omissions in tax returns. We review the responses to detect mistakes or error with a particular focus on those where amendments are not evident.

Disclosures under question 21 related to issues including carry forward loss balances, depreciation expenses, the R&D tax incentive and income from trusts and other investments. All of the 28 disclosures were from Top 100 or 1,000 taxpayers. Their disclosures are reviewed through our assurance programs to ensure appropriate amendments are lodged.

Approximately one-third of the disclosures have a corresponding amendment made to the tax return. The remaining have been reviewed, or the amendments are expected to be made to the 2019–20 return, and others to the 2020–21 return. Some amendments will result in an increase in tax payable, others a decrease and some will have a notional impact through changes in losses carried forward.

### **New PCGs published: Question 38 disclosures**

Question 38 was added to the RTP instructions in 2020–21. It requires taxpayers to disclose high-risk arrangements on PCGs published after the RTP instructions were released.

Before 2020–21, the RTP instructions were updated throughout the year. This question was introduced to make this process simpler while ensuring that high-risk arrangements are disclosed.

There were 9 disclosures at question 38 in 2020–21. Five of the disclosures were rated as low, 2 were rated as moderate risk and 2 disclosures did not apply the self-assessment risk rating.

All of the disclosures made related to [PCG 2021/5](#), published on 16 December 2021. [PCG 2021/5](#) relates to risks associated with the imported hybrid mismatch rule in subdivision 832-H ITAA 1997.

The disclosures are used with other information sources such as question 47 of the International dealing schedule, to assess risks associated with the imported hybrid mismatch rule as part of our compliance program.

In the 2021–22 RTP instructions, arrangements relating to [PCG 2021/5](#) are disclosed at Question 39. Question 38 was removed from the RTP instructions in 2021–22.

# Reviewing tax governance for large public and multinational businesses

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- <https://www.ato.gov.au/Business/Large-business/Compliance-and-governance/Reviewing-tax-governance-for-large-public-and-multinational-businesses/>
- Last modified: 19 Jun 2018
- QC 56047

Tax governance is a key focus area under the justified trust methodology for large public and multinational businesses. Demonstrating how your good tax governance is embedded in positions taken, disclosures in returns and tax calculations provides us with evidence we can rely upon which can reduce the intensity of enquiries.

We have developed practical guidance to assist large public and multinational businesses to understand how we rate tax governance in applying our justified trust methodology. This guidance is based on the [Tax risk management and governance review guide](#) (the Guide). We recommend you review the Guide for best practices, self-assessment procedures and detailed examples about what evidence can be provided.

See also:

- [Justified trust](#)
- [Top 100 risk categorisation approach](#)
- [Top 1000 Tax Performance Program](#)

## How we assess tax governance

In order to assess large public and multinational businesses' tax governance, we look for evidence that a tax control framework exists, focusing on the controls set out in the [director's summary](#) within the Guide. We use the following staged rating system:

- [Stage 1: tax control framework exists](#)
- [Stage 2: tax control framework is designed effectively](#)
- [Stage 3: tax control framework is working in practice](#)
- [Red flag: not evidenced or significant concerns](#)

## Stage 1: demonstrating a tax control framework exists

You will reach stage 1 when you provide objective evidence that a tax control framework exists. This includes one or more of the following:

- board endorsed tax policy documentation describing how the organisation identifies and manages tax risk
- documented procedures for preparing returns, including income tax returns and Business Activity Statements
- a testing program to validate the operating effectiveness of the tax control

framework.

We are unable to rely on slide presentations, draft policies or narrative descriptions of the tax control framework, as they do not represent source documentation. We look for evidence in the form of actual policies and procedures demonstrating the existence of a tax control framework.

## Stage 2: demonstrating design effectiveness

When we have established a tax control framework exists, we then look for objective evidence that the framework is designed effectively.

We recommend you prepare a gap analysis by self-assessing the design of your framework against the Guide. If a gap exists, you should describe your compensating controls and document why particular aspects of the Guide may not be applicable to your circumstances. This may be due to a range of factors including size, complexity and history.

## Stage 3: demonstrating the framework is operating in practice

This stage is the highest rating for tax governance, and we encourage all large public and multinational businesses to achieve this stage. Achieving stage 3 provides a strong foundation for our level of confidence and supports less intense future engagements.

To achieve this stage, you must be able to demonstrate that your tax control framework has not only been designed effectively, but is also operating as intended.

This stage can be evidenced by a [periodic tax controls testing program](#) as well as reports describing the outcomes of that testing. The program scope should include testing of the six controls as set out in the [director's summary](#).

Evidence of the program could also include:

- reference to the tax internal controls testing program in the tax control framework
- an extract of the testing program for the next 3-5 years setting out the
  - scope of tax controls testing (controls and taxes reviewed)
  - details of who is conducting the review (extent of independence)
  - description of the testing methodology to be applied to gather evidence.

The report describing the outcomes of the testing should include an opinion on the operating effectiveness of the tax control framework and could also include a description of the:

- tax controls tested
- testing methodology
- sample sizes.



We look for the independent review and testing of tax controls, for example by internal or external auditors, that provide an independent level of assurance to the audit committee and the Board. Control owners (such as the tax or finance teams) testing their own controls do not provide the requisite degree of independence.

See also:

- [Board level responsibilities](#)

## Red flag: not evidenced or significant concerns

A red flag may be assigned where you cannot provide evidence to demonstrate a tax control framework exists or if we have significant concerns with your tax risk management and governance. These concerns may include your approach to tax compliance, for example, where there are significant errors your tax control framework is not detecting. We will let you know our concerns before we give you a red flag rating.

## Entities with a substituted accounting period

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- <https://www.ato.gov.au/Business/Large-business/Compliance-and-governance/Entities-with-a-substituted-accounting-period/>
- Last modified: 12 Dec 2022
- QC 71072

How to apply for a substituted accounting period (SAP), how to lodge a return and what to consider when lodging early.

On this page

- [Applying for a SAP](#)
- [Lodging your income tax return with a SAP](#)
- [Lodging additional information for early balancers](#)
- [Tax return label changes](#)
- [Tax return instructions for SAPs](#)

## Applying for a SAP

An entity's accounting period is ordinarily the 12 month period ending on 30 June.

You can seek leave from the Commissioner to adopt an alternative annual accounting period or a SAP.

Use the *Application for a substituted accounting period (NAT 5087)* form to:

- apply for a SAP



- revert to a standard accounting period ending 30 June.

When you apply, you must provide:

- a reason for requesting a SAP
- supporting evidence.

For detail on what supporting evidence you need to provide and why it's important to lodge as early as possible, see [Applying for a SAP](#).

See Law Administration Practice Statement [PS LA 2007/21](#) *Substituted Accounting Periods* for guidance on circumstances that warrant granting a SAP.

We accept retrospective or out of date applications in limited circumstances. See [PS LA 2007/21](#) for details.

## Lodging your income tax return with a SAP

If you have been granted leave to adopt a SAP, you must meet different lodgment requirements. Find out your lodgment date, lodgment channels, tax agent concessions and see more about [how SAPs work](#).

### Transitioning to a SAP

When you adopt a SAP, the end date of your accounting period changes. This usually results in a transitional period of more or less than 12 months. You must lodge an income tax return for the transitional period.

We will determine and notify you of your transitional period when we approve your SAP.

To better understand your transitional period, see [examples of transitional periods](#) for scenarios including:

- first time lodgers
- existing entities
- entities exiting consolidated groups.

When you have adopted a SAP, the new accounting period will involve either late or early balancing in relation to a 30 June year end. Whether you are late or early is determined when your application is approved.

For more on how and when an entity transitions to a SAP, see [PS LA 2007/21](#).

### What tax return form to use

Prepare your tax return on the form for the year in lieu of which the accounting period has been adopted. For example, if you adopted a SAP ending 31 December 2022 you are an early balancer and your transitional period is in lieu of the following income year ending 30 June, being the year ended 30 June 2023. This means you should prepare your tax return on the 2023 tax return form.

We make every effort to release tax time stationery as early as possible. However, if

the relevant form has not been produced by the date you wish to lodge, you must use the most recently available tax return form, whether lodging electronically or by paper.

If you are transitioning to a SAP, you must lodge a paper form if you are:

- not lodging the entity's first tax return
- lodging before we release next year's tax time stationery.

See more about [what tax return form to use](#) and [Example 5 - early December SAP](#).

## Franking period

Your transitional period will affect your [franking period](#).

For a corporate tax entity that is not a private company, the franking period depends on the length of its income year. The franking period is different for an early or late balancing corporate tax entity that has adopted a SAP.

## Lodging additional information for early balancers

Tax return labels may change on the release of new stationery.

If you are an early balancer and lodged using the most recent tax return form, you may need to lodge an amendment if label changes are relevant to your circumstances.

We expect to publish draft details of tax return label changes each year in December. Where further changes are required due to law changes not currently known or anticipated, we will update the tax return label changes and provide further advice.

## Tax return label changes

To help early balancers, each year we provide information on label changes we expect in the new tax time stationery to be released at the end of May. While tax returns can be lodged from 1 January, our processing for the new labels will not take place before our system is deployed in June 2023.

### Company tax return 2023

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#### Item 13 Losses information (9 new labels)

Label	Description
T	Tax loss 2022–23 carried back to 2018–19
W	Tax loss 2022–23 carried back to 2019–20
X	Tax loss 2022–23 carried back to 2020–21

Y	Tax loss 2022–23 carried back to 2021–22
Z	Tax Rate 2021–22
A	Net exempt income 2021–22
B	Income tax liability 2021–22
C	Select your aggregated turnover range for 2021–22
D	Aggregated turnover for 2021–22

### Explanation

The loss carry back scheme has been extended to 30 June 2023. As such, extra labels will be added to account for losses incurred in the 2022–23 year.

The company can choose to carry-back tax losses from the 2022–23 income year on the 2023 Company tax return.

Processing for new loss carry back labels will not take place until the 2023 system change is deployed in June 2023.

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### Calculation statement (2 removed labels)

Label	Description	Explanation
M	R&D recoupment tax	Companies including early balancers with a substituted accounting period no longer report R&D recoupment tax at label M.
H1	Credit for interest on early payments – amount of interest	The process of crediting Interest on early payment (IEP) has been automated for eligible early payments made from 1 July 2021. As a result, there is no longer a requirement for clients to claim IEP and complete the H1 label.

### New measures

There are some new measures, including the Digital Games Tax Offset (DGTO).

Note: this is not yet law (as at 9 December 2022).

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### Calculation statement (existing label)

Label	Description	Explanation
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E	Refundable tax offsets	<p>The DGTO will apply to expenditure incurred from 1 July 2022.</p> <p>A 30% refundable tax offset will be available to eligible game developers that spend a minimum of \$500,000 on qualifying Australian development expenditure, subject to an offset 'cap' of \$20 million amongst all companies 'connected with' or 'affiliates of' the claiming company. For the 2023 income year, eligible game developers will use the existing Label E in the 'Calculation Statement', being the label for 'Refundable tax offsets'. Arrangements for the 2024 and future income years will be determined at a later time.</p>
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## R&D Tax incentive schedule 2023

### Part A Calculation of notional R&D deductions (2 removed labels)

Label changes	Explanation
<p>Item 8 R&amp;D assets – Balancing adjustment losses (removed with 2 labels)</p> <ul style="list-style-type: none"> <li>Label O – Australian owned R&amp;D</li> <li>Label P – Foreign owned R&amp;D</li> </ul>	<p>Companies, including early balancers with a SAP, do not complete this item to work out the R&amp;D tax offset.</p> <p>See the Company tax return instructions to claim balancing adjustment losses as a deduction instead.</p>

## Tax return instructions for SAPs

You should consider if any of these specific tax return instructions apply:

- [Research and development tax incentive schedule instructions for early balancing substituted accounting period \(SAP\) entities 2022](#)
- [Reportable tax position schedule](#)

## Information and services

- <https://www.ato.gov.au/Business/Large-business/Information-and-services/>
- Last modified: 25 Feb 2016
- QC 48017

We provide information and services to help large businesses.

Find out about:

- Business bulletins
- [Online services](#)

See also:

- [New legislation](#) – for updates on potential legislative changes and how they may affect large businesses
- [Key products and resources](#) – information specifically for large businesses.

## Justified trust

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- <https://www.ato.gov.au/Business/Large-business/Justified-trust/>
- Last modified: 28 Oct 2021
- QC 50481

Justified trust is a concept from the Organisation for Economic Cooperation and Development (OECD).

Justified trust builds and maintains community confidence that taxpayers are paying the right amount of tax. It also allows us to focus our resources in the right areas.

On this page

- [How we achieve justified trust](#)
- [GST analytical tool](#)
- [Intended outcomes from our approach to justified trust](#)
- [Other guidance materials](#)

### How we achieve justified trust

To achieve justified trust, we seek objective evidence that would lead a reasonable person to conclude a particular taxpayer paid the right amount of tax. This is a higher level of assurance than confirming certain risks do not arise.

We tailor our assurance approach based on the unique business profile of a taxpayer.

When engaging with a taxpayer, we review the following four key areas:

- [Understanding a taxpayer's tax governance framework](#)
- [Identifying tax risks flagged to the market](#)
- [Understanding significant and new transactions](#)
- [Understanding why the accounting and tax results vary](#)

## Understanding a taxpayer's tax governance framework

We confirm the existence, application and testing of a tax risk management and governance framework.

We recognise entities use different governance practices based on a range of factors.

## Identifying tax risks flagged to the market

We review risks or concerns we communicated to the market (for example, through Taxpayer alerts, Practical compliance guidelines, or Public rulings). We then determine whether these may be present.

## Understanding significant and new transactions

We seek to understand current business activities, particularly significant or new transactions, and the tax outcomes.

## Understanding why the accounting and tax results vary

We analyse the various streams of economic activity and how they are treated for taxation and excise purposes.

This requires a holistic understanding of the taxpayer's business operations and financial performance. We compare this to its tax performance.

For example, we analyse:

- the Effective tax borne (ETB) and global value chain to understand why accounting and income tax results vary
- sales, acquisitions and other data and compare this to net goods and services tax (GST) paid.

For a copy of the ETB Guide and workbook we use to complete our ETB calculations, email [Top100@ato.gov.au](mailto:Top100@ato.gov.au)

## GST analytical tool

The GST analytical tool (GAT) is one of the tools we use to obtain greater assurance you are paying the right amount of GST and to help us better understand why accounting and GST results vary. It is not intended for use by taxpayers with pre-dominantly input taxed supplies. Different analytical approaches are under consideration for those taxpayers.

The [GST analytical tool \(GAT\) FAQ](#), [top 100 GAT example](#) and [top 1000 GAT example](#) may also help you when considering the application of the GAT as part of a GST assurance review.

For a copy of the GST analytical tool (GAT) Guide and method statement we use to complete our GAT calculations, email [GATSupport@ato.gov.au](mailto:GATSupport@ato.gov.au).

## Intended outcomes from our approach to justified trust

Justified trust gives the community confidence that large businesses are paying the right amount of tax. This fosters broader willing participation and engagement across the tax and superannuation system.

Our approach helps us focus how we minimise the income tax and GST tax gaps through:

- our engagement strategy (for example, identifying and resolving areas of concern at the earliest possible time)
- active compliance (for example, audit cases)
- active prevention across the market (for example, through [Taxpayer alerts](#), [Practical compliance guidelines](#), or Public rulings).

## Other guidance materials

- [OECD: Measures of Tax Compliance Outcomes – A Practical Guide](#)<sup>27</sup>
- [Tax risk management and governance review guide](#) (for large public and multinational businesses)
- [GST Governance, Data Testing and Transaction Testing Guide](#)
- [Guide to Independent Data Testing by Third Party Advisors](#)
- [Reviewing tax governance for large public and multinational businesses](#)
- [Tax governance for privately owned groups](#)

## Top 100 justified trust program

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- <https://www.ato.gov.au/Business/Large-business/Top-100-justified-trust-program/>
- Last modified: 13 Oct 2022
- QC 60472

[Justified trust](#) is a concept from the Organisation for Economic Cooperation and Development (OECD).

We originally introduced the justified trust concept starting with the [top 100 population](#) in 2016.

We complete justified trust reviews as part of the yearly pre-lodgment compliance review (PCR) and annual compliance arrangement (ACA) processes.

In these reviews, we apply consistent rating categories to our overall level of assurance. We apply a high assurance rating where we have confidence that the taxpayer paid the right amount of tax for the period reviewed.

Due to the size and complexity of taxpayers in the top 100 population, we expect it

may take some taxpayers several years to reach high assurance. We are working with each of the top 100 as part of the PCR and ACA processes to gain and maintain a high level of assurance. We will tailor future engagements to focus on new, unassured areas and changes.

Where a top 100 taxpayer attains an overall high level of assurance under our justified trust program, it means we have confidence that they have complied with Australian income tax laws.

In recognition of the level of trust we have in the reported tax outcomes of these taxpayers, we will tailor our future engagement approach to focus on maintaining our high level of confidence. This is known as the '[Monitoring and Maintenance' approach](#)'. This approach will apply to taxpayers for the two income years following an overall high assurance outcome.

For Top 100 ACA taxpayers who have attained an overall high level of assurance, we will revert to an annual ACA review in accordance with the ACA terms of arrangement.

## Top 100 Findings report

Our [Findings report top 100 program \(income tax and GST\) June 2022](#) covers our key findings from tax assurance reviews completed to 30 June 2022.

These findings will help you understand how we apply the justified trust methodology to:

- obtain greater assurance that Top 100 taxpayers are paying the right amount of income tax or GST, or
- identify areas of tax risk for further action.

## More information

To learn more about the Top 100 program, email us at [Top100@ato.gov.au](mailto:Top100@ato.gov.au)

## Top 100 GST assurance program

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- <https://www.ato.gov.au/Business/Large-business/Top-100-GST-assurance-program/>
- Last modified: 13 Oct 2022
- QC 60473

This program aims to obtain greater assurance that top 100 taxpayers are reporting the right amount of GST.

On this page



- [About the program](#)
- [Justified trust](#)
- [How we tailor our approach](#)
- [How to prepare](#)
- [GST analytical tool](#)
- [What to expect following a review](#)
- [Top 100 Findings report](#)
- [More information](#)

## About the program

The Top 100 GST assurance program:

- seeks greater assurance that top 100 taxpayers are reporting the right amount of goods and services tax (GST)
- supports and expands on existing compliance approaches, including justified trust reviews for income tax, further enhancing confidence in these taxpayers.

## Justified trust

Under the [Top 100 justified trust program](#), GST and income tax teams work collaboratively to deliver [justified trust](#) assurance reviews across both taxes.

The extent to which the assurance reviews are integrated varies.

It depends on:

- the overall assurance rating in the most recent income tax assurance review
- whether our current engagement approach is seeking to obtain, refresh or maintain justified trust with the taxpayer.

## How we tailor our approach

We gain assurance or identify areas of GST risk by engaging with the taxpayer through a 12-month GST assurance review.

We will notify the taxpayer before we commence a review and provide time for them to consider making a voluntary disclosure of any tax shortfalls.

During a review we apply our justified trust methodology and tailor our compliance activities to the taxpayer's circumstances, including:

- the overall GST performance
- the type and size of business activities
- the tax control framework for GST purposes
- our understanding from prior engagements including income tax assurance reviews.

In a GST assurance review we look for evidence that:

- GST controls within your tax control framework exist (Stage 1), are designed

effectively (Stage 2), and are operating in practice (Stage 3) – this includes the design of business systems to create, capture and report transactions correctly for GST purposes

- none of the GST risks we have flagged to the market are present
- the GST outcomes of atypical, new or large transactions are appropriate
- we can understand and explain the various streams of economic activity and how they are treated for GST, which will include applying the GST analytical tool (GAT) (other than for taxpayers with predominantly input taxed supplies).

A GST assurance review will generally focus on the last complete financial year.

We also undertake data and transaction testing on 3 consecutive BAS periods within the financial year of review, to determine whether GST outcomes are appropriate.

When reviewing your tax control framework for GST purposes, we apply the [GST Governance, Data Testing and Transaction Testing Guide](#). We consider 3 GST controls (board-level control 4, managerial control 4 and managerial control 6) to be fundamental. The design of these controls directly influences the likelihood that the right amount of GST is reported.

The fundamental controls are:

1. Periodic internal controls testing (BLC4 – see below)
2. Data controls (MLC4)
3. Your documented GST control framework (MLC6).

These controls, as well as the other 5 common controls across income tax and GST forming our areas of focus, will be reviewed.

#### **Board-level control (BLC) 4: Periodic internal controls testing**

To attain a Stage 2 rating for this control, your testing needs to be:

- documented
- approved
- independent.

For testing frequency and scope, we require a periodic (3 to 5 year) rotating testing plan. This should cover all the controls, including any common controls with income tax (BLC3, MLC 1, 3, 4, 6, 7).

These core requirements are consistent with our income tax approach.

In addition, you should provide a sufficient level of evidence about:

- who is conducting the testing (independent reviewer)
- the testing methodology (refer to [section 4.3.2](#) of the GST Governance, Data Testing and Transaction Testing Guide for details).

A provisional Stage 2 rating may be assigned for this control in limited circumstances. A core requirement of this control might not currently be supported by source evidence, particularly if your testing plan is still being developed and/or is

yet to be approved. To be eligible for a provisional Stage 2 rating, we require a written undertaking that you will provide your finalised and approved testing plan after the completion of our GST assurance review.

Our view of a best practice (optimal) periodic controls testing program is as follows.

- MLC4 and MLC6 should be tested regularly for GST, given the importance of these controls for accurate GST reporting, and that there are 12 monthly BAS returns annually. We state in the GST Governance, Data Testing and Transaction Testing Guide that the test frequency is ideally annually, but this is not a core requirement.
- MLC4 and MLC6 to be front loaded in the testing plan (ideally within the first 2 years).
- MLC7 is a common control, but likely to require some intensity of review for GST separately to income tax. This is because the procedures to explain significant differences between accounting figures and the BAS / income tax return are designed differently and operate separately.
- The frequency is to be determined by the independent reviewer, subject to the principles set out in the GST Governance, Data Testing and Transaction Testing Guide.

Once each control has been tested, the independent reviewer should consider the following in determining the timing of re-testing:

- the outcome of that testing including the extent of any remediation action required
- changes in business/reporting/accounting systems
- significant business acquisitions/disposals
- changes in the taxpayer's tax profile
- changes in design of governance controls or control owners.

Once it has been established that the framework is designed and operating effectively and tested successfully (that is, post the initial testing), we would expect that all controls be retested within a rolling 3 to 5 year period. Best practice is every 3 years. Where the retesting period extends beyond 5 years up to a maximum of 7 years, taxpayers can engage with us to discuss.

We would also expect controls to be retested where there have been any material changes to the controls – for example, new enterprise resource planning systems, new subsystems, or business structure changes.

## How to prepare

The [GST Governance, Data Testing and Transaction Testing Guide](#) contains detailed guidance on how the justified trust methodology is applied to help conduct a self-review of your tax control framework for GST purposes. This guidance also explains how to undertake data and transaction testing to ensure your business systems are creating, capturing and correctly reporting GST.

You should review your GST systems and records to check you have not made any mistakes before the GST assurance review and let us know if you wish to [make a](#)

[voluntary disclosure](#). You can or get more information about [GST, WET, LCT and fuel tax credit voluntary disclosures](#).

The [Guide to Independent Data Testing by Third Party Advisors](#) is also available to help taxpayers who are considering engaging the services of a third-party advisor to undertake independent data testing for a notified Top 100 GST assurance review.

The Guide provides practical guidance on the ATO's expectations and the conditions that must be met for a taxpayer's third-party adviser to undertake the independent data testing, so that it can be relied upon in a GST assurance review.

## GST analytical tool

The GST analytical Tool (GAT) is one of the tools we use to obtain greater assurance you are paying the right amount of GST.

The purpose of the GAT is to:

- understand the reasons for the key differences arising between accounting and GST figures
- to verify these differences with objective evidence if possible.

It is not intended for use by taxpayers with pre-dominantly input taxed supplies. Different analytical approaches are under consideration for those taxpayers.

The [GST Analytical Tool \(GAT\) FAQ](#) and [Top 100 GAT example](#) will also help you when considering the application of the GAT as part of a justified trust approach.

For a copy of the GAT Guide, and method statement we use to complete our GAT calculations, email [GATSupport@ato.gov.au](mailto:GATSupport@ato.gov.au) or [Top100@ato.gov.au](mailto:Top100@ato.gov.au)

## What to expect following a review

Following a top 100 GST assurance review we will share our findings with you, including:

- discussing the areas where we have assurance you reported the right amount of GST
- any identified GST risks.

Once you have had an initial review and obtained an overall assurance rating, you receive a tailored assurance approach that builds on the review. Find out more on [Top 100 GST assurance program - Future GST engagement after initial GST assurance review](#).

## Top 100 Findings report

Our [Findings Report Top 100 Program \(income tax and GST\) June 2022](#) covers our key findings from tax assurance reviews completed to 30 June 2022.

These findings will help you understand how we apply the justified trust methodology to:

- obtain greater assurance that top 100 taxpayers are paying the right amount of income tax or GST, or
- identify areas of tax risk for further action.

## More information

To learn more about the top 100 GST assurance program, email us at [Top100@ato.gov.au](mailto:Top100@ato.gov.au)

We welcome feedback as we continue to integrate our approaches for justified trust across income tax and GST.

## Top 100 population

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- <https://www.ato.gov.au/Business/Large-business/Top-100-population/>
- Last modified: 11 Oct 2021
- QC 54108

The top 100 population consists of public and multinational businesses and super funds that have substantial economic activity related to Australia. They form the largest contributors to corporate income tax, excise, and petroleum resource rent tax (PRRT) collections. They are some of the largest remitters of goods and services tax (GST).

As the top 100 can have a significant effect on the health of our tax system, we engage with them one-to-one to manage their compliance.

On this page:

- [How we identify and categorise the top 100](#)
- [Top 100 engagement approach](#)

## How we identify and categorise the top 100

We make an assessment of each large public and multinational business at the economic group level. We consider an economic group to include all Australian-based entities under a direct or indirect Australian or foreign majority controlling interest.

We initially identify top 100 taxpayers based on the size of their Australian operations. Other factors we consider include income tax, GST, PRRT or excise paid and the influence the taxpayer may have on their market segment.

We apply an Action Differentiation Framework (ADF) to our top 100 taxpayers. This is based on a point-in-time assessment of a taxpayer's:

- transparency in terms of their engagement with us
- choices and behaviours as evidenced in their tax affairs
- level of risk they exhibit.

## Top 100 engagement approach

Our engagement with top 100 taxpayers is tailored or differentiated according to the ADF engagement approach. There are three ADF engagement experiences:

- partnering
- encouraging
- influencing.

We use our professional judgment to make this assessment. The factors we consider in making our assessment vary for each tax product and by the information we have and the interactions we have with each taxpayer. We consider quantitative and qualitative measurements.

Top 100 taxpayers receive an annual letter from the Commissioner of Taxation advising them of how we will tailor our engagement with them across a range of services and approaches under the ADF. We clearly outline:

- the engagement approach
- the basis of our assessment
- what this means for the taxpayer
- how we intend to engage with them over the next 12 months.

We also give top 100 taxpayers additional detail about:

- our concerns where we have finalised a justified trust review for income tax or GST
- the areas of their economic and tax affairs over which we have assurance
- our future engagement approach, which has been outlined in the annual tax assurance reports.

See also:

- [Justified trust](#)
- [Action Differentiation Framework](#)

## Top 1,000 combined assurance program

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- <https://www.ato.gov.au/Business/Large-business/Top-1,000-combined-assurance-program/>
- Last modified: 18 Jul 2022
- QC 63637

We assure the income tax and goods and services tax (GST) affairs of Australia's Top 1,000 population.

On this page

- [Overview of the program](#)
- [Who the program covers](#)
- [Our combined assurance review](#)
- [Assurance approaches guidance](#)
- [Early notification of your review](#)
- [How we tailor your review](#)
- [Importance of timely and complete responses](#)
- [What to expect following a review](#)
- [Findings report](#)

## Overview of the program

The Top 1,000 combined (income tax and GST) assurance program is part of the [Tax avoidance taskforce](#). It replaces the Top 1,000 tax performance program that ended in 2020 and the Top 1,000 GST assurance program that ends this year.

Specialist tax performance teams engage with each taxpayer using tailored assurance approaches. We seek to increase our assurance that large public and multinational groups are reporting the right amount of income tax and GST or identify areas of tax risk for further action.

The program provides large businesses with an opportunity to gain greater certainty about their tax outcomes and the effectiveness of their tax governance frameworks. It also provides an objective mechanism for large businesses to understand how their tax profile compares to others in the market and their peers.

The program builds on previous assurance engagements. This enables us to 'top up' our understanding. We will not seek the same level of information as that required in your previous assurance review unless there are significant changes.

The reviews provide an opportunity to improve assurance ratings obtained under previous reviews as we review improvements and steps taken to address our concerns.

By following our guidance and recommendations and providing information requested in a timely manner, taxpayers are less likely to experience protracted reviews or follow on compliance activity.

## Who the program covers

The Top 1,000 combined assurance program covers large public and multinational companies, with turnover above \$250 million. This includes taxpayers we've engaged with through income tax and GST assurance reviews.

This program doesn't include taxpayers in the [Top 100 Program](#).

## Our combined assurance review

We apply our [justified trust methodology](#) in our combined assurance reviews. Each review covers income tax and GST. Where we have already engaged through an income tax or GST assurance review, we will tailor the review based on the outcomes of those previous engagements.

The review seeks to increase our level of assurance that you're reporting the right amount of income tax and GST or identify areas of income tax or GST risk for further action.

If we have engaged with you through an earlier income tax or GST assurance review, we leverage our understanding of your business and seek to 'top up' our assurance and focus on what has changed since that review. We also check you've addressed any recommendations from your previous review. You will be able to improve your assurance ratings by following these recommendations.

We focus on the last complete financial year for GST. If we haven't engaged with you through an income tax assurance review, the income tax component of the review will be more comprehensive and cover a 4-year period.

## Early notification of your review

We will notify you before we start a combined assurance review and provide you with our request for information giving you time to complete responses.

You will have a short period of time to consider whether to make a voluntary disclosure in respect of any errors or omissions.

Our request for information is a list of questions that asks you to provide some of the information in a standard template format. Most taxpayers will have a request to complete the [GST analytical tool](#). If you were identified as a predominantly input taxed supply business then we will undertake data testing in place of the GST analytical tool.

On receipt of the information, we may follow up with additional questions where required.

We understand that circumstances and needs may vary between large businesses. While we have clear commitments, we continue to be empathetic to your needs, and we will work with you to adapt the timing of the review to your circumstances.

## How we tailor your review

We tailor the combined assurance review to your circumstances having regard to:

- your assurance outcomes from any previous income tax or GST assurance engagement
- the steps you have taken to address recommendations in any previous income tax or GST assurance engagement



- how you have applied our published guidance – we will ask whether you have considered and applied our public guidance relevant to your circumstances including, reviewing your tax governance using our
  - [Tax risk management and governance practical review guide](#) to prepare for a combined assurance review
  - [GST Governance, Data Testing and Transaction Testing Guide](#)
- how you respond to our request for information for your combined assurance review – you should provide us with timely, accurate and complete responses to our questions.

## Importance of timely and complete responses

We consider the provision of timely and complete responses to our request for information may indicate the presence of stronger tax governance frameworks and a willingness to engage with us to obtain better review outcomes. Where this occurs, we will seek to tailor your engagement with us through:

- shorter reviews
- shorter combined tax assurance reports
- less intensive engagements.

If your responses don't meet our expectations, it is likely that you will be asked detailed questions and experience a longer more intensive review process.

## How to prepare and improve review outcomes

We expect you to take steps to ensure you understand our [justified trust methodology](#) and assurance approaches to prepare for your review.

The below practical guidance can help you prepare for a review and improve your review outcome.

Income Tax:

- [Tax risk management and governance - a practical guide to prepare for a combined assurance review](#) (income tax)
- How to [obtain higher assurance outcomes](#) (income tax)
- [Top 1,000 what attracts our attention](#) (income tax)
- [Typical questions in a Top 1,000 combined assurance review](#).

GST:

- [GST Governance, Data Testing and Transaction Testing Guide](#)
- [GST analytical tool](#)
- [GST what information we need from you](#).

More information can be found by visiting:

- The [Top 1,000 Findings Report \(income tax and GST\)](#) - helps you understand the key areas where we are unable to obtain assurance
- [Make a voluntary disclosure](#)

- APRA-regulated funds tax controls for third party data.

We continue to update our guidance to help you obtain better outcomes from the review.

## What to expect following a review

Following a combined assurance review we will share our findings with you, including:

- discussing the areas where we have assurance you have reported the right amount of income tax and GST
- any identified income tax and/or GST risks

We will provide separate assurance ratings for income tax and GST. We may recommend specific actions to obtain greater assurance or address identified income tax or GST risks and may follow up on these recommendations. We may also refer you for further compliance activity.

## Findings report

Our [Findings Report Top 1,000 income tax and GST assurance programs](#) June 2021 includes our key findings from the income tax streamlined assurance reviews covering 926 taxpayers as well as the Top 1,000 GST assurance program and Top 1,000 Combined Assurance Review program.

The report will help you understand how we apply the justified trust methodology to obtain greater assurance that large public and multinational taxpayers are paying the right amount of income tax or identify areas of tax risk for further action.

## Top 1,000 GST assurance program

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- <https://www.ato.gov.au/Business/Large-business/Top-1,000-GST-assurance-program/>
- Last modified: 18 Jul 2022
- QC 60471

Top 1,000 GST assurance program assures large companies report the right amount of goods and services tax (GST).

On this page

- [Overview of the program](#)
- [How to prepare for a review](#)
- [What to expect following a review](#)

## Overview of the program

The Top 1,000 GST assurance program is ending in 2022. It is being replaced by the [Top 1,000 combined \(income tax and goods and services tax\) assurance program](#).

The top 1,000 GST assurance program:

- seeks greater assurance that large public and multinational companies are reporting the right amount of GST
- supports and expands on existing compliance approaches, including [justified trust](#) reviews for income tax, further enhancing confidence in these taxpayers.

Under the program, our specialist GST teams engaged with each taxpayer using tailored compliance approaches. This was to gain greater assurance they were reporting the right amount of GST or identify areas of tax risk for further action.

## How to prepare for a review

We have prepared a [GST Governance, Data Testing and Transaction Testing Guide](#) on how the justified trust methodology is applied to help conduct a self-review of your tax control framework for GST purposes. This guidance also explains how to undertake data and transaction testing to ensure your business systems are creating, capturing and correctly reporting GST.

You should review your GST systems and records to check you have not made any mistakes before the GST assurance review and let us know if you wish to make any voluntary disclosures.

The [Guide to Independent Data Testing by Third Party Advisors](#) is also available to help taxpayers that are considering engaging the services of a third-party adviser to undertake independent data testing for a Top 1000 GST assurance review.

The Guide provides practical guidance on the ATO's expectations and the conditions that must be met for a taxpayer's third-party adviser to undertake the independent data testing, so that it can be relied upon in a GST assurance review.

## How we tailor our compliance approach

We gain assurance or identify areas of GST risk by engaging with the taxpayer through a 6-month GST assurance review.

We will notify the taxpayer before we commence a review and provide time for them to consider making a voluntary disclosure of any tax concerns.

During a review we apply our justified trust methodology and tailor our compliance activities to the circumstances of the taxpayer, including:

- the taxpayer's overall GST performance
- the type and size of business activities
- GST risk management and governance
- our understanding of the taxpayer from prior engagements including income tax streamlined assurance reviews.

In a GST assurance review we seek to obtain assurance that:

- appropriate GST risk and governance frameworks exist and are applied in practice
- none of the GST risks we have flagged to the market are present
- the GST outcomes of atypical, new or large transactions are appropriate
- we can understand and explain the various streams of economic activity and how they are treated for GST, which may include applying the [GST analytical tool](#).

A GST assurance review will focus on the last complete financial year. It will include systems and business activity statements (BAS) walk-throughs.

When reviewing your tax control framework for GST purposes, we consider three GST controls to be fundamental, as the design of these controls directly influences the likelihood that the correct amount of GST is remitted/ refunded. These three fundamental controls are:

- your periodic tax controls testing program
- data controls
- your documented GST control framework.

Data and transaction testing is also undertaken, focusing on three consecutive BAS periods, to determine whether GST outcomes are appropriate.

### **GST analytical tool**

We have developed and tested a GST analytical tool (GAT) to help us better understand why accounting and GST results vary. The GAT is one of the tools we use to obtain greater assurance you are paying the right amount of GST. The GAT also helps us identify where we need to ask more questions.

The GAT is not intended for use by taxpayers with predominantly input taxed supplies. Different analytical approaches are under consideration for those taxpayers.

The GAT uses a standard method statement applying a 'top-down' approach to identify and understand variances between accounting figures reported in audited financial statements and GST reported on the BAS.

The method statement starts with the revenue and expenses reported in your profit and loss statement. It works through a series of adjustments to compare this information with your annualised BAS covering your financial reporting year.

We seek to understand what parts of your accounting reported revenue represent:

- taxable supplies
- GST-free supplies
- input taxed supplies
- transactions that are not supplies for GST purposes (out-of-scope supplies).

We also seek to understand what parts of your accounting reported expenses

represent:

- GST-bearing expenses
- non-GST bearing expenses.

The four key steps to the GAT are:

- grouping variances
- non-GST bearing items (permanent differences)
- balance sheet and cash flow items (temporary differences)
- other adjustments (offsetting items / industry specific).

This helps us to understand variances between your financial statements and your BAS results and whether those variances are supported by appropriate evidence.

We want to work with you to understand the variances between your accounting figures and GST figures. This helps us better understand your GST profile and the key drivers of your GST outcomes. The GAT is not designed to quantify tax shortfalls or overpayments.

The [GST Analytical Tool \(GAT\) FAQ](#) and [top 1000 GAT example](#) may also help you when considering the application of the GAT as part of a justified trust approach. For a copy of the latest guidance and method statement we use to complete our GAT calculations, email [GATSupport@ato.gov.au](mailto:GATSupport@ato.gov.au)

## What to expect following a review

Following a top 1,000 GST assurance review we will share our findings with you, including:

- discussing the areas where we have assurance you reported the right amount of GST
- any identified GST risks.

We may recommend specific actions to gain greater assurance in particular areas and may follow up on these recommendations.

If we identify concerns or areas of GST risk, we will work with you to gain greater assurance or address identified concerns or GST risks.

There may be circumstances where we will take a different approach, such as an audit.

You can find out what we need from you in a [GST streamlined assurance review](#).

You can also [make a voluntary disclosure](#) or get more information about [GST, WET, LCT and fuel tax credit voluntary disclosures](#).

For more information, see the [Findings Report Top 1,000 income tax and GST assurance programs](#).

# Top 1,000 Next Actions Program

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- <https://www.ato.gov.au/Business/Large-business/Top-1,000-Next-Actions-Program/>
- Last modified: 03 Dec 2020
- QC 64215

The Top 1,000 Next Actions Program is part of the Tax Avoidance Taskforce.

We examine the tax affairs of Australia's largest 1,000 public and multinational companies with an annual turnover above \$250 million to give us and the community confidence that these companies and superannuation funds are paying the right amount of tax.

On this page:

- [What is a next action](#)
- [How you're selected](#)
- [What to do after getting an assurance report](#)
- [What happens when a next action begins](#)

See also:

- [Top 1,000 Combined Assurance Program](#)
- [Top 1,000 Tax Performance Program](#)
- [Tax Avoidance Taskforce](#)

## What is a next action

If we identify concerns about your income tax affairs in your Top 1,000 assurance review, we may refer you for further action.

A 'next action' is the investigation of identified compliance income tax risks. The form of your engagement will be set out in the formal notification you receive. While this will typically be a risk review, it can also include an audit.

## How you're selected

The outcome of your assurance review will determine whether you are selected for a next action engagement.

You will be selected if:

- you receive an overall low assurance
- you have a red flag rating
- we identify other material tax risks

You will be advised if you are part of a next actions case pool, before a next action begins.

# What to do after getting an assurance report

## Assurance report

After an assurance review you will get an assurance report explaining our findings and noting where we expect you to make changes or act.

We encourage you to review your assurance report and address the issues we identified.

## Review our Top 1,000 guidance

We encourage you to review our Top 1,000 findings and other published guidance and consider this in combination with your assurance report.

We continue to update our guidance to make it easier for you to address our concerns.

See also:

- [Top 1,000 Findings Report](#)
- [Top 1,000 Program what attracts our attention](#)

# What happens when a next action begins

If you are selected for a next action, you will receive a formal notification letter.

The formal notification letter will indicate the start date of the engagement and outline the scope of the engagement and next steps.

We will focus on the issues that are of the greatest concern to us, such as issues that received a red flag or low assurance rating in your assurance report.

## COVID-19 impacts

From the start of the next action engagement we will ask you how you have been impacted by COVID-19. In some circumstances we can defer the start date of the engagement.

## How to prepare for a next action

Prepare the evidence to demonstrate you have addressed and resolved the issues noted in your assurance report, including documenting the steps you have taken.

If you have chosen not to adopt the recommendations in your assurance report, prepare your evidence supporting your position.

The better prepared you are, the more likely the next action engagement can be resolved within a shorter timeframe, you can reduce your penalty exposure and the less likely the matter will become an audit.

# Objections and amendments

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- <https://www.ato.gov.au/Business/Large-business/Objections-and-amendments/>
- Last modified: 26 Feb 2015
- QC 48020

If you need to amend a return or you object to a decision, we encourage you to contact us as soon as possible.

Early engagement ensures the right people are brought together to discuss the best way to deal with a correction or change to a large business income tax return.

We expect this approach will assist with faster resolution if you seek to:

- correct an error you have made on an income tax return you have already lodged
- change a technical position you have adopted in an income tax return
- object to the assessment you have received for an income tax return.

Find out:

- [Early engagement - what to expect](#)
- [How to request a meeting](#)

## Early engagement – what to expect

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- <https://www.ato.gov.au/Business/Large-business/Objections-and-amendments/Early-engagement---what-to-expect/>
- Last modified: 05 Oct 2016
- QC 48021

The early engagement approach ensures that the right people are brought together to discuss the best way for you to deal with a correction or change to a large business income tax return.

We expect this approach will assist with faster resolution if you seek to:

- correct an error you have made on an income tax return you have already lodged
- change a technical position you have adopted in an income tax return
- object to the assessment you have received for an income tax return.

### Aim of early engagement

As a general rule, if you want to correct a mistake or omission you have made on



your tax return you use the amendment process and if you want to dispute the facts or the law you use the objection process.

The aim of early engagement is to provide you with an opportunity to meet with us before deciding whether to request an amendment or lodge an objection.

Engaging with us at an early stage provides an opportunity to discuss:

- the issues involved
- the information that may be required to progress an objection.

We envisage that:

- only one early engagement meeting will be needed
- no binding opinions will be given
- the meeting will occur within two to three weeks from the time you request one.

## Benefits of early engagement

The early engagement approach ensures that the right people are brought together to discuss the best way to deal with a correction or change to a large business tax return. We expect this approach will assist with faster resolution. It will also:

- assist you to determine the best approach for your circumstances
- assist our officer to get across the facts and technical issues more quickly if it transpires that lodging an objection is the better approach
- provide guidance as to the type of information required to progress the objection
- reduce delays caused by the need to request and receive supporting documentation.

## How to request a meeting

To request an early engagement meeting, email us at [Independent\\_Review@ato.gov.au](mailto:Independent_Review@ato.gov.au)

Your request should include a brief summary of what you want corrected or changed, and why.

Once we have received your request we will contact you to discuss what further information may be required to progress the matter as quickly as possible.

## What to expect from a meeting

An early engagement meeting should determine the best way to manage the correction or change you want to make to your large business income tax return. We expect that only one meeting will be needed.

If it is agreed that seeking an amendment is your best option, we will forward your amendment request to the appropriate area without the need for you to re-apply.

If lodging an objection is the better approach, we will discuss with you the

information we will require. The case officer involved in the early engagement meeting will also process the objection.

No binding opinions will be given during the course of the early engagement.

## How long the process takes

We expect that only one early engagement meeting will be needed and it will occur within two to three weeks of our receiving a request for early engagement.

We aim to provide our opinion on how best to proceed within four weeks of your initial request, or four weeks of receipt of any information we may request from you.

## How to request a meeting

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- <https://www.ato.gov.au/Business/Large-business/Objections-and-amendments/How-to-request-a-meeting/>
- Last modified: 25 Feb 2016
- QC 48023

To request an early engagement meeting, email us at [Independent\\_Review@ato.gov.au](mailto:Independent_Review@ato.gov.au)

Include a brief summary of what you want corrected or changed, and why.

When we receive your request we will contact you to advise if any further information is required to progress the matter as quickly as possible.

## Corporate tax transparency

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- <https://www.ato.gov.au/Business/Large-business/Corporate-tax-transparency/>
- Last modified: 03 Nov 2022
- QC 54027

The ATO is required by law to publish information reported to us by large corporations. Publishing this data informs public debate about the corporate tax system and helps to:

- improve awareness
- increase community confidence that corporations are paying the right amount of tax

- encourage voluntary compliance.

Each year, we publish two products on corporate tax transparency:

- *Report of entity tax information* – a spreadsheet uploaded to [data.gov.au](https://data.gov.au)<sup>27</sup>, which contains an alphabetical listing and tax information of Australian public and foreign-owned corporate tax entities and Australian-owned resident private companies that meet the income thresholds, as well as entities that have petroleum resource rent tax (PRRT) payable.
- *Corporate tax transparency report* – our contextual analysis of the above data. It provides key insights on the population, trends, losses, nil tax payable and other relevant information.

It is important to understand that some corporations pay no tax and there can be many reasons for this, including business or economic factors. Entities may also form part of an economic group that pays tax.

Corporations can also publish their own reports through the Voluntary Tax Transparency Code to explain their tax positions in more detail. The code complements Australia's corporate tax transparency measures which play an important role in increasing community confidence in the tax system. As an administrator, we have access to information on corporations to manage these measures, including detailed annual tax return disclosures and related tax schedules.

Find out about

- [Report of entity tax information](#)
- [Corporate tax transparency reports](#)
- [Why some corporations pay no tax](#)
- [Voluntary Tax Transparency Code](#)
- [Corporate tax compliance](#)

See also

- [Tax and corporate Australia](#)

## Report of entity tax information

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- <https://www.ato.gov.au/Business/Large-business/Corporate-Tax-Transparency/Report-of-entity-tax-information/>
- Last modified: 29 Aug 2022
- QC 67338

This report contains data of large corporate entities that meet the corporate tax transparency threshold.

On this page

- [Overview](#)
- [How we produce the report](#)
- [Factors affecting the data](#)
- [Comparisons with other sources](#)

## Overview

Each year, we are required by law to publish certain tax information. For the 2022–23 income year and onwards, this includes:

- any corporate tax entity that has total income equal to or exceeding \$100 million
- entities that have petroleum resource rent tax (PRRT) payable.

For income years up to 2021–22 the following thresholds apply:

- Australian public and foreign-owned corporate tax entities with total income of \$100 million or more
- Australian-owned resident private companies with total income of \$200 million or more
- entities that have petroleum resource rent tax (PRRT) payable.

Entities include all taxpayers treated as corporations for tax purposes, for example:

- companies
- public trading trusts
- corporate limited partnerships.

We do this through the *Report of entity tax information*. The data in each report is taken directly from tax returns.

You can access the *Report of entity tax information* at [data.gov.au](https://data.gov.au)<sup>1</sup>.

## How we produce the report

The *Report of entity tax information* includes information from returns and amendments (requested by the relevant entity), that are processed by 1 September of the year following the tax year being reported. If an entity's relevant labels show an amount of zero or less, we leave that field blank.

In accordance with the law, we cannot include any details of amended assessments issued by us following audits or settlements.

If an entity lodges after 1 September, their information will be published the following year.

We write to affected corporations each year to advise them about the forthcoming report. This allows them time to advise us if the information is not correct.

Due to tax law confidentiality provisions in the *Taxation Administration Act 1953*,

we can't give information beyond what's published in the *Report of entity tax information*.

Entities and organisations named in the report can choose to provide further information under the [Voluntary Tax Transparency Code](#).

## Data sources

We use the following tax return and PRRT return labels for the *Report of entity tax information*.

- Total income – the amount shown at income label 6S of the company tax return.
  - Most income received when carrying on a business is assessable for income tax purposes. The total amount is referred to as assessable income or total income.
  - The amount to be written at income label 6S is an accounting system amount and generally corresponds to the relevant amount in the entity's financial statements for the income year.
- Taxable income – the amount shown at label 7T (taxable/net income or loss) of the company tax return.
  - Taxable income is calculated as the difference between an organisation's assessable income and deductions.
  - As the legislation does not allow for the reporting of an amount of zero or less, if the amount is a loss, we will leave taxable income blank in the report.
- Tax payable – the amount shown at label T5 of the company tax return.
  - This is determined by multiplying the taxable income by the 30% corporate tax rate and then deducting tax offsets and credits, such as the research and development (R&D) incentive and franking credits.
  - Some corporate tax entities will have an amount of taxable income but no income tax payable due to these offsets and credits. This is a function of the tax law and the way tax payable is calculated under the law.
- PRRT payable – the amount shown at label 25I of the PRRT return.

You can read more about the following instructions:

- [Company tax return instructions 2020](#)
- [Instructions for PRRT return](#)

## Factors affecting the data

The *Report of entity tax information* is at the corporate tax entity level (for income tax purposes). These entities may be part of larger economic groups, and some economic groups contain 2 or more tax groups and other non-consolidated entities.

We include more detailed analysis of the population when the report is published each year.

In this section

- [Legal forms and structure](#)
- [Economic factors affecting profit or loss](#)
- [Reasons for variations](#)
- [Petroleum resource rent tax payable](#)

## Legal forms and structure

Entities may choose to use different legal forms or structures to meet their business needs. This means that economically similar activities may end up being taxed differently, depending on the legal structure of the entity.

Entities listed in the *Report of entity tax information* may be part of a large economic group; one entity in the group may pay tax while others in the group may show nil tax payable.

Many private companies are associated with private groups that contain flow-through entities such as trusts and partnerships and the group's income may be taxed at the beneficiary or individual level, rather than at the corporate level. This means figures for private companies cannot easily be compared with those for public companies.

Commercial arrangements between related parties in a private group may result in income and profits effectively being transferred from a corporate entity to another related non-corporate entity.

For example, a private company may operate a business from premises owned by a related trust that charges the private company for use of those premises. The private company derives income from the operation of its business from the premises, but its profit and taxable income is reduced by the amount paid to the trust for use of the premises, reducing the amount of tax payable by the company. The income received from the private company for use of the premises forms part of the calculation of the trust's net income that is distributed to trust beneficiaries who, in turn, pay tax on their distribution from the trust.

We cannot publish the tax affairs of:

- associated entities unless they also meet the requirements under the law
- individuals associated with private companies.

Learn more about the [Private group approach](#).

## Economic factors affecting profit or loss

Several factors can affect the economic performance of sectors of the economy at various points in the economic cycle. For example, these could be commodity prices, policy changes and impacts of financial or health crises (such as COVID-19).

Some sectors of the economy can face challenging times whilst corporations in other sectors will see increases in revenue and profit. These broader economic factors will change the tax profile of a corporation and impact on the amount of tax paid.

Corporate income tax is payable on profits, not gross income or revenue. There are genuine reasons [why corporations may not pay income tax](#), for example, due to operating losses, deducting losses from prior years, or expensing projects in a start-up phase.

## Reasons for variations

The figures in the *Report of entity tax information* in themselves do not indicate if an entity is paying a high or low rate of tax. The tax system provides for a range of deductions and offsets affecting final tax payable figures.

Measuring a company's effective tax rate (how much tax they pay as a percentage of profits) requires more information than what's in the report. Also, comparing effective tax rates across single entities does not consider related-party transactions, the broader economic group or a number of other factors.

Variations can come from the use of tax losses. Tax losses can generally be carried forward and offset against taxable income in future income years. [Losses](#) carried forward are subject to integrity rules that restrict the use of those losses where there is a substantial change in company ownership (the continuity of ownership test) and the type of activity undertaken by the business (the same business test or the similar business test). Losses generated by one member of a tax consolidated group can generally be used against profits earned by other members of the same group.

Corporate tax entities listed in the report may be eligible to '[carry back](#)' tax losses incurred in the 2019–20 to 2021–22 income years and offset it against the income tax liability for the 2018–19 or later years, generating a refundable tax offset in assessments for the 2020–21 and 2021–22 income years.

Further analysis on the reasons for tax losses can be found in each year's [corporate tax transparency](#) report.

## Petroleum resource rent tax payable

PRRT is a profits-based tax that only taxes profits above a specified rate of return. A [PRRT](#) liability will be dependent on a range of factors, including commodity prices, foreign exchange rates and project development and operating costs.

The PRRT data in the *Report of entity tax information* is taken directly from PRRT returns.

## Comparisons with other sources

The figures in the *Report of entity tax information* are not easily compared or reconciled with aggregated figures reported in our annual report, or figures from reports lodged with the Australian Securities & Investments Commission (ASIC) and the Australian Securities Exchange (ASX).

Figures in the *Report of entity tax information* cannot be taken as the final tax position of an entity. The tax payable amount may be amended by the entity – for

example, if they identify an error in the return as originally lodged. We may issue an amended assessment as a consequence of compliance activity.

Accounting groups often include entities outside the Australian tax group – for example, some partially-owned subsidiaries as well as foreign subsidiaries. Stapled groups often include both sides of the staple in their accounting group, whereas only one side of the accounting group may be included in the transparency reporting.

In some cases, the tax group may include entities outside the Australian accounting group – in particular, where a group holds its Australian operations under multiple offshore companies, meaning there are multiple entry points into Australia.

## Corporate tax transparency reports

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- <https://www.ato.gov.au/Business/Large-business/Corporate-Tax-Transparency/Corporate-tax-transparency-reports/>
- Last modified: 03 Nov 2022
- QC 67335

Our annual corporate tax transparency reports provide aggregated data for some of the largest corporate entities.

The reports inform public debate about tax policy in relation to the corporate tax system and are just one of many initiatives designed to:

- improve awareness about corporate tax
- increase community confidence that corporate entities are paying the right amount of tax
- encourage voluntary compliance.

For the 2022–23 income year and onwards, the corporate tax transparency population includes:

- any corporate tax entity that has total income equal to or exceeding \$100 million
- entities that have petroleum resource rent tax (PRRT) payable.

For income years up to 2021–22 the following thresholds apply:

- Australian public and foreign-owned corporate tax entities with total income of \$100 million or more
- Australian-owned resident private companies with total income of \$200 million or more
- entities that have petroleum resource rent tax (PRRT) payable.

Prior year tax transparency reports can be found below:



- [Corporate tax transparency report for the 2020–21 income year](#)
- [Corporate tax transparency report for the 2019–20 income year](#)
- [all prior year reports](#)

## Why some corporations pay no tax

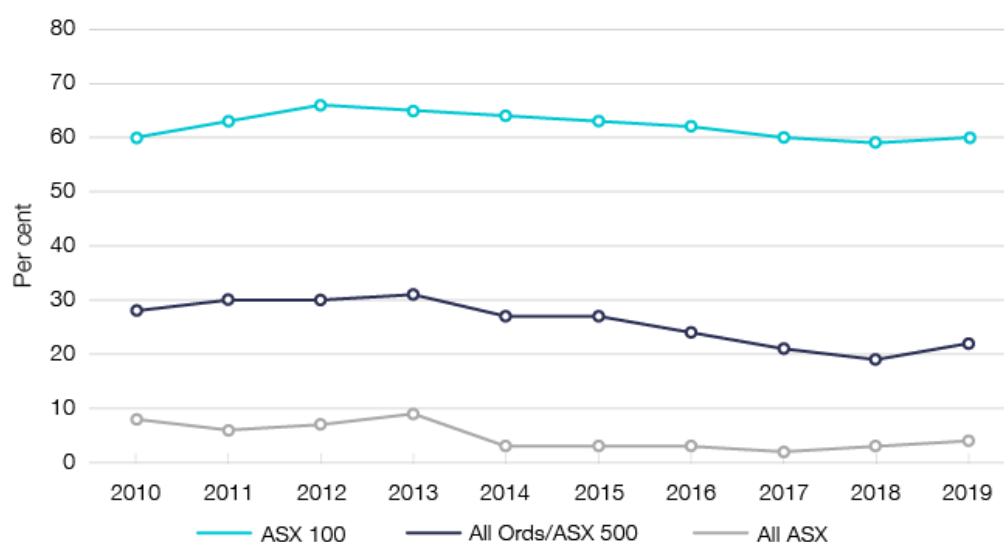
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- <https://www.ato.gov.au/Business/Large-business/Corporate-Tax-Transparency/Why-some-corporations-pay-no-tax/>
- Last modified: 17 Nov 2021
- QC 67339

Some corporations may pay no tax and there can be valid reasons for this, including business and economic factors. Corporations may make an accounting loss when economic or environmental conditions reduce their income or increase their expenses. Capital investment decisions to grow a business can also increase tax deductions.

Australian Securities Exchange (ASX) data shows, on average, losses are reported by 20–30% of ASX 500 companies in any one year (see Figure 1). Importantly, this shows that even large corporates will sometimes incur a loss in a particular year.

Figure 1: Proportion of companies with reported loss, by ASX population, 2010–2019



ATTRIBUTION This chart was compiled using Morningstar DatAnalysis Premium and contains listed companies only (including trading and suspended companies). The sectors are classified according to the Global Industry Classification Standard and the search query was PreTax Profit from Annual Profit & Loss. The search results were refined to exclude blank or zero results. As such, the population of companies included in the analysis varies on a yearly basis depending on the number of results

returned in the search, which may not match the number of companies listed on the ASX. The companies included in the analysis were allocated to ASX indices based on current data, and this allocation remains constant for the entire 2010 to 2019 period. **DISCLAIMER** © 2020 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Services Guide (FSG) for more information at [www.morningstar.com.au/s/fsg.pdf](http://www.morningstar.com.au/s/fsg.pdf). You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Our publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a professional financial adviser. Some material is copyright and published under licence from ASX Operations Pty Ltd ACN 004 523 782

A corporation's income and tax paid can vary over the different stages of its life cycle. The early stages in a corporation's life cycle are characterised by uncertainty in revenue flows and start-up costs, risk taking and product innovation.

For example, in mining, the early stages of operation involve a long exploration, test and build phase. In this phase, spending on investment and increased borrowing can lead to low or no profits and, as a result, no tax paid and the build-up of tax losses.

Compared to earlier phases, later stages in a corporation's life cycle reflect an increase in efficiency, a reduction in uncertainty and a decline in investment spending. In this stage, profits are maximised as a corporation's earnings per share grow, leading to higher and more sustained income and tax paid. For example, mining companies may be paying down debt, having built their facilities. Manufacturing and services companies may have products that are selling well.

In this stage, corporations expect to use losses accrued in earlier stages of their life cycle, lowering their taxable income.

In mature stages of a corporation's life cycle, they may have declining growth rates and stagnant cash flow. This is because production may decline or products in the market might face increased competition.

Once corporations have used their tax losses, they may seek to maintain or grow income and avoid decline, which may lead to an increase in tax paid. This could be by investing in innovation, or looking to diversify by investing in other businesses.

We carefully monitor the tax performance of the largest entities through our Top 100 and Top 1000 justified trust programs, including understanding the reasons why some entities have sustained losses year on year and the causes for not paying tax.

See also

- [What is a tax loss?](#)
- [How to claim a loss](#)

- [Loss carry back tax offset](#)
- [Offsets and rebates for businesses](#)
- [Top 100 justified trust program](#)
- [Top 1,000 combined assurance program](#)

## Voluntary Tax Transparency Code

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- <https://www.ato.gov.au/Business/Large-business/Corporate-Tax-Transparency/Voluntary-Tax-Transparency-Code/>
- Last modified: 17 Nov 2021
- QC 67337

The Tax Transparency Code (TTC) is a set of principles and minimum standards developed by the Board of Taxation to guide medium and large businesses on public disclosure of tax information.

Adoption of the TTC is voluntary and intended to complement Australia's existing tax transparency measures. The TTC is designed to encourage greater transparency by the corporate sector, and to enhance the community's understanding of the corporate sector's compliance with Australia's tax laws.

Published TTC reports can be accessed at [data.gov.au](https://data.gov.au)<sup>↗</sup> The list of TTC reports is updated monthly.

On this page

- [Role of the ATO](#)
- [Who should disclose?](#)
- [Information to disclose](#)
- [When to disclose](#)
- [How to notify or contact us](#)

See also

- [Corporate Tax Transparency Code and register](#)<sup>↗</sup> – Board of Taxation website
- [Development of the voluntary Tax Transparency Code](#)<sup>↗</sup> – Board of Taxation website

### Role of the ATO

We facilitate the TTC by hosting a centralised database of links to published TTC reports provided to us by participating businesses. The links to published reports and details on signatories are available at [data.gov.au](https://data.gov.au)<sup>↗</sup>

We don't review or provide any assurance on the accuracy of the information contained in these reports.

Voluntary TTC disclosures by businesses don't change our legislative duty to produce the annual [Report of entity tax information](#).

For businesses wishing to provide us with their published TTC report, refer to the instructions below.


## Who should disclose?

Medium or large corporations, including super funds, trusts and partnerships are encouraged to adopt the TTC. Corporations need to register with the Board of Taxation to become a signatory to the TTC.

To become a signatory to the Register, email [taxboard@treasury.gov.au](mailto:taxboard@treasury.gov.au).

For the purpose of the TTC:

- medium businesses are businesses with aggregated TTC Australian turnover of at least \$100 million but less than \$500 million
- large businesses are businesses with aggregated TTC Australian turnover of \$500 million or more.

Note: 'TTC Australian turnover' is defined in section 5.1 of [A Tax Transparency Code \(PDF, 996KB\)](#)  – the Board of Taxation's final report to the Treasurer (February 2016).

## Information to disclose

The minimum standard of information required under the TTC depends on the size of the business. Information disclosed under the TTC is divided between Part A and Part B content. It is recommended that:

- medium businesses adopt Part A
- large businesses adopt both Part A and Part B.

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Table 1: Minimum standard of information to disclose – Part A and B requirements

TTC disclosure	Who	Minimum standard of information
Part A	Large and medium businesses	<ul style="list-style-type: none"><li>• A reconciliation of accounting profit to tax expense and to income tax paid or income tax payable</li><li>• Identification of material temporary and non-temporary differences</li><li>• Accounting effective company tax rates for Australian and global operations (pursuant to AASB guidance)</li></ul>

Part B	Large businesses	<ul style="list-style-type: none"> <li>• Approach to tax strategy and governance</li> <li>• Tax contribution summary for corporate taxes paid</li> <li>• Information about international related-party dealings</li> </ul>
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Corporations will generally publish their TTC report on their website. There is no prescribed template or format for TTC content.

See also

- [Post-implementation review of the Tax Transparency Code: Consultation paper \(PDF, 528KB\)](#)  – Board of Taxation (February 2019)

## When to disclose

There is no prescribed timing for the release of annual TTC reports. Signatories are encouraged to notify us after publishing the TTC report on their website.

## How to notify or contact us

The following table can be used as a template when providing your notification.

Table 2: Template to assist with your notification

Details for notification	Signatory information
Name of the signatory	
ABN of the signatory	
Report period – financial year ending DD-MM-YYYY	
Size of the business – is it a 'large' or 'medium' business? (refer to the definitions above)	
Origin of the ultimate parent company – Australia, foreign, Australia and foreign dual-listed, or foreign dual-listed	
Do the TTC contents satisfy the minimum standard under Part A, Part B, or Part A and Part B?	
Provide a current URL link to the published report. Note: It is the responsibility of the signatory to inform us of any changes to links.	

Send your notification or any queries to [TTC@ato.gov.au](mailto:TTC@ato.gov.au)

## Corporate tax compliance

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- <https://www.ato.gov.au/Business/Large-business/Corporate-Tax-Transparency/Corporate-tax-compliance/>
- Last modified: 17 Nov 2021
- QC 67336

Most large corporate groups pay the right amount of tax. There will always be some who deliberately avoid their tax obligations. Our message to businesses operating in Australia is clear: you must pay the right amount of tax on the profits you earn here.

We use a range of approaches to support our assurance and compliance engagement with large business, including taking preventative and corrective action. Both one-to-one and one-to-many approaches are used with large corporate groups to assist them to comply with their tax obligations.

We take robust compliance action to test the application of the law if a large corporate takes a position we have flagged as being of concern

Our [Tax and Corporate Australia](#) publication details how we assure corporate taxpayers pay the right amount of tax and how we assist them to do so.

The [Action Differentiation Framework](#) is our strategic approach to engaging with public and multinational corporations. We tailor our engagement based on our understanding of the corporation's affairs, which is informed by:

- size
- transparency of engagement with us
- choices and behaviours evidenced in tax affairs
- the level of risk exhibited.

For private companies, we use sophisticated data-matching techniques to detect their relationship with other private group entities including:

- wealthy individuals
- companies
- trusts
- partnerships.

We refer to this as the [private group approach](#). This approach allows us to risk-assess compliance behaviours and target our assurance approaches at a group level. We support privately owned and wealthy groups to pay the right amount of tax through [tax performance programs for private groups](#) designed to:

- support willing participation in the tax system
- help them to get things right
- find and address deliberate tax avoidance.

For private companies, we cross-reference our understanding of market performance against other measures. Where anomalies are identified they are analysed and mitigated to ensure the ongoing health of the tax system.

See also

- [Privately-owned and wealthy groups](#)
- [Public business and international groups](#)
- [Large corporate groups income tax gap](#)
- [High wealth income tax gap](#)

## Action Differentiation Framework

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- <https://www.ato.gov.au/Business/Large-business/Action-Differentiation-Framework/>
- Last modified: 11 Oct 2021
- QC 57568

The Action Differentiation Framework (ADF) is our strategic approach to engaging with public and multinational businesses.

On this page:

- [How we engage with you](#)
- [Engagement frequency](#)
- [Engagement experience](#)

### How we engage with you

The way we engage with you is tailored or differentiated based on our understanding of the complexity of your affairs, informed by:

- size
- transparency of your engagement with us
- choices and behaviours evidenced in your tax affairs
- the level of risk you exhibit.

The ADF allows us to:

- use resources efficiently, allocating them to priority focus areas and where specific attention is required
- focus on the principles of obtaining [justified trust](#).

## Engagement frequency

Under the ADF, you are grouped into populations based on your total business income.

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Population, total business income and our level of engagement

Population	Total business income	Our level of engagement
Top 100	>\$5b or market leader	Ongoing one-to-one tailored engagement: <ul style="list-style-type: none"><li>• <a href="#">Top 100 justified trust program</a></li><li>• <a href="#">Top 100 GST assurance program</a></li><li>• other compliance engagement</li></ul>
Top 1000	\$250m to \$5b	Periodic one-to-one tailored engagement: <ul style="list-style-type: none"><li>• <a href="#">Top 1,000 Tax Performance Program</a></li><li>• <a href="#">Top 1,000 combined assurance program</a></li><li>• <a href="#">Top 1,000 GST assurance program</a></li><li>• <a href="#">Top 1,000 Next Actions Program</a></li><li>• other compliance engagement</li></ul>
Medium	\$10m to \$250m	Periodic – may receive broader engagement, like campaign and nudge communications
Emerging	<\$10m	Periodic – may receive broader engagement, like campaign and nudge communications

## Engagement experience

The ADF guides how we tailor our engagement with you across a range of services and approaches based on the following:

- Partnering
  - We partner with you to maintain good compliance.
  - If you are willing to engage and are transparent in maintaining compliance, we will partner with you to seek to deliver services in a timely and efficient manner to help you meet your tax obligations.
  - We will generally adopt a less intensive approach to our compliance interactions with you to maintain good compliance, reducing your compliance costs.
- Encouraging



- We encourage you to address our concerns.
  - If you take positions relating to complex arrangements giving rise to significant tax risks, you will be urged to address our concerns.
  - We will encourage you to improve our level of assurance over your affairs through the use of tailored services and approaches, according to your particular circumstances.
  - We'll also work with you to improve your future transparency and compliance.
- Influencing
    - We take firm action to influence you to improve your compliance.
    - If you are generally not transparent and consistently take high risk positions, we'll adopt an intensive approach to ensure risks are addressed quickly.
    - The services and approaches we take will be tailored to your particular characteristics and behaviours.
    - We'll adopt firm approaches, like formal powers for information gathering, until you improve your transparency and compliance.

For more information:

- email [ADF@ato.gov.au](mailto:ADF@ato.gov.au)

## Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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