



11 July 2025

Board of Tax Secretariat
The Treasury – Sydney Office
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Dear Board of Tax,

Revised Voluntary Tax Transparency Code (VTTC)

Following on from our meeting with the Board on Friday 27th June, please find attached some observations, recommendations and detailed responses to the Board's consultation questions on the revised VTTC.

Whilst we commend the secretariat's work on the revised VTTC, the overarching concern expressed by the CTA membership is whether the additional compliance cost and data points suggested by the revised draft are commensurate with the additional benefit perceived from revamping the existing code, given the development of mandatory reporting requirements under the Public Country-by-Country (CbC) reporting regime.

We note that most of the CTA membership report under the existing VTTC and will continue to do so. However, we do not expect there to be additional uptake of the VTTC. In fact, a recent survey of CTA members conducted in December 2024 shows some will opt out of the voluntary code given the introduction of Public CbC reporting in Australia and Europe.

This is not purely because of any increased compliance cost with implementation but through years of experience that indicate the Australian centric VTTC adds little to the public debate on high levels of tax compliance by large corporates. This has been driven by global developments with voluntary codes (such as GRI 207) and mandatory tax transparency codes (such as Public CbC reporting, and R&D disclosures) and other related disclosures (such as CEDS) since the code's inception in 2016. In our view, this is why the take-up of the code has stagnated.

In our view, if the aim of the changes in the VTTC is to increase community confidence in the tax system, we suggest as a minimum it is also complemented by further public transparency from the ATO on the level of voluntary compliance by the small, medium and large business sector.

If you have any questions, please do not hesitate to contact either Michelle de Niese or me.

Yours sincerely

Paul Suppree
Assistant Director
Attach.

Redesigned VTTC

The following attachment provides some observations, key recommendations on the redesigned VTTC and also detailed comments on the consultation paper questions.

1 Observations

1. The separation of the reporting groups into Public CbC reporters and others is welcome.
2. Some taxpayers will use the introduction of Public CbC reporting as a rationale to look at refreshing current reporting options, but not all.
3. The revised VTTC template is useful for those who are potential new entrants or for those looking at redesign of reporting. The Board should not expect it to be adopted by existing reporters given current processes for preparing reports are already embedded in reporting systems.
4. The Board should not expect an increase in the number of disclosing groups from the large private sector, sovereign wealth funds or foreign headquartered groups given most will be covered by Public CbC reporting.
5. A CTA survey of members in December 2024 showed that 5 of the 41 respondents (12%) who are current VTTC reporters will cease reporting under the VTTC post the introduction of Public CbC reporting. Care is needed to avoid a revised VTTC (which adds additional requirements) that provides further impetus for taxpayers to reconsider their position on the use of the VTTC.

2 Key Recommendations

To ensure there is minimal backslide risk and the potential for further uptake of the VTTC:

1. Flexibility in reporting format should remain to cater for taxpayers who are reporting under various international tax reporting standards (GRI, EITI) notably in the extractive and banking industries. Taxpayers should retain the choice of having a separate Australian centric tax transparency report, or tax reports, as part of wider sustainability reporting obligations, or as a subset of current global tax reporting.
2. The timing of any reporting should be left flexible to best align with existing tax/ESG reporting obligations and future obligations under Australian and EU Public CbCR regimes. Alignment of the timing of the VTTC with Public CbC reporting generally suits those groups with standalone global tax reporting (such as those subject to the EITI transparency initiative). Others prefer reporting to be part of financial reporting and sustainability reporting obligations that occur earlier than Public CbC reporting timeframes.
3. The reconciliation to the 3 ATO transparency numbers (CTT) and the VTTC disclosures should be optional. Some taxpayers deal with the release of the CTT at the time of their release. If

considered a requirement, a qualitative explanation of the differences/reconciliation should be sufficient.

4. The material transfer pricing disclosures should be optional and kept qualitative given Public CBC reporting should provide sufficient detail for users of related party transactions. Referencing material impacts on Australia taxable income is unclear. For example, selling goods at an arm's length price has a material impact on taxable income but doesn't reflect anything but the application of the arm's length standard.
5. Hypertext linking to Public CBC reports rather than separate disclosures in any VTTC report should be optional.
6. The ETR definition should follow accepted accounting definitions of the international or home country accounting standards, not only Australian GAAP or a purpose-built Australian tax transparency ETR.
7. The definition of "approach to tax" should be consistent with GRI 207.
8. The VTTC should adopt a numbering system that ties to GRI 207 to help with the user experience where VTTC reporting is a subset of other transparency reports.
9. The VTTC should remain voluntary in form and substance. Suggestions to encourage uptake such as access to government contracts will potentially turn the VTTC into a quasi-mandatory scheme and restrict competition. This recommendation should be considered in the context of the avalanche of mandatory reporting requirements that current VTTC participants are currently grappling with, in most cases without additional resourcing.

3 Consultation questions - Updating and Simplifying The VTTC

Structure Design and usability:

1. Is the structure and design of the draft VTTC clear and simple to follow, particularly for new VTTC participants?

Yes

2. Do you consider the design of the VTTC, with reporting separated between 'Public CbC reporters' and 'Non-public CbC reporters', clear and logical to follow?

Yes

3. How can the VTTC design and structure be improved?

It would be helpful if the requirements (and optional items) had a numbering system, as there are multiple global reporting frameworks with overlapping and/or similar requirements, and many MNEs are using one document to satisfy all of these. Being able to cross reference systems helps

direct users to the transparency disclosures and understand what they are looking at under a particular framework.

For example, the GRI numbering system works well with a mix of alpha (for required items) and numeric (for optional items).

4. How should the guidance material be presented within the VTTC for the best user experience? Should guidance be included under each respective reporting requirement or removed and captured in a separate Appendix?

Flexibility in format is crucial.

Some MNEs, particularly in the extractive sector, are users of multiple transparency frameworks, and as such there is a preference for guidance to be published within the same document as, and immediately following, the requirements, as is done in GRI207, not in a separate document or appendix. This promotes concise and single source information, minimises redrafting and encourages disclosing entities to approach implementation with references to principles rather than prescriptive interpretation, promoting wider adoption otherwise impeded by a more rigid and prescriptive approach.

The only exceptions to this are the "Template format of VTTC" reports which should remain as a stand-alone appendix or separate files, and the checklist which should remain in an appendix.

For those that do not produce a standalone report (as it is part of a wider ESG reporting suite), they should be able to continue that process. A numbering system could be used to allow that component of the ESG reporting suite to reflect a standalone VTTC report.

5. Does the inclusion of the example template format for VTTC reporting and the self-assessment reporting checklist sufficiently support VTTC participants and encourage consistency in reporting?

Yes, as do the flags indicating where alignment with GRI 207 has been achieved.

Is there any additional guidance that the Board can provide?

GRI in some instances allows choice between measures/methods (such as FTE). In such cases, the choice needs to be disclosed and be applied consistently year on year. The VTTC could include similar guidance.

In regard to the ETR and other financial measures disclosed, those measures should be based on the consolidated accounts prepared using recognised accounting standards which include IAS and GAAP etc, as long as it is audited, and consistently applied. It appears that currently only AASB is referenced. Minimising inconsistencies is important and better aligns with global standards as well as both public (Australia and EU) and non-public CbC reporting requirements.

Objectives

6. Do you consider the objectives of the VTTC to be clearly articulated?

Yes, although we note the VTTC is specifically dealing with income tax, not all taxes.

7. Do the updated objectives meet your understanding of the purpose of the VTTC?

Yes

8. Are there any elements of the objectives that could be revised?

Yes. It should be made clearer they relate to income tax affairs, not “tax affairs”. On the last bullet point, we suggest it reads:

- “Complements access and visibility for stakeholders to view and compare the income tax affairs of large economic groups”.

This suggestion is to reflect that in practice, for public CBC reporters the VTTC will be complementary to the mandatory public CbC regime on a prospective basis.

Disclosure Criteria

9. Has the draft redesigned VTTC met the objective of reducing the reporting duplication and compliance burden, particularly for ‘Public CbC reporters’ who are required to report under the public CbCR regime?

Not completely. It would be better if the following suggestions were adopted:

- a. There was the optional requirement to report on jurisdiction by jurisdiction to further promote compliance with GRI 207-4 and options under public CbCR.
- b. There was less focus on Australian bespoke reporting such as the CTT reconciliation and International Related Party Dealings requirements as these are adding to, not reducing, duplication, given Public CbC reporting. These two requirements should be optional.

10. For current VTTC participants who are required to publish reports under the public CbCR regime, do you intend to continue publishing VTTC reports as a ‘Public CbC reporter’ under the draft redesigned VTTC?

Some do not publish the VTTC as a stand-alone report. The disclosures covered by the VTTC are incorporated into broader voluntary global tax transparency reporting disclosures. In this sense, the VTTC makes it more difficult by requiring Australian only disclosures that would disproportionately require time and page space compared to the geographic and economic spread of businesses, and different levels of tax complexity in each of the jurisdictions taxpayers operate in.

A CTA survey in December 2024 received 41 responses to the question “Will you continue to publish under the VTTC once public CbC reporting is enacted”? 36 (88%) said they would continue to report and 5 (12%) said they will stop reporting.

Simplifying the Voluntary Tax Transparency Code

11. Do you consider the updated VTTC reporting requirements for 'Non-public CbC reporters' to be sufficiently simple and clear to encourage participation in the VTTC?

Yes, with the exception of the reconciliation to the CTT and the International Related Party Dealings summary. The inclusion of the listing of cross-border transaction counter party jurisdictions may be unattractive to new participants and is better included as an option, particularly as this is essentially covered by Public CbC reporting.

12. When reviewing the updated VTTC reporting 'requirements' and the 'optional elements', do you consider:

1. The requirements and optional elements interact appropriately with other global and domestic tax transparency measures?

2. Any requirements or optional elements should be removed or revised? If so, please specify.

- Overview – requirement for a statement that the TAA is complied with - this is already covered in GRI 207-1-a-iii.
- Reconciliation to ATO Corporate Tax Transparency disclosures - reconciliation to CTT (requirement) and other explanations (requirement) should be optional. Replace with the reconciliations and/or explanations already included in the existing GRI / Public CbCR measures as being sufficient:
 - - reconcile / explain differences in current year tax accrued to tax paid - group level
 - - reconcile / explain differences in ETR to Statutory corporate tax rate - jurisdictional level
- Where the disclosing entity does not meet the requirement to disclose its approach to transfer pricing, or adoption/application of OECD principles for Australia, then the requirement to disclose the counterparty jurisdiction to all key categories in cross-border transactions materially impacting Australian taxable income remains, otherwise it should be an optional requirement.
- Total Tax Contribution – Australia (required) and Globe (optional). Clarify this is different to or the same as the Public CbCR requirement - if the same, provide the legislative reference/consistent language to the Public CbCR requirement (e.g. corporate income tax paid or corporate income tax accrued or if this can be either accompanied by the description).
- International Related Party Dealings summary – last optional element referring to “tax incentives” should be updated to “Income tax incentives” to align with accounting standards used to derive the income tax accrued and income tax paid financial statement metrics used for Public CbCR disclosures.

3. Any additional reporting requirements or optional elements should be included? If so, please specify.

- For Public CbCR reporters, change from 'optional' to 'require' the Australian disclosure regarding the approach to transfer pricing/value allocation of value for all material transactions, but make it optional for global disclosures.
- Add the option to align with GRI 207-4 reporting jurisdiction by jurisdiction

13. Do you agree, for simplicity, that the VTTC optional elements should align with the GRI 207, or should the VTTC leverage other international reporting guidelines further?

Align with GRI 207 as much as possible. Additional leveraging from other regimes increases the complexity and compliance burden and becomes a disincentive to participation.

Timing and transitional issues

14. For 'Public CbC reporters', does aligning the preparation and publication of the VTTC with the public CbC report provide the most beneficial and efficient timing option?

For some this makes sense where they have standalone global tax transparency reporting, notably in the extractives sector (oil and gas, mining). This is particularly the case where the preparation of such reporting is managed offshore (i.e. EU public CBC, EITI etc). For others (notably non extractive industry players who are headquartered in Australia), it will further complicate reporting that is currently embedded in financial reporting happening closer to the fiscal year end. Delaying VTTC reporting to align with Public CbC is not optimal and is seen by some as making what is a voluntary code mandatory.

Are there other preferred timings for publication of the VTTC?

Timing should be left to the taxpayer to decide what best suits their mandatory tax and non-tax reporting obligations, particularly as many have embedded VTTC processes into ESG reporting timetables and resourcing.

15. Noting the first public CbC reports are due by 30 June 2026 (for 30 June reporters), what are your views or preferences for when the redesigned VTTC should first take effect?

Suggest that adoption occur to align with the second year of Public CbCR as a transitional measure, with option to early adopt.

16. Do you consider inclusion of the 'reconciliation to ATO CTT' in the draft redesigned VTTC to be of value noting the proposed VTTC publication timing is likely to be prior to the ATO CTT Report publication (see below timelines)?

Little value is seen in the inclusion of the CTT reconciliation given the CTT has often very little relevance to underlying tax performance. A narrative or qualitative explanation to outline the differences between the sets of data could be provided, although we note that the ATO provide a detailed explanation of what the CTT numbers do and do not mean, including that 30% of taxpayers (but only 20% of economic groups) do not pay tax in a particular year for legitimate reasons.

We strongly recommend a CTT reconciliation should be left optional for taxpayers to consider as either part of the VTTC report (as some do), a narrative or media release provided when the ATO release the CTT data (as some do), or not at all.

It can more appropriately be addressed via:

- reconciliation; or
- attestation that there are no material differences to CTT, or if there are, explain those material differences.

This avoids additional compliance burden in situations where the reconciliation/process is of limited value.

We note that the CTT does not align to the preparation basis, timing or aggregation used for Public CbCR or accounting consolidation and the timing of publication is not controlled by taxpayers.

We also note the following:

- a. The example notes "temporary" and "non-temporary" differences, which isn't more helpful than a narrative to explain why the current year tax accrued (or paid) is significantly more/less than tax calculated at the statutory rate (or accrued). If there were material permanent differences, for example, this could be disclosed more fully through a narrative format rather than a table.
- b. The CTT is based on tax returns and tax law, whereas the current year accrual is based on accounting standards and accounting provisioning processes. These are necessarily different each year and tax adjustments accounted for in the following year after returns are filed and timing differences are finalised. Such differences are generally not material and do not require restatement of financial statements, however they would represent a reconciling item with the CTT. Amended tax returns may also cause differences, and to provide reconciliations of these 1-2 years later is overly burdensome and better dealt with through the explanations and narrative regard ETR, tax accrued/paid etc
- c. CTT is based on the tax consolidation group or a single taxpayer, whereas financial statement data is based on accounting group consolidation, smaller group consolidation, or single legal entities. These do not align to the data points being published. There may also be Australian taxpayers in accounting consolidation that do not meet the CTT threshold. The reconciliation would therefore need to be very granular to be of any value if used as a number checking exercise.
- d. The timing of the CTT is problematic. It requires introducing a prior year data reconciliation which potentially detracts from the clarity and focus of the current year data and explanations. Note that for a SAP taxpayer with a 31 December year end, the tax return filed for the 31 December 2025 year end is deemed to be the filing for the 30 June 2026 tax year, which is then released for CTT in Oct/Nov 2027. This means the data is almost 2 years old when the reconciliation is published, or if the MNE's reporting suite is already released before the CTT is released, the reconciliation may not be prepared and published until the following cycle.

e. The CTT excludes losses, leaving the taxable income field blank in those cases. Therefore, even where the tax and accounting loss are the same number, a reconciliation/explanation would be required in any event.

f. The ATO already provide extensive reasons as to what the CTT numbers do and don't mean every year.

Potential approaches to deal with this timing include:

1. The VTTC requires a reconciliation of the data as an addendum to the current year VTTC report, once the ATO CTT Report is published; or

This is the least preferred option, as it requires republishing an already released report which is not the usual/best governance practice.

- The VTTC requires the current year data to be reconciled in the following year VTTC.

This removes focus from the current year data and could be confusing. For SAP reporters that are early balancers, this would be more than one year later. E.g. the 31 December 2025 balance date is the 30 June 2026 lodgement, which is released for CTT in late 2027. That reporter would be reconciling 2025 data in a report released in 2027.

Do any issues arise with respect to the above approaches and which approach is preferable?

The main issue is any reconciliation involving tying consolidated accounting data to individual tax return data is not a 'natural process' and requires additional work. We believe this has limited utility to the reader and further detracts from VTTC uptake. Similar questions will arise as to the requirement to reconcile with Public CbC reports or R&D numbers, and we believe this will add confusion rather than clarification given the differences in definitions and what is disclosed. It is particularly the case for non-Australian reporters where the Australian business is small in comparison to the group's global footprint.

The required nature of the reconciliation will in our view deter new uptake of the code and should be made optional.

International Related Party Dealings Summary

For a foreign based MNE already making high quality tax transparency disclosures, the requirement to focus on Australia in this section of the VTTC and specifically referencing the threshold "material impact on the Australian taxable income" is more granular and less valuable than existing best practice which is to discuss the principles of TP and Compliance before providing material examples in the context of operating locations and business structure. In our view, it is unlikely to entice MNEs with a smaller presence in Australia to want to adopt the VTTC, particularly if already reporting in compliance with GRI / B Team.

Data provided by Public CBC reporting will be dissected into Australian data and the data of disaggregated countries and provides verifiable data in a consistent format to allow for comparisons. This can be directly linked to the VTTC.

A simple qualitative disclosure of material related party dealings coupled with the Public CBC data should be sufficient, with reporting any qualitative and quantitative matters being optional.