Australia's public country-by-country reporting proposals

Why does it matter?

On 6 April 2023, the Australian Treasury released draft legislation, *Public country-by-country reporting*, tax transparency measures for multinational entities (MNEs) to prepare for public release certain tax information. **Large MNE groups** will now need to publish their country-by-country (CbC) tax information and approach to taxation for the group. The disclosure requirements **draw on tax disclosures** in global frameworks such as the **Global Reporting Initiative (GRI) 207** but extends the scope to include **disclosures of effective tax rates determined under the BEPS Pillar Two framework.**

What is required?

In-scope MNEs will be required to provide qualitative and quantitative information to the Australian Commissioner of Taxation in an approved form: **names of each entity** in the CbC reporting group; description of the CbC reporting group's **approach to tax** (based on GRI 207-1); and certain **CbC quantitative tax information** for each jurisdiction the country-by-country reporting group operates in. This information will then be made publicly available.

What data needs be reported?

- Description of main business activities
- Number of employees
- Revenue from unrelated parties
- Revenue from related parties that are not tax residents of the jurisdiction
- Expenses arising from transactions with related parties that are not tax residents of the jurisdiction
- Profit or loss before income tax
- A list of tangible and intangible assets
- The book value at the end of the income year of tangible and intangible assets, other than cash and cash equivalents
- Income tax paid (on cash basis)
- Income tax accrued (current year)
- Effective tax rate (BEPS Pillar Two)
- Reason for the difference between income tax accrued on profit/loss and the tax due if the statutory rate is applied to profit/loss.

Who does it affect?

The proposals will apply to a 'country-by-country reporting' parent (generally either a constitutional corporation, partnership or a trust). Under Australian tax law, generally, to be a CbC reporting parent the entity's **annual global income must be A$1 billion or more.**

When will it likely apply from?

The new proposals will apply to the 2023–2024 income year or later income years. Publication of the CbC tax information and your approach to tax will need to occur within 12 months after the end of the income year.

Who needs to report?

The CbC reporting parent has the obligation to report the CbC tax information and the approach to tax. This parent entity could be **either Australian headquartered or foreign headquartered.**

What should taxpayers be doing now?

MNEs first need to work out if they are in scope of the new rules, then identify gaps in existing information requirements based on their current (non-public) CbC reporting to the revenue authorities and any other CbC reporting standards. Groups will also need to review whether their current tax strategy meets the requirements under GRI 207-1 Approach to Tax and put in place a governance model to manage the reporting requirements.

How KPMG can help

KPMG's Tax Transparency, Governance & Transfer Pricing Teams assist tax functions compile CbC reports and tax footprint, provide guidance on your compliance strategy, and help you strengthen your overall tax governance and processes.

Contact us to find out more

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