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Board of Taxation Secretariat
The Treasury – Sydney Office
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Simplifying the Voluntary Tax Transparency Code

Dear Board of Taxation

The Business Council of Australia (BCA) welcomes the opportunity to provide this submission to the consultation on Simplifying the Voluntary Tax Transparency Code (VTTC). Simplifying the reporting and compliance burden associated with the operation of corporate tax system should be an important element of the broader productivity agenda currently being pursued by the federal government.

The Business Council strongly believes all companies and individuals must meet their tax and legal obligations and continues to encourage member companies to adopt the Voluntary Tax Transparency Code. There are over 50 BCA member companies that have signed up to the Code and BCA member companies paid around \$40 billion of company tax in 2022-23, or around 26 per cent of all company tax paid.

The Tax Transparency Code has been an important addition to Australia's robust suite of tax integrity and transparency measures, which are "some of the most robust tax integrity rules in the world."¹ Large companies demonstrate a high level of compliance and paid around \$98 billion of income tax in 2022-23 or around two-thirds of all company tax paid.² The ATO has consistently highlighted its confidence in the tax compliance of large corporate groups.

The BCA supports the intent of the redesign, which is to update and simplify the code. Specifically, the revisions seek to minimise reporting duplication with new mandatory reporting frameworks like public country-by-country (CbC) reporting and to reflect changes in the broader tax transparency regime that have commenced since the VTTC was first introduced in 2016.

Flexibility in reporting format and the timing of reporting should be the main principles informing revisions. For example, some companies do not publish a standalone VTTC report because the relevant disclosures are incorporated into broader voluntary global tax transparency reporting disclosures. Ease of compliance will encourage further adoption of the Code.

¹ Treasury, "The Digital Economy and Australia's Corporate Tax System," Discussion Paper, October 2018.

² Australian Taxation Office, "ATO collects \$100 billion from large corporates," 1 November 2024.
<https://www.ato.gov.au/media-centre/ato-collects-100-billion-dollars-from-large-corporates>

The BCA also notes the importance of the Code remaining voluntary in both form and in substance. This is because the Code cannot ultimately rationalise the conflicts and inconsistencies inherent across the multiple tax transparency measures in operation that can result in the publication of several different measures of tax paid across different time periods.

The reconciliation between the three ATO tax transparency numbers and the VTTC numbers should also be optional, not a requirement. BCA members have raised particular concerns about the need to reconcile to the ATO Corporate Tax Transparency (CTT) disclosures. Given that the ATO CTT report for the 2024-25 income year is not expected to be published until late 2026, any reconciliation included in the 2025 Tax Transparency Report would refer to prior year data. This would limit its relevance to stakeholders, duplicate information already publicly available through the ATO and require investment of additional time and resources to prepare. The requirement to provide a detailed reconciliation to the ATO CTT could be removed, without a loss in overall transparency.

The linking to the public CbC reporting data should also be an option rather than a requirement for VTTC reporting. Members have raised concerns about the timing misalignment between Tax Transparency Report publication and due date of the public CbC report. The misalignment means that the requirement to include a link to CbC reports may not be met at the time of the Tax Transparency Report's publication. Even if this requirement were optional, it would give rise to some reputational risk if those companies that cannot include CbC data for the relevant year are then perceived as seeking to avoid disclosure. The disclosure of transfer pricing information, including the location of related parties, should also be optional and kept qualitative given its quantitative inclusion as part of public CbC reporting.

The BCA would welcome the opportunity to discuss any aspects of this submission in further detail as part of the Board of Taxation's consultation, with the long-term objective of consolidating transparency reporting arrangements in conjunction with future corporate tax reform efforts.

Yours sincerely

A handwritten signature in black ink, reading "PStojanovski". The signature is written in a cursive, flowing style.

Pero Stojanovski

Chief Economist

Business Council of Australia