



Australian  
Shareholders'  
Association

Australian Shareholders' Association Limited  
ABN 40 000 625 669  
Suite 11, Level 22  
227 Elizabeth Street, Sydney NSW 2000  
PO Box A398, Sydney South NSW 1235  
t (02) 9252 4244 | f (02) 9071 9877  
e [share@asa.asn.au](mailto:share@asa.asn.au)

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Board of Taxation Secretariat  
The Treasury – Sydney Office  
Level 5, 100 Market Street  
Sydney NSW 2000

Email: [taxboard@treasury.gov.au](mailto:taxboard@treasury.gov.au)

Dear Board of Taxation members

## **POST-IMPLEMENTATION REVIEW OF THE TAX TRANSPARENCY CODE (TTC)**

The Australian Shareholders' Association (ASA) represents its members to promote and safeguard their interests in the Australian equity capital markets. The ASA is an independent not-for-profit organisation funded by and operating in the interests of its members, primarily individual and retail investors and self-managed superannuation fund (SMSF) trustees. ASA also represents those investors and shareholders who are not members, but follow the ASA through various means, as our relevance extends to the broader investor community.

ASA supports tax transparency and the role of the TTC in upholding this objective. Paying the appropriate level of tax is important to investors, as it ensures profits and profit trends are not overstated. A company's tax practices need to be able to withstand investigation and not be subject to closures or loopholes. Shareholders expect their companies to act ethically and aggressive tax minimisation and/or use of tax havens is contrary to this expectation and increases the burden on other taxpayers, including shareholders and investors.

To this end, ASA supports:

- the inclusion of a 'basis of preparation statement' as a new minimum standard in the TTC to provide explanatory information about the basis on which the disclosures have been prepared, including treatment of non-wholly owned entities/operations source of information, reporting currency, glossary of definitions, and approach to materiality, as well as whether the business has followed the Australian Accounting Standards Board (AASB) guidance in preparing its disclosures, and any reasons for departures from this guidance
- the preparation of a reconciliation or 'bridge' between the ATO disclosures and the disclosures in a tax transparency report to allow investors and other stakeholders to reconcile the data in the ATO disclosures to information included in tax transparency reports.

On the last point, ASA supports the TTC seeking disclosure of:

- the accounting profit which correlates to ‘total income’ reported by the ATO in respect of relevant entities
- a reconciliation of the income tax paid and payable in the TTC disclosures to ‘tax payable’ reported by the ATO, and
- any further explanation necessary to assist users of the tax transparency information to understand how the information reported by the ATO reconciles to the TTC disclosures.

Given the significant time lag between the time of publishing transparency reports under the TTC and the release of the ATO mandatory data disclosure that can occur, and given that many businesses release their tax transparency reports prior to completion and lodgement of their tax returns for the relevant year, ASA’s preference is for businesses to publish an addendum to their tax transparency report after lodgement of their income tax return for the relevant year (Option 1).

ASA also supports the improvements proposed to the minimum standards for disclosure:

- Expand the reconciliation of accounting profit to income tax paid and income tax payable. The current minimum standard is a reconciliation to income tax paid or income tax payable
- Provision of additional guidance as to the minimum acceptable information to be included in the tax policy, tax strategy and governance summary in Part B of the TTC
- The tax contribution summary in Part B should be expanded to include disclosure of other Australian taxes and imposts paid to government, including Petroleum Resources Rent Tax, royalties, excise, payroll tax, stamp duties, Fringe Benefits Tax and state taxes, as a mandatory element. This will provide a more complete picture of the total tax contribution of a business to Australia
- Clarify the requirements of the international related party dealings summary in Part B to ensure businesses provide meaningful information. Those businesses that do not have any material international related party dealing should also state this in their tax transparency report.

Finally, ASA also supports the TTC setting out the following best practice disclosures for incorporation in Part B of the TTC for ‘large businesses’:

- Businesses should disclose information regarding material tax disputes with the Australian Taxation Office, to the extent not already disclosed in annual financial statements.
- Businesses adopting the TTC should provide basic information regarding the structure and composition of the group and approach to tax structuring. Current best practice in this area includes the following disclosures:
  - name and place of incorporation of all subsidiaries in the group (where not already disclosed in financial statements)
  - explanation of activities undertaken in no or low tax jurisdictions, and
  - the business’ approach to allocation of value between international related parties (for example, the use of arm’s length principles in line with the OECD guidelines).

- Businesses should provide details of their approach to co-operative compliance with the ATO and other tax authorities, for example, the use of Advanced Pricing Arrangements (APAs) or Advanced Compliance Agreements (ACAs), involvement with pre-lodgement compliance reviews, and compliance with the ATO's justified trust program.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J Fox', with a long horizontal stroke extending to the right.

Judith  
Chief Executive Officer

Fox