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Updating and Simplifying the Voluntary Tax Transparency Code - KPMG submission

KPMG Australia (**KPMG**) welcomes the opportunity to respond to the Board of Taxation's (**BoT**) Consultation Paper on the [Redesign of the Voluntary Tax Transparency Code \(VTTC\)](#).

We commend the BoT for its work both in administering the VTTC for disclosing company tax related information to interested stakeholders, and now redesigning the VTTC given developments in the Australian and global tax transparency landscape.

We support the balance reached between transparency and the compliance burden of the redesigned VTTC. The reduced reporting requirement for public country-by-country (**CbC**) reporting entities is welcome to avoid duplication across regimes. The reconciliation to ATO corporate tax transparency (**CTT**) data provides an avenue for businesses to explain the context of the ATO data. In addition, the continued model to capture tax contribution beyond income taxes and alignment to Global Reporting Initiative (**GRI**) 207-2 and 207-3 provide a consistent ability to narrate tax contribution and the approach to tax more holistically.

We provide a number of ancillary observations in the **Appendix**.

We look forward to continuing our engagement with the BoT. Should you require further information or wish to discuss our submission, please contact us.

Yours sincerely,

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Appendix

Additional feedback

We make the following additional comments:

- Non-corporate entities – the original VTTC included guidance for non-corporate entities, namely that while the VTTC was designed with companies in mind, superannuation funds, trusts or partnerships may wish to voluntarily adopt the VTTC by adapting its principles as far as possible. It would be helpful for the redesigned VTTC to include this same guidance, noting that some of these entities will be public CbC reporters.
- Basis of preparation statement – the 2019 consultation on the VTTC proposed the inclusion of a statement to describe the basis of preparation of the tax transparency report. This feature was picked up by several of the reporters and we believe this is an important feature of such reporting, particularly in a voluntary framework for reporters to confirm the application of the VTTC and augment where required the basis of the information provided beyond that of the VTTC.
- Reconciliation to ATO CTT data – we believe this to be of value and consider that a current year voluntary tax transparency (**VTT**) report should include a reconciliation of prior year data, to avoid the publication timing issue raised in the consultation paper (i.e. we support approach 16.2 of question 16). In our experience, the preparation of a VTT is a ‘once a year’ exercise, so businesses would prefer not repeating the process a few months later (including obtaining requisite sign-offs) in order to prepare the addendum.
- Finalisation of AASB guidance – while the consultation paper references the AASB guidance material in relation to effective tax rate, we understand this remains in draft. The AASB should be encouraged to finalise its guidance as part of the redesigned VTTC.
- Location of guidance material – in our view the better user experience will be achieved by locating the guidance material under each respective reporting requirement.
- Timing of reporting - generally we support the suggestion that reporting under the VTTC occurs at the same time as under the public CbC regime for those entities impacted by the latter, we would however recommend that such timing is a suggestion only - providing flexibility amongst other demands on reporters and as such potentially supporting a higher take up of the VTTC.
- Who should report – we note the absence of guidance on what “larger business” means in terms of revenue size. Whilst this provides groups with flexibility and recognises the inherent voluntary nature of VTTC, it may create some confusion through the lack of clarity.
- Approach to tax - tax governance, control and risk management – as an optional element, for consistency with GRI 207-1 we would suggest including ‘how the

approach to tax is linked to the business and sustainable development strategies of the organisation.'

- Stakeholder engagement - as an optional element, mention involvement with industry and related bodies and not just the tax regulator, again for consistency with global better practice.
