

Senate Standing Committee on Economics
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into Treasury Laws Amendment (Responsible Buy Now Pay Later and Other Measures)

Bill 2024

Department: Department of the Treasury
Topic: Country by country reporting
Reference: Spoken (24 July 2024)
Senator: Andrew Bragg

Question:

Senator Bragg: We need to write a report on this bill as you know. So, what I'd like you to take on notice, is where are the exact departures from the EU standard in the Australian law, if you can document those, then we will be able to consider that in our report. Because I understand that you're trying to do your best there.

Answer:

Public CBC reporting is the reporting of financial, economic, and tax-related information. This broader information – when consolidated and reported in a consistent, standardised way – better indicates the scale of activity of an entity in a country, and its commensurate tax contribution.

Public CBC reporting frameworks are also used by investors and capital providers (e.g. shareholders) to assess risk and inform their investment strategies, based on accurate information garnered from the public disclosures.

[The Government's proposed public CBC model](#)

The Government's public CBC model is based on the Global Reporting Initiative's Tax Standard (GRI-207) and has been informed by public consultations undertaken in 2022, 2023 and 2024.

The GRI standard is based on the OECD's (confidential) CBC reporting model, and builds on it with enhanced reporting granularity to provide greater insights into the operational structure of an entity.

Consequently, Australia's model is more comprehensive compared to the EU's public CBC Directive. To assist taxpayers who will be reporting in the EU, care has been taken to ensure the data fields align with the EU reporting regime where possible. The principal differences are outlined below, and tabulated in **Attachment A**.

[Data labels](#)

The Australian public CBC model includes four additional data fields compared to the EU model, relating to:

- organisational statements on tax compliance (approach to tax),
- reconciliation statement on tax paid compared to the statutory tax rate,
- tangible assets (total book value), and
- revenue label (i.e. separates related party revenue and unrelated/third party revenues).

As the table in Attachment A demonstrates, the quantified data fields are already required under the OECD CBC reporting model. That is, they are not new data requests.

Source of data

In line with the GRI tax standard, Australia's proposed public CBC reporting model requires tax data to be sourced from audited consolidated financial statements (or if audited financial statements are not prepared, amounts that would be shown in a consolidated statement).

This compares to the EU's public CBC model which, consistent with the OECD approach, allows an entity to choose its data source from an entity's consolidation reporting packages, separate entity statutory financial statements, regulatory financial statements, or internal management account.

The GRI approach supports higher quality data disclosures, helping to ensure consistency and comparability of data. This better supports data analysis.

Exemptions for commercially sensitive information

The Australian public CBC model allows entities to apply to the ATO for a Commissioner's discretion to exempt a particular kind of information, for an individual reporting period. The Explanatory Memorandum to the Bill notes that information pertaining to national security and commercially sensitive disclosures are matters the Commissioner may consider in exercising this exemption. In this regard, the ATO will consult with stakeholders as they develop their public advice and guidance to provide stakeholders with more details on this process – this is consistent with standard practice.

The EU's model allows entities to 'temporarily omit' information, for a period of five years, if it would be "seriously prejudicial" to the commercial position of the entity. This is self-assessed by the entity.

Data fields

	Australian public CBC	EU public CBC	GRI	OECD	Reason for including in Australia's public CBC model
Statement on approach to tax	✓		✓		The approach an entity takes to engaging with stakeholders, including how it engages with tax authorities, is important information for stakeholders and investors to assess an entity's reputational risk.
Name of reporting entities in the CBC reporting group	✓	✓	✓	✓	
Description of main business activities	✓	✓	✓	✓	
Number of employees	✓	✓	✓	✓	
Revenue (aggregate)		✓		✓	
Revenue from unrelated parties (third party transactions)	✓		✓	✓	Transactions with unrelated parties are an indicator of an entity's scale of activity in a jurisdiction – read with related party revenues (below), it is a more granular disclosure than aggregated revenues.
Revenue from related parties (intra-group transactions)	✓		✓	✓	Transactions within a group (related party / intra-group) that take place between jurisdictions (i.e. cross-border) can influence the tax base of an entity by manipulating an entity's taxable presence in a jurisdiction (for example, interest payments to subsidiaries).
Book value of tangible assets	✓		✓	✓	Indicative of an entity's presence and scale of activity in a jurisdiction (e.g. where real economic activity and investment take place versus where profits may be shifted for tax purposes).
Profit/loss before income tax	✓	✓	✓	✓	
Income tax paid (cash basis)	✓	✓	✓	✓	
Income tax accrued (current year)	✓	✓	✓	✓	
Accumulated earnings		✓		✓	
Reasons for difference between income tax accrued and tax due (reconciliation)	✓		✓		Provides more detailed information on an entity's tax structure, to support investor's capital allocation decisions. Additionally, from December 2024, the US Financial Accounting Standards Board requires public business entities to reconcile the domestic statutory rate with the actual rate paid in their US income tax return (refer: fasb.org – topic 740).
Currency used for the report	✓	✓	✓	✓	

Data Source

Data source	Australian public CBC	EU public CBC	Reason for Australia's approach
Consolidated financial statements / consolidated reporting packages	✓	✓	Provides an authoritative data source, that supports data disclosures that are reported in a consistent, standard, and verifiable way. Supports data analysis.
Separate entity statutory financial statements		✓	
Regulatory financial statements		✓	
Internal management accounts		✓	

Exemption for commercially sensitive data

Exemption period	Australian public CBC	EU public CBC	Reason for Australia's approach
12 months (each reporting period)	✓ (Subject to Commissioner discretion)		Supports policy integrity by ensuring an objective assessment of the reason for not disclosing a data label and has regard for the current status of an entity (i.e. assessed on a year-by-year basis reflecting circumstances may change).
5-year exemption		✓ (self-assessment)	An entity can continue to engage the ATO on an annual basis for an exemption. This compares to the EU regime which, while allowing an initial self-assessment, ultimately requires entities to ensure information previously omitted is made public in a report, no more than 5 years after the original omission. The EU exemption does not apply to information pertaining to 'listed tax jurisdictions' (e.g. EU Blacklist and grey list non-cooperative jurisdictions). Refer, EU Directive 2020/2101, Article 48c, paragraph 6.